Pacific Basin

WELL POSITIONED FOR THE FUTURE

#WithYouForTheLongHaul

ANNUAL REPORT 2022

STOCK CODE: 2343

OUR BUSINESS

Who We Are

We own and operate dry bulk cargo ships. Our business is customer focused, providing over 500 industrial users, traders and producers of dry bulk commodities with a high-quality, reliable and competitive freight service under spot and long-term cargo contracts. We are headquartered and listed in Hong Kong and operate globally with a large fleet of ships trading worldwide

Seamless Service Provided by Our Excellent Team

373 shore staff
in 14 key locations around the world

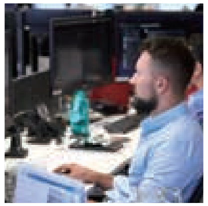
3,900+ crew
served on our owned ships in 2022

1,750+ voyages
completed in 2022

Our Business Principles

- We are passionate about our customers, our people, our business and our brand
- We honour our commitments, and we value long-term relationships over short-term gain
- We offer a personalised, flexible, responsive and reliable service, and look for ways to make it easier to do business with us
- We take a sustainable business approach and promote high standards of safety, wellbeing and environmental responsibility
- We are all corporate ambassadors and share a strong sense of belonging to our Pacific Basin family
- We are caring, good humoured and fair, and want all our colleagues to feel safe, wanted and trusted
- We value diversity, and we treat everyone with dignity, respect and equality of opportunity
- We target excellence and success through dedication and teamwork
- We continuously look to enhance our business model, our service and our conduct in everything we do
- We look for collaboration to tackle our industry's challenges

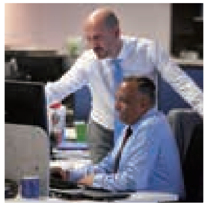
p.37 Sustainability Highlights



500+
customers

Customers first

Our customer-focused business model drives innovative customer engagement and service, high service reliability, enhanced customer satisfaction and an excellent industry reputation



14
Offices

Experienced team

Our staff operate globally with a local presence; our network of customer-facing offices ensures we create strong bonds, collaboration and trust with our customers, driving insight and knowledge back into our business so we can deliver the best service

243
owned and operated ships

Exceptional fleet

We operate one of the world's largest fleets of interchangeable modern Handysize and Supramax ships, equipping us for efficient trading and reliable service any time and anywhere

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Key to navigation symbols

Linkage to related details within the Annual Report

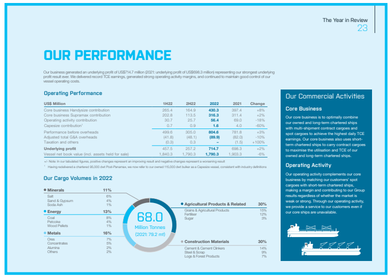
Linkage to related details on our website www.pacificbasin.com

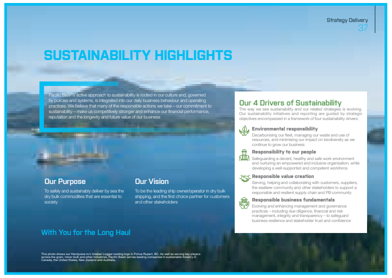
ESG Linkage to related details in our Sustainability Report 2022

KPI High-level KPIs (Key Performance Indicators)

A Audited Information

FEATURED IN THIS REPORT





BUSINESS HIGHLIGHTS

Our Best Ever Financial Results

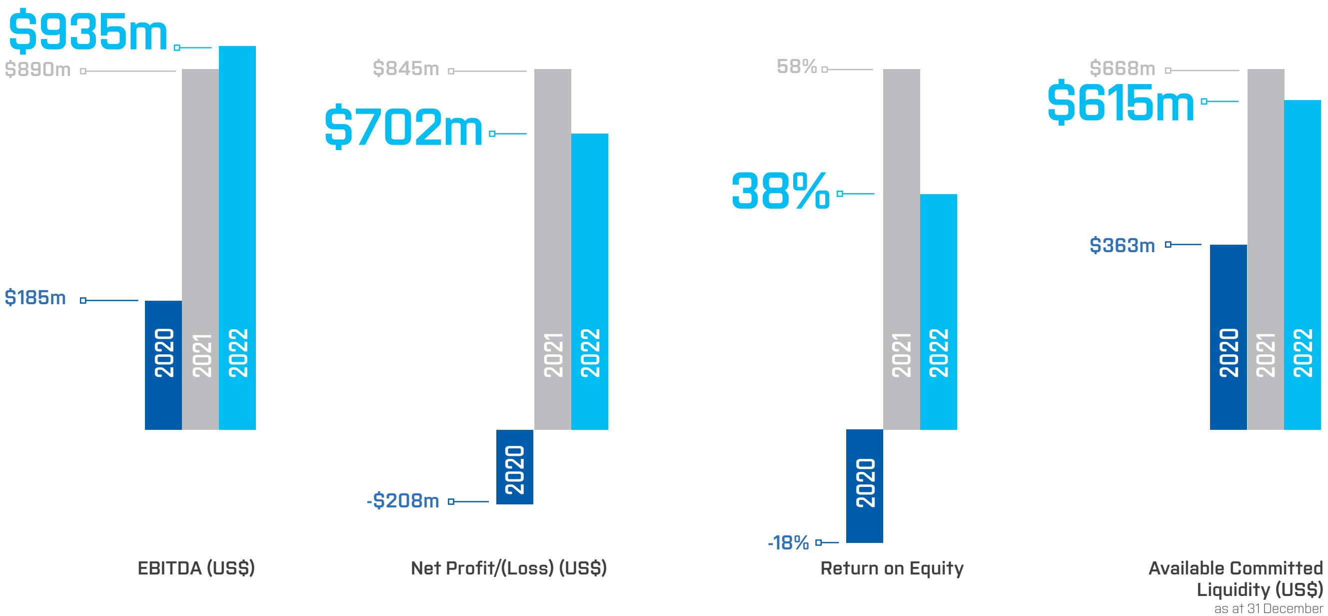
In 2022, Pacific Basin achieved record-breaking results in both underlying profit and EBITDA, with US$715 million and US$935 million respectively – exceptional in a historical context. This was further supported by our second-best net profit of US$702 million, resulting in a strong return on equity of 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.

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.



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

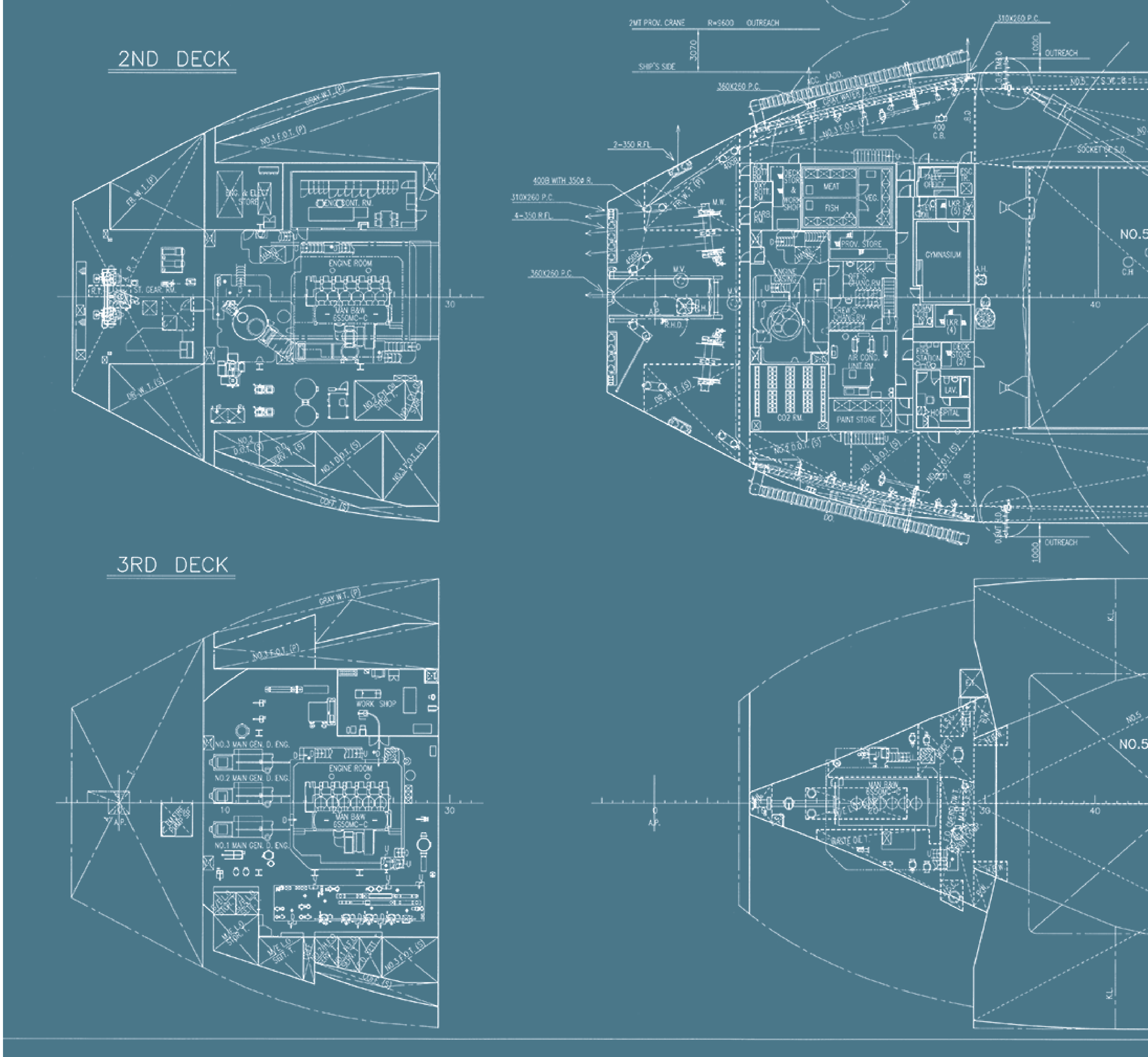
Find out more in our Chief Executive's Review on p.13

FINANCIAL HIGHLIGHTS

	2022 US$ Million	2021 US$ Million
Results		
Revenue	**3,281.6**	2,972.5
Time-Charter Equivalent ("TCE") Earnings	**2,216.7**	2,091.4
EBITDA[1]	**935.1**	889.9
Underlying profit KPI	**714.7**	698.3
Profit attributable to shareholders	**701.9**	844.8
Balance Sheet		
Total assets	**2,648.7**	2,745.4
Total cash and deposits	**443.9**	459.7
Available committed liquidity	**615.0**	668.4
Net cash/(borrowings)	**65.3**	(128.4)
Shareholders' equity	**1,907.4**	1,831.2
Capital commitments	**42.4**	16.8
Cash Flows		
Operating	**935.3**	850.4
Investing	**63.2**	(334.0)
Financing	**(949.1)**	(433.0)
Net change in cash and cash equivalents	**49.4**	83.4
Per Share Data	**HK cents**	HK cents
Basic EPS	**109.1**	139.1
Dividends (including HK26.0 cents special dividends) KPI	**78.0**	74.0
Operating cash flows	**145.2**	140.0
Shareholders' equity	**283.9**	295.6
Share price at year end	**HK$2.64**	HK$2.86
Market capitalisation at year end	**HK$13.9bn**	HK$13.8bn
Ratios		
Net profit margin	**21%**	28%
Return on average equity	**38%**	58%
Total shareholders' return	**31%**	105%
Net cash/(borrowings) to net book value of owned vessels KPI	**4%**	(7%)
Net cash/(borrowings) to shareholders' equity	**3%**	(7%)
Interest cover KPI	**45.3x**	30.1x

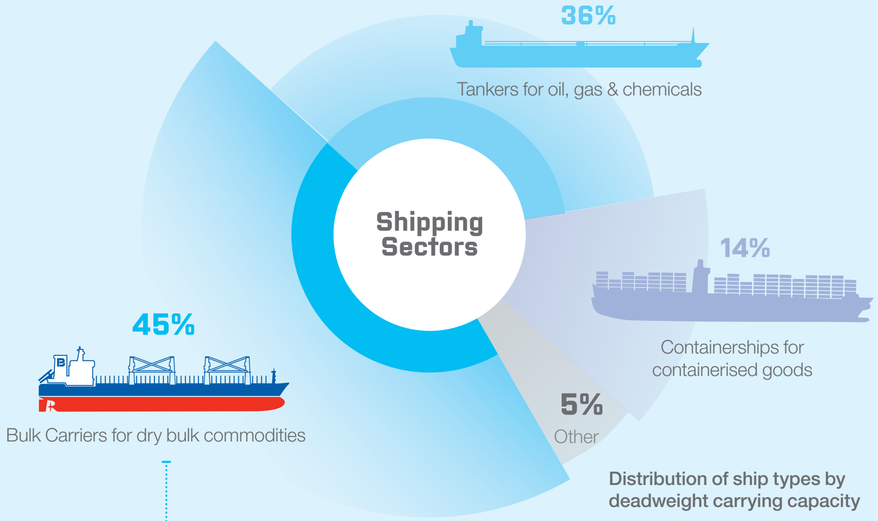
[1] EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation and unrealised derivative income and expenses

OUR BUSINESS



OUR INDUSTRY

The dry bulk industry carries dry commodities and other non-containerised cargo. Larger vessels including Capesize and Panamax carry mainly iron ore, coal and grain. We specialise in the versatile, mid-size, geared Handysize and Supramax ships that carry a wide range of minor bulks and grains which offers significant benefits of diversification in terms of geography, customers and cargoes.



Distribution of ship types by deadweight carrying capacity

(Source: Clarksons Research)

	Bulk Carrier Ship Types	Percentage of Global Dry Bulk Capacity	Versatility	Main Commodities Carried
Our Focus – Minor Bulks with cranes	Handysize 10,000–40,000 dwt	12%	More Versatile	Minor Bulks: Grains, Ores, Logs/Forest Products, Bauxite, Sugar, Concentrates, Cement & Clinker, Coal/Coke, Fertiliser, Alumina, Steel, Petcoke, Salt, Sand & Gypsum, Scrap
Our Focus – Minor Bulks with cranes	Supramax incl. Ultramax 40,000–70,000 dwt	23%		
Major Bulks without cranes	Panamax incl. Post-Panamax 70,000–100,000 dwt	25%	Less Versatile	Major Bulks: Grains, Coal, Iron Ore
Major Bulks without cranes	Capesize 100,000+ dwt	40%		

Few ports, few customers, few cargo types, low scope for triangulation

Many ports, many customers, many cargo types, high scope for triangulation

OUR FLEET

Pacific Basin is one of the world's largest owners and operators of modern Handysize and Supramax dry bulk ships

Our geared bulk carriers are highly versatile self-loading and self-discharging ships

Our ships transport mainly minor bulks including agricultural products, raw materials, construction materials and other essential bulk commodities

Our cargo mix comprises mainly non-fossil fuel commodities

The minor bulk segment offers benefits of diversification in terms of geography, customers and cargoes enabling triangular trading, high laden utilisation and greater carbon efficiency

Our ships are laden with cargo over 90% of the time

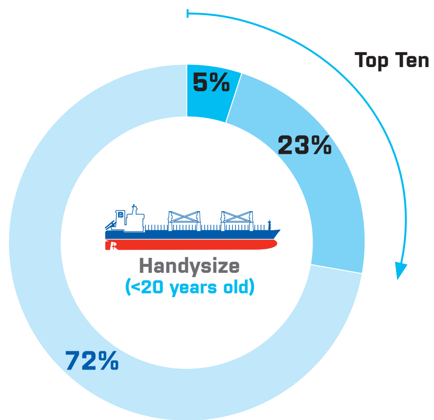
	Vessels in Operation			Total	Total Capacity	Average Age
	Owned[1]	Long-term Chartered	Short-term Chartered[2]		(Million dwt) Owned	Owned
Handysize	72	9	29	110	2.5	13
Supramax/ Ultramax[3]	43	9	80	132	2.5	11
Capesize	1	-	-	1	0.1	12
Total	116	18	109	243	5.1	12

As at 31 January 2023

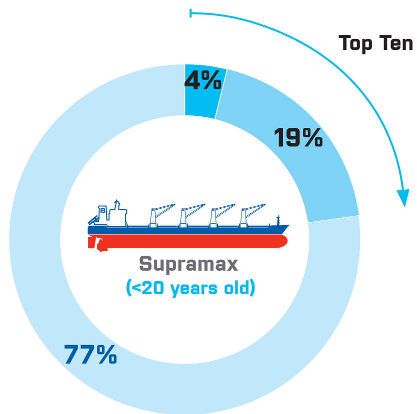
1 Including 1 Supramax vessel expected to be delivered within February 2023

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



We operate approximately 5% of the global 25,000-40,000 dwt Handysize fleet of less than 20 years old



We operate approximately 4% of the global 40,000-70,000 dwt Supramax fleet of less than 20 years old

Pacific Basin   Other Top Ten   Others

Source: Pacific Basin, Clarksons Research

WHY MINOR BULK

Attractive Characteristics of Minor Bulk

- More diverse customer, cargo and geographical exposure enables high utilisation
- A segment where scale and operational expertise make a difference
- Better daily TCE earnings driven by a high laden-to-ballast ratio
- Sound long-term demand expectations and modest fleet growth

A Focused Approach – Offering Benefits of Diversification

Diversified geography, customers and cargoes	500+ customers globally	Our largest customer represents only 3% of our volumes	Our top 25 customers represent 31% of our volumes

We are one of the world's largest Handysize and Supramax owner-operators in a highly fragmented market that revolves around the carriage of minor bulks.

Minor bulk commodities are very varied, controlled by a large number of customers and transported via a large number of ports globally. This segment requires versatile self-loading and discharging ("geared") ships of "handy" proportions to allow them access to the many ports around the world restricted by shallow water, locks, narrow channels and river bends.

By contrast, cargo demand for large bulk carriers comprises only a few major bulk commodities controlled by a handful of cargo owners and transported through a much smaller number of ports, making them heavily dependent on relatively few trades and hence their prospects are more volatile. Their activity is typically characterised by one-way transportation resulting in lower laden utilisation.

We are focused on a particular ship segment and size, but are diversified geographically and in terms of customers and cargoes. This allows us scope to triangulate our voyages – such as by combining fronthaul and backhaul trades – and thus enhance our vessel utilisation and earnings. We do not participate in the volatile freight earnings that large bulk carriers can achieve, but we are well positioned to achieve our important aim of generating a steadier and more sustainable earnings stream with better protected earnings in any down-cycle whilst enjoying strong earnings in the up-cycle.

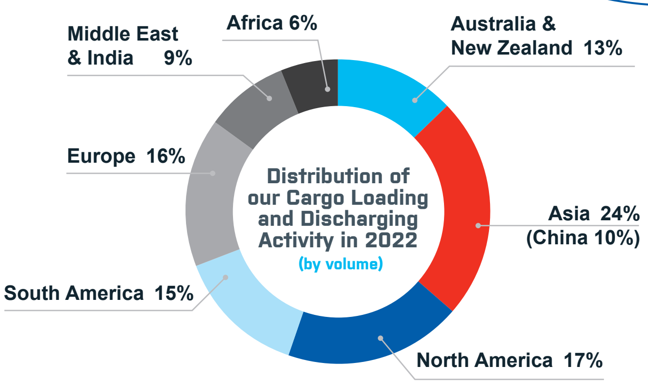
Our earnings reliability is further enhanced by the fact that global Handysize capacity has experienced only relatively modest growth in the past decade compared to the much larger expansion of the major bulk fleets.

OUR GLOBAL REACH

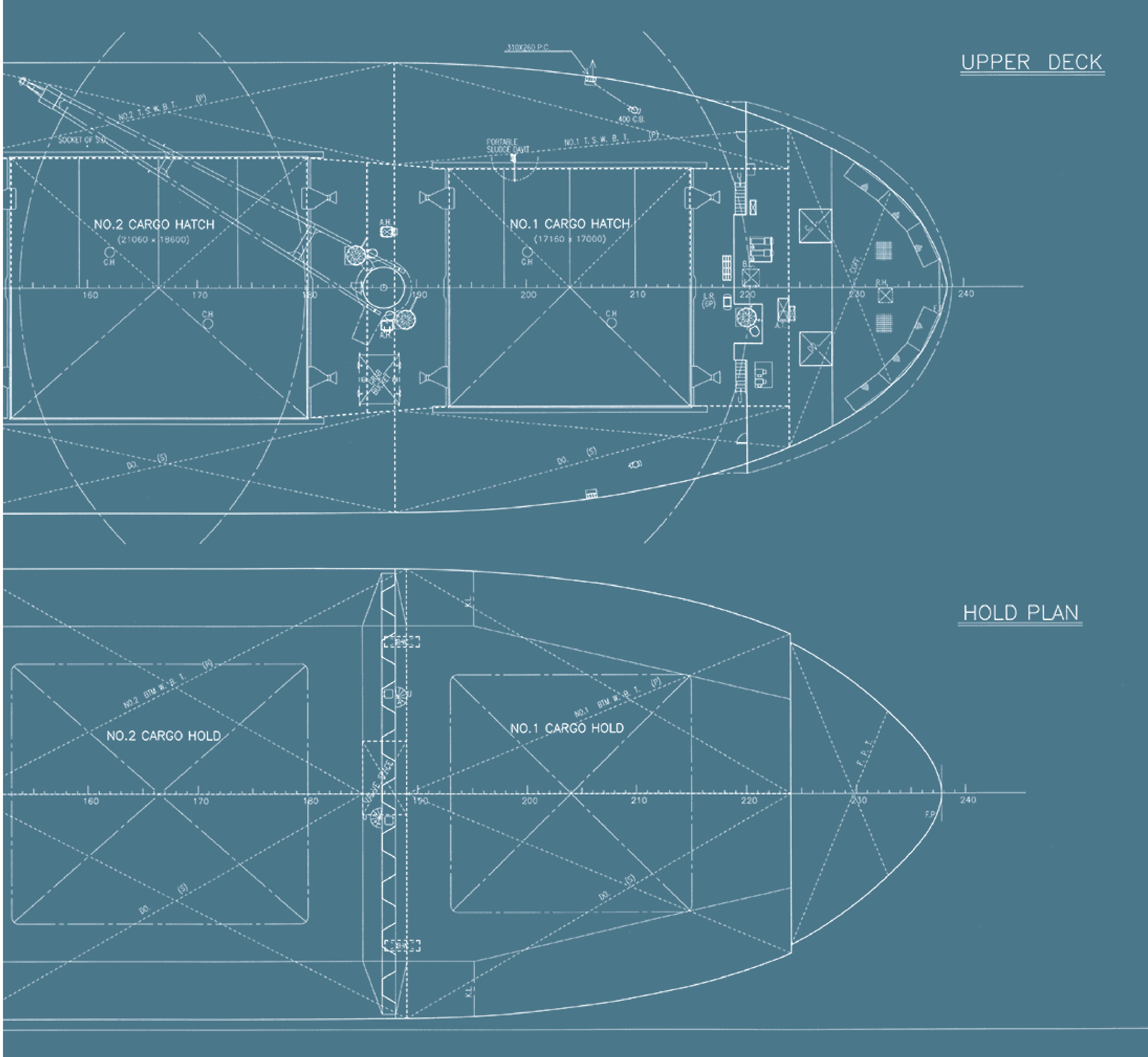
14 office locations

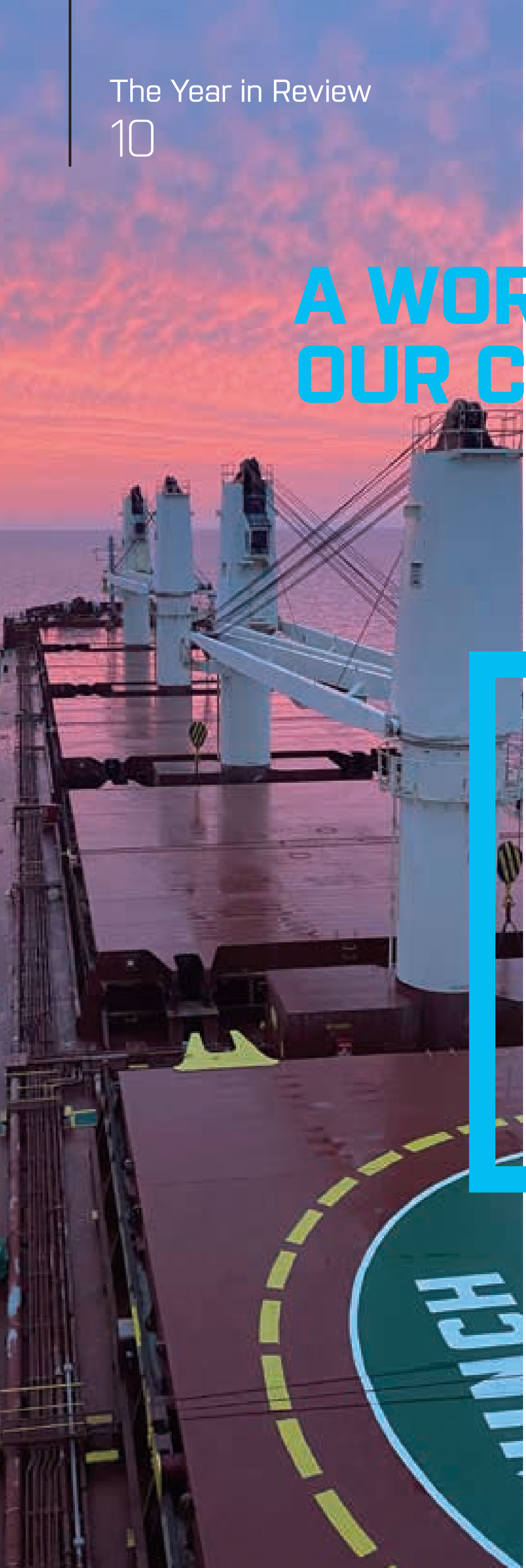
- 11 commercial offices
- 4 technical & crewing offices

Our Hong Kong headquarters is home to commercial, technical, crewing and all central functions



THE YEAR IN REVIEW





A WORD FROM OUR CHAIRMAN

David Turnbull

Chairman

The Company continues to prove that its business model enables us to deliver sector-leading returns to our shareholders while also supporting high-quality service to our customers. We continue to invest in our fleet to further improve our scale and ability to optimise our performance, while maintaining the highest levels of safety and wellbeing for our seafarers

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.

p.34 Delivering on Our Strategy

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.

p.37 Sustainability Highlights

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.

ESG Sustainability Report 2022
www.pacificbasin.com/sr2022

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.

ESG Sustainability Report p.35
Health & Safety Performance in 2022

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.

p.42 Corporate Governance

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 Directors. 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.

p.62 Our Directors

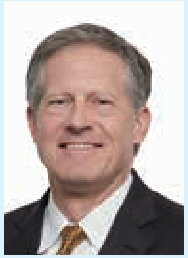
Well Positioned for the Future

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



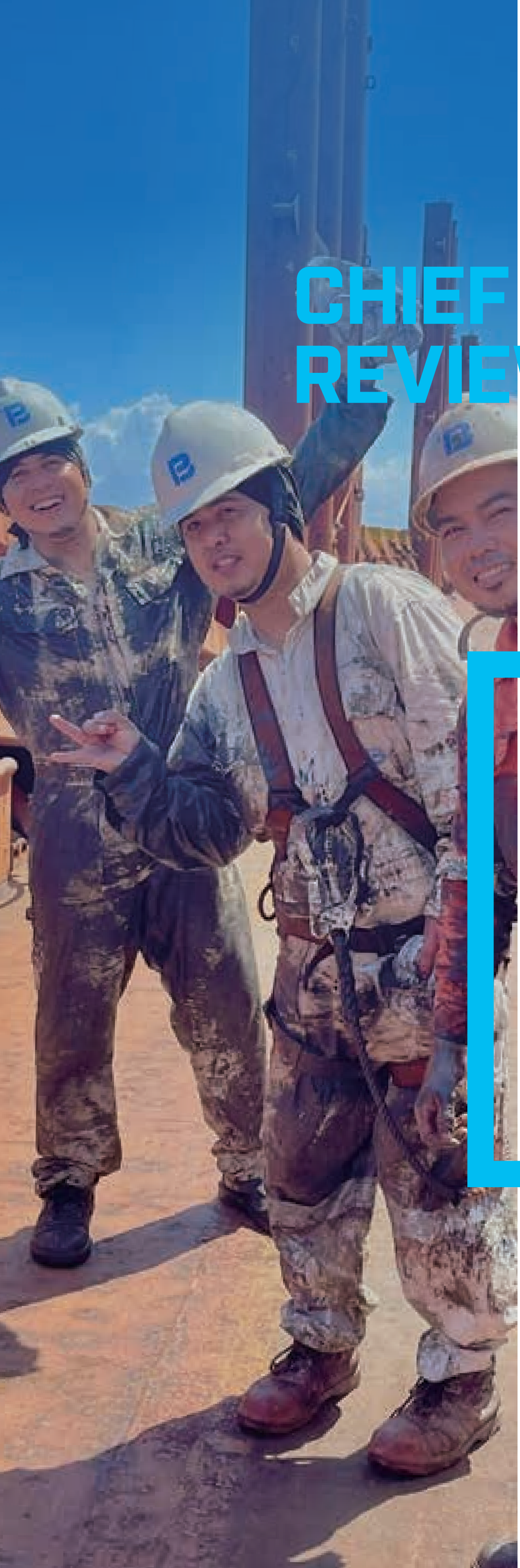
Stanley Hutter Ryan appointed as Chairman, with effect from 18 April 2023

Stanley served with Cargill, Inc. for 25 years in both executive and general management roles worldwide giving him extensive hands-on leadership experience across a range of asset and operationally intensive multinational businesses, particularly concentrated in the international commodities trade, cyclical industries and spanning both developed and emerging markets.

From October 2014 to June 2016, Stanley served as an independent director at Eagle Bulk Shipping Inc. and as its interim chief executive officer from March to September 2015. He also served as chief executive officer and president of Darigold, Inc. from February 2016 to March 2022.

Stanley has been an Independent Non-executive Director on the Board of Pacific Basin since 2016. His broad commercial, strategic and operational experience at Cargill, along with his knowledge of our Company and our operations, will enable him to provide strong leadership and guidance to the Board.

Stanley earned two master's degrees, an MA in International Relations and an MBA from the University of Chicago, USA, in 1989. He received his bachelor's degree in Economics and Computer Applications from the University of Notre Dame, USA, in 1984.



CHIEF EXECUTIVE'S REVIEW

2022 was an exceptional year in which Pacific Basin again produced record results, allowing us to further improve our balance sheet, optimise our fleet and return capital to our shareholders

Martin Fruergaard

Chief Executive Officer

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.

p.79 Group Performance Review

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.

p.28 Cash and Borrowings

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.

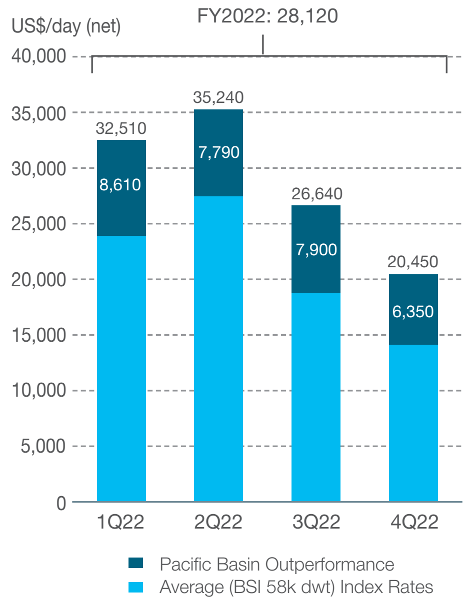
The proposed final basic dividend and the proposed final special dividend together amount to a total dividend of HK26 cents per share, which, combined with the HK52 cents per share interim dividend distributed in August 2022, represents 75% of our net profit for the full year.

p.68 Report of the Directors

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.

PB Supramax Performance



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.

p.23 Our Performance

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.

p.26 Core Business Vessel Costs

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.

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.

p.18 Market Review

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.

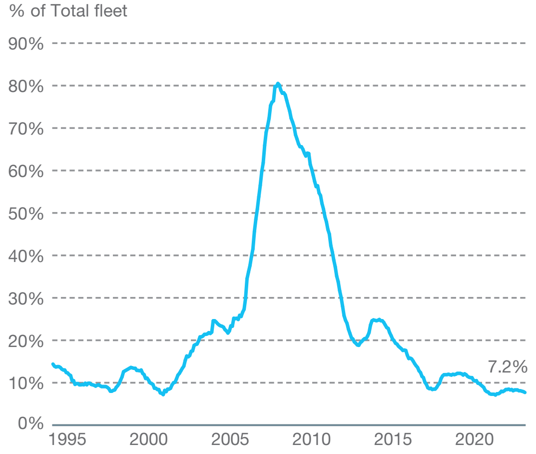
Coal loading volumes increased 2% compared to the previous year as a result of greater demand from European countries and India. European demand in particular had a positive effect on tonne-mile demand as coal volumes historically sourced from Russia were replaced by volumes from the United States, Australia,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



We believe uncertainty over new environmental regulations and the high cost of newbuildings, will continue to discourage any significant new ship ordering

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.

p.37 Sustainability Highlights

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.

p.6 Our Fleet

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.

p.33 How We Create Value

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.

Our Strategies

- Maintain and grow our cargo focus and scale
- Continue to be both a fully integrated owner (asset heavy) and operator (asset light)
- Be the industry leader on an earnings and cost per day basis
- Maintain empowered local chartering and operations close to customers
- Keep building our brand as a leading, admired and preferred shipping company
- Keep our cash and balance sheet strong
- Protect our leading Handysize position by replacing our older, smaller ships with younger, larger ships
- Continue to grow the proportion of our owned Supramax fleet
- Not order newbuildings until zero-emission bulkers are available and viable
- Continue to build and leverage our sustainability and decarbonisation, digitalisation, and research capabilities

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.

ESG Sustainability Report **p.13**
Our Decarbonisation Strategy

We are confident that methanol is currently the most suitable future fuel for Handysize and Supramax bulk carriers, and we believe the infrastructure to produce and distribute green methanol is coming

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.

ESG Sustainability Report **p.33**
Crew Wellbeing

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

MARKET REVIEW

Dry Bulk Freight Normalising with Lower Economic Growth

US$18,220 net ⬇ 16% YOY

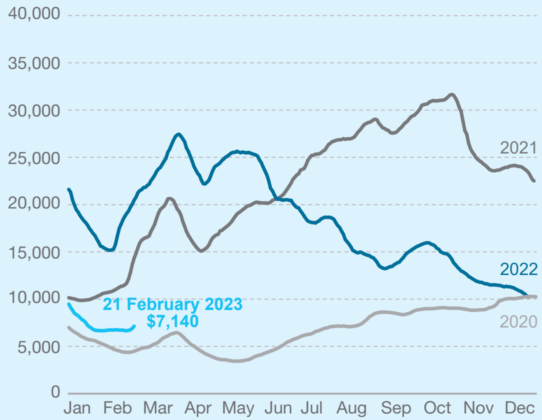
BHSI 38K (tonnage adjusted) Handysize 2022 avg. market spot rate

US$21,040 net ⬇ 17% YOY

BSI 58K Supramax 2022 avg. market spot rate

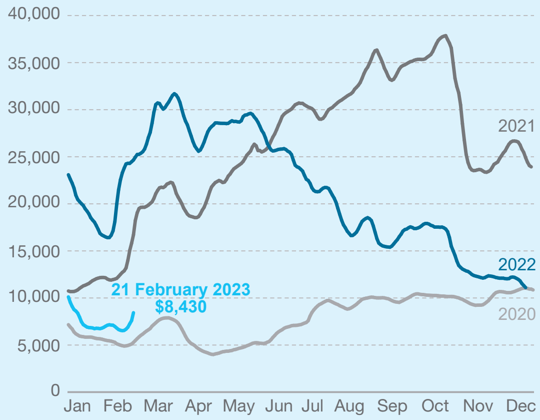
Handysize Market Spot Rates in 2020–2023

US$/day net*



Supramax Market Spot Rates in 2020–2023

US$/day net*



* 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

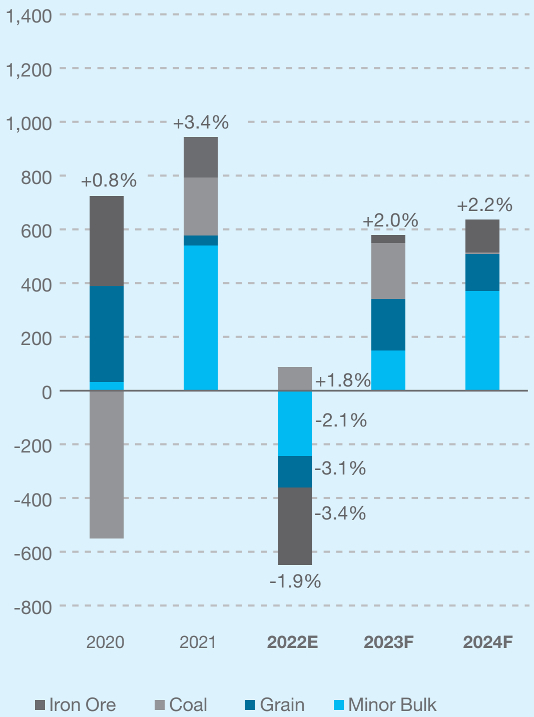
Source: Oceanbolt

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

YOY change in billion tonne-miles



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.

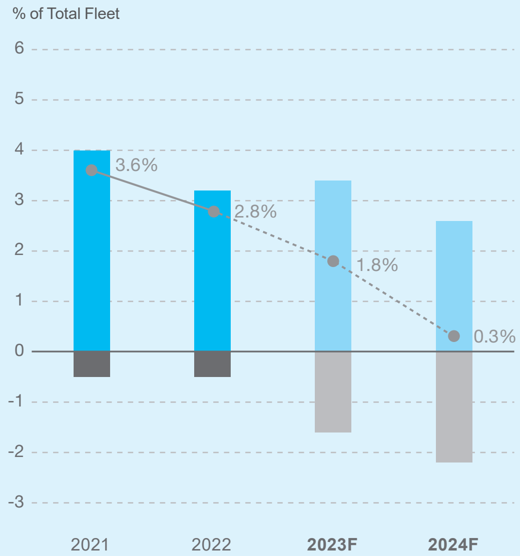
However, effective supply increased in 2022 through a gradual unwinding of port congestion, particularly in China, as Covid-related protocols were unwound. The market has however adjusted to weaker rates, particularly in the second half of the year as vessel operating speeds decreased due to lower TCE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

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.

Overall Dry Bulk Supply Development

2.8%

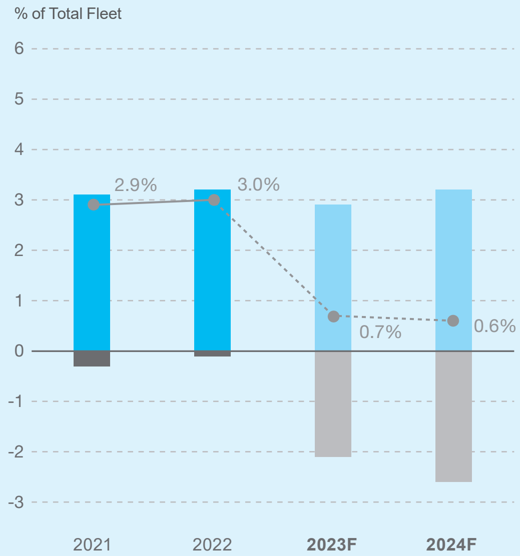
Overall dry bulk capacity 2022



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

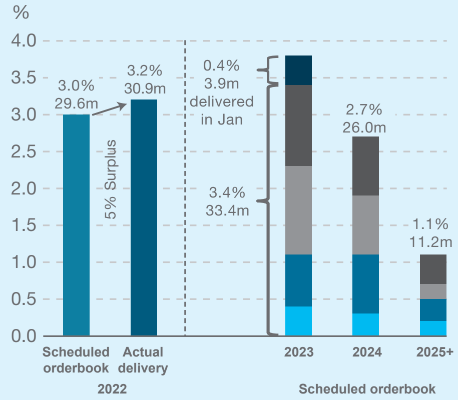
ORDERBOOK: Dry Bulk to Continue to Benefit from Record Low Orderbook

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%.

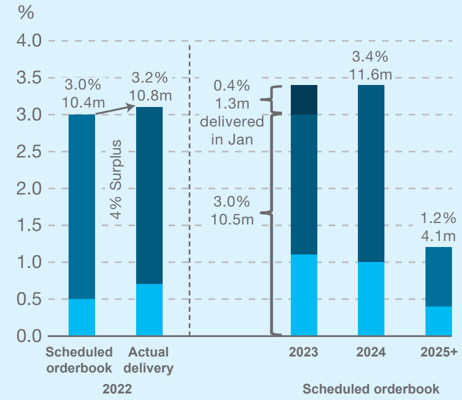
New ship ordering is expected to remain restrained, discouraged by:

- 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

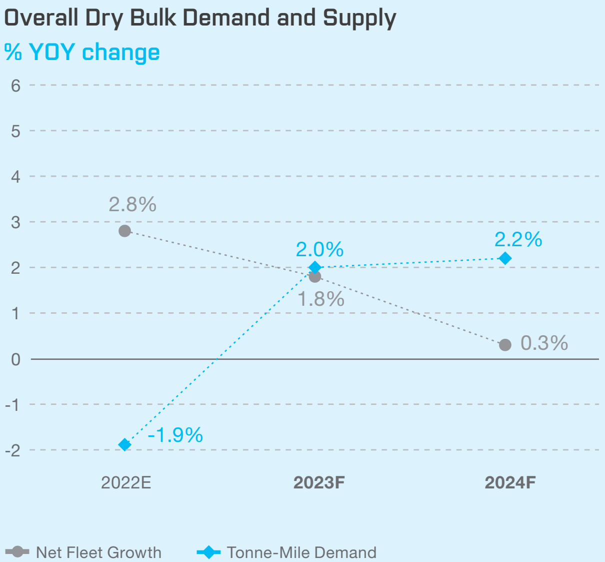


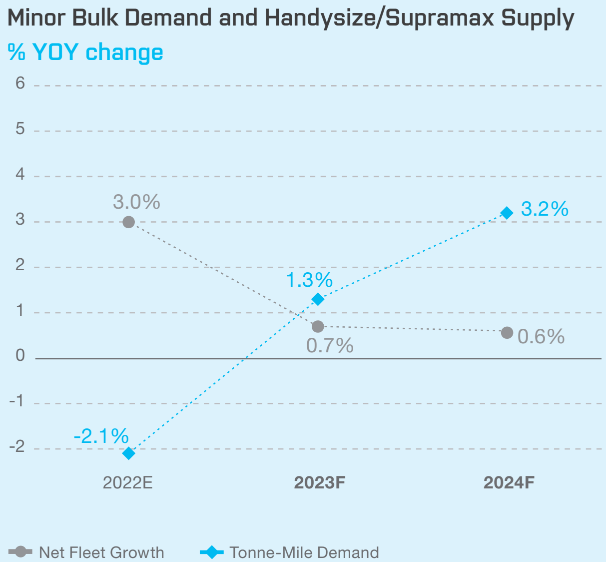
Source: Clarksons Research, data as at February 2023

	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





Source: Clarksons Research, data as at December 2022

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

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

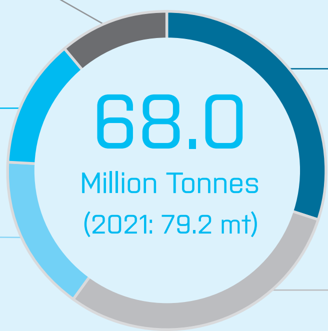
US$ Million	1H22	2H22	2022	2021	Change
Core business Handysize contribution	265.4	164.9	**430.3**	397.4	+8%
Core business Supramax contribution	202.8	113.5	**316.3**	311.4	+2%
Operating activity contribution	30.7	25.7	**56.4**	69.0	-18%
Capesize contribution[1]	0.7	0.9	**1.6**	4.0	-60%
Performance before 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%

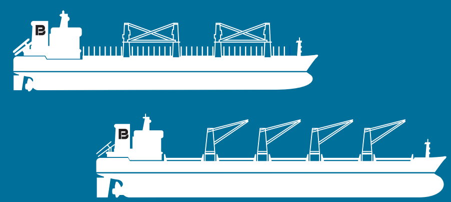
Our Commercial Activities

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

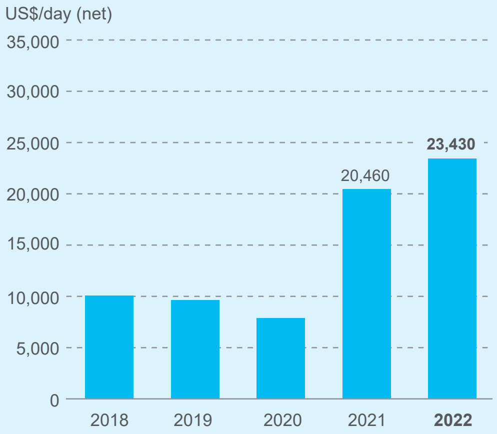
Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships, making a margin and contributing to our Group results regardless of whether the market is weak or strong. Through our operating activity, we provide a service to our customers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



CORE BUSINESS

Handysize

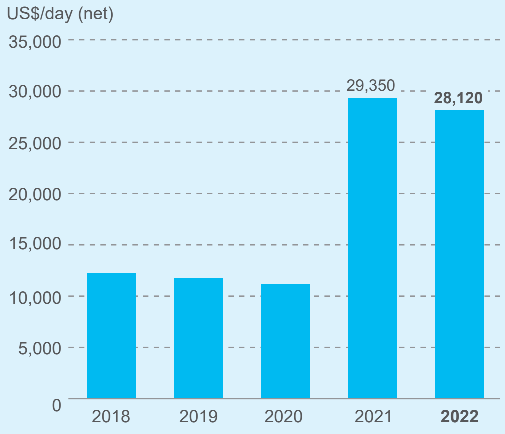
TCE EARNINGS KPI



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

Supramax

TCE EARNINGS KPI



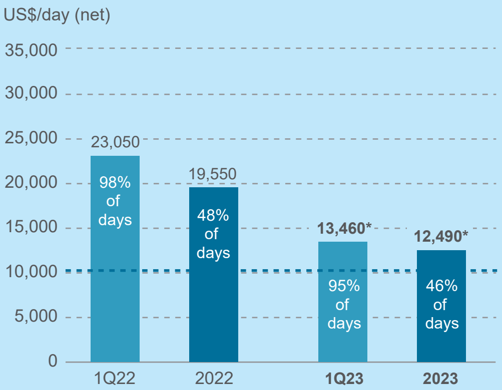
Note: Pre-2020 historical data has not been restated to split operating activity from core business

TCE EARNINGS KPI

- 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

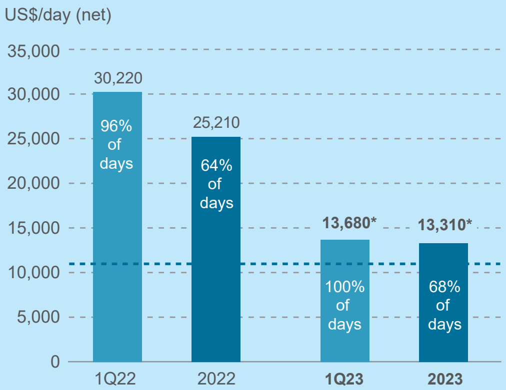


--- Indicative core fleet P&L break-even level incl. G&A for 2022 = US$10,260

* 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



--- 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

FORWARD CARGO COVER

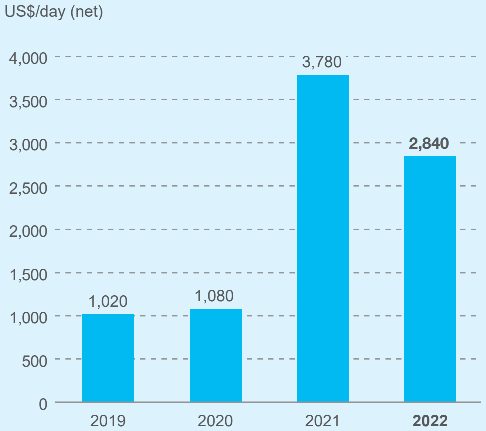
- We were proactive in the latter part of 2022 to take cover for the first quarter of 2023, which has positioned ourselves well as market activity slowed into the end of 2022, as well as ahead of the usual seasonal weakness around Lunar New Year
- We have covered 95% and 100% of our Handysize and Supramax 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

p.26 Core Business Vessel Costs

OPERATING ACTIVITY

MARGIN KPI

US$2,840 per day (net)



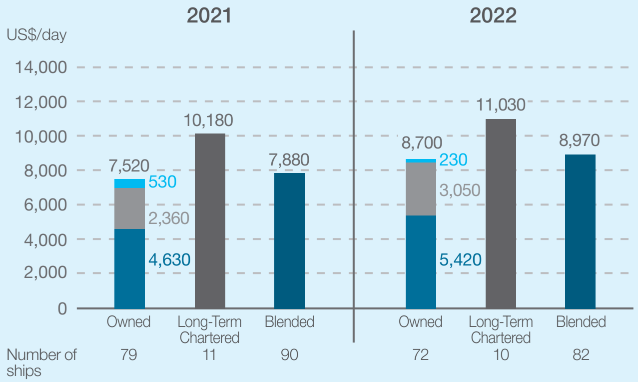
- Our operating activity generated a margin of US$2,840 net per day over 19,830 operating activity days in 2022 on short-term ships that we chartered specifically to carry spot cargoes
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered 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

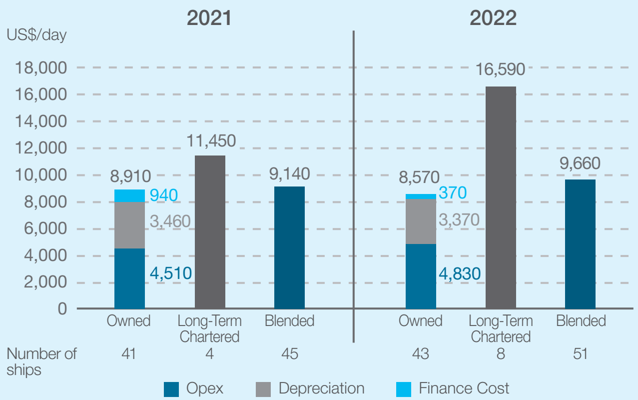
Handysize

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

Operating Cash Inflow

US$873.6m

Available Committed Liquidity

US$615.0m

Net Cash

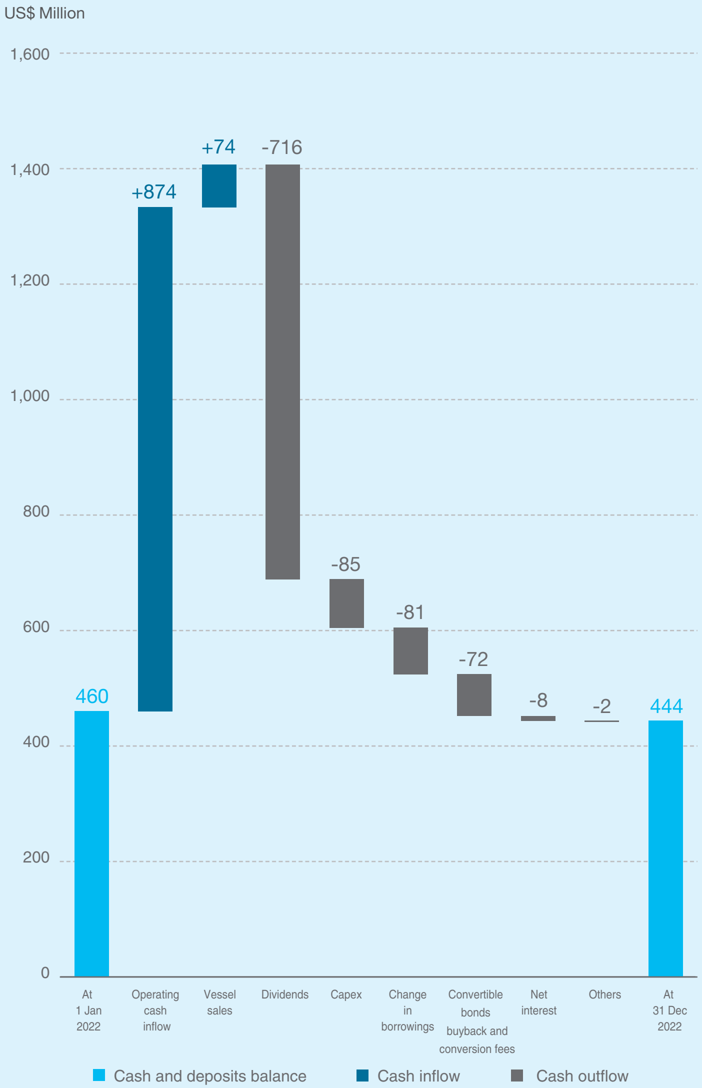
US$65.3m

Average Interest Rate (P/L)

4.1%

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"

Cash Flow



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 A

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%)	

p.102 Financial Statements Note 17 Cash and deposits (including how we invest our cash)

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).

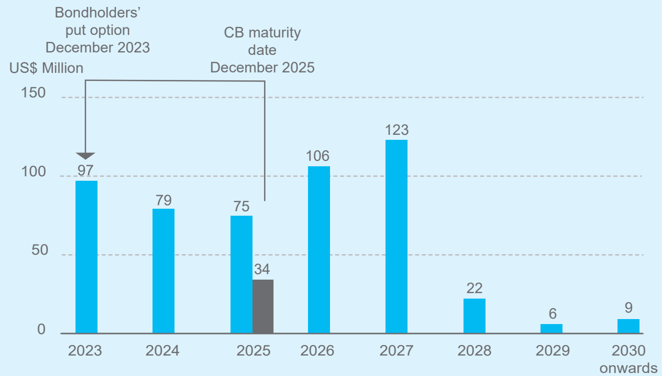
The Group monitors the loan-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

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

p.90 Financial Statements Note 8
Finance income and finance costs

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



■ 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)

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.

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.

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.

TIMELINE

JAN

- Participated in the Enhancing Cetacean Habitat and Observation (ECHO) Program, a regional collaborative initiative led by the Vancouver Fraser Port Authority to reduce the impacts of commercial shipping on at-risk whales.
- Delivery of "Skomer Island", a 61,510 dwt, Imabari 2010-built Ultramax

FEB

- Announced the best Annual 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

MAR

- Published our 2021 Sustainability Report – our sixth standalone report
- Launched Ocean Technologies Learning Platform to support our seafarers' on-going development and the unique training needs of our industry

APR

- Announced 1Q 2022 Trading Update
- Held our Annual General Meeting

MAY

- Signed MoU with Nihon Shipyard Co., Ltd and Mitsui & Co. to investigate and develop design for zero-emission-capable vessels and potentially invest in related bunkering infrastructure
- Completion of incentivised conversion offer of our US$175 million convertible bond, resulting in the conversion of approximately 60% of the aggregate principal amount with total outstanding principal amount of the convertible bonds reduced to US$70.1 million
- Engaged 3CubeMedicare to deliver our seafarers the latest in remote medical support services from Doctors, Specialists, Psychologists, Wellness Experts, Technical and Support Teams

JUNE

- Received Port of Vancouver's EcoAction Program 2021 Blue Circle Award which recognised environmental stewardship efforts at the Port of Vancouver

2021 RECIPIENT

- Sponsored an open day at the Hong Kong Maritime Museum to mark the International Day of Seafarer

JULY

- Announced our best Interim Results in Pacific Basin's history producing an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million

AUG

- Successfully completed a trial using a 100% carbon-neutral biofuel produced from waste cooking oil on our owned vessel Ince Point

SEP

- Received HKIRA 8th Investor Relations Awards – Certificate of Excellence

OCT

- Selected methanol as our preferred fuel for commercially viable zero-emission vessels
- Won two awards at the 2022 Hong Kong ESG Reporting Awards (HERA)
    - Grand Award for Excellence in Environmental Positive Impact
    - Commendation for Best ESG Report (mid-cap)

- Announced 3Q 2022 Trading Update

NOV

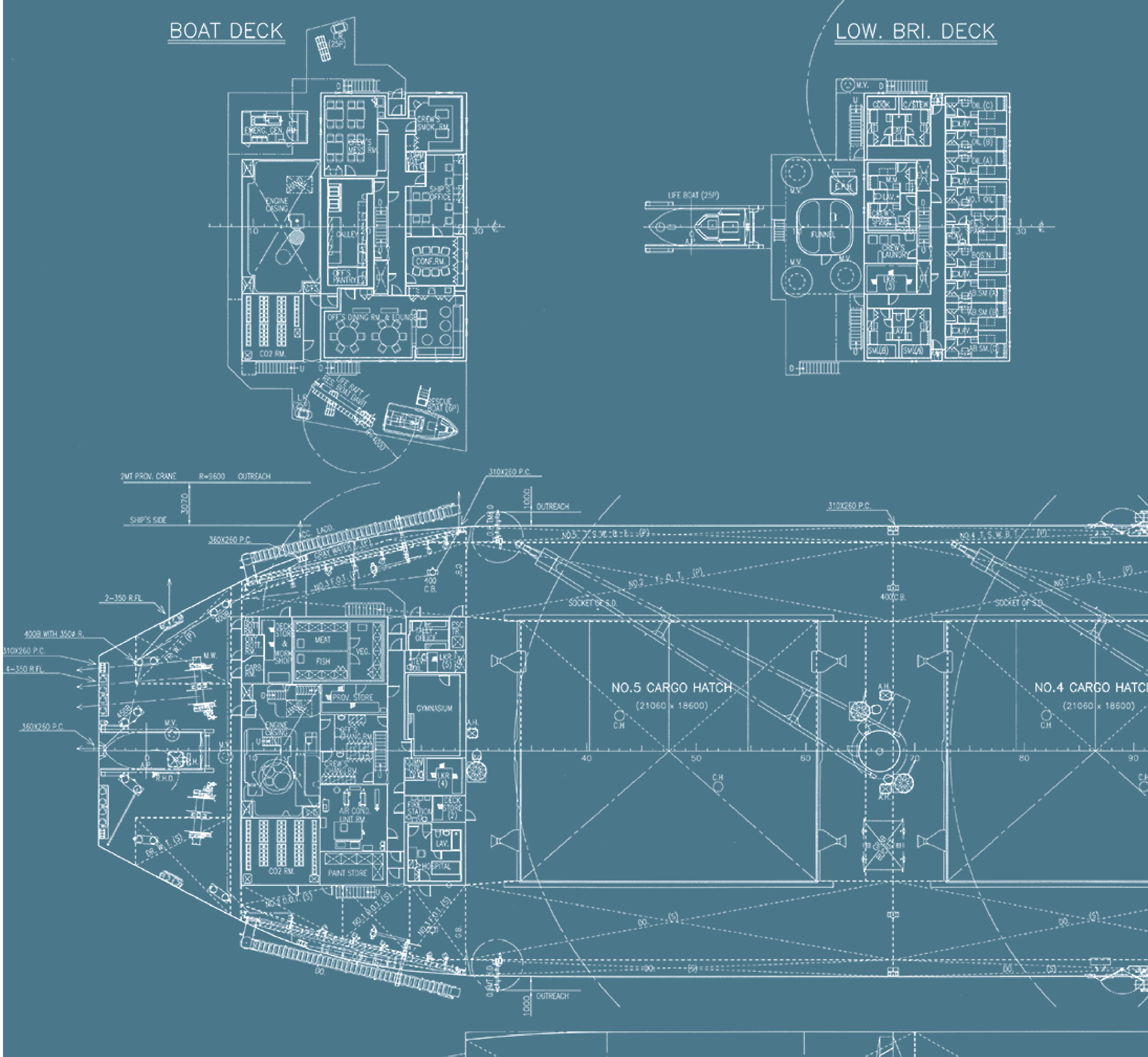
- Won ‘Shipping Company of the Year’ award at the 2022 Seatrade Maritime Awards
- Won top awards at the 2022 IBJ - International Bulk Journal Awards
    - Won “Bulk Ship Operator of the Year”
    - Finalist in the “Environment Protection Award”
    - Finalist in the “Award for Safety in Bulk Handling”
- Won two awards at the Hong Kong Marine Department Award
    - Award for outstanding performance in port State control (PSC) for the year of 2021
    - 25th Anniversary Award for Long-standing Quality Partnership with Hong Kong Shipping Registry
- Initiated repurchase and cancellation of our convertible bonds, reducing aggregate principal amount of the outstanding convertible bonds to US$34.1 million

DEC

- Won top award at the Hong Kong Institute of CPA’s 2022 Best Corporate Governance and ESG Awards
    - Gold Award in the Most Sustainable Companies and Organisations (MSCO) (Non-Hang Seng Index (Medium Market Capitalisation) Category)

- Finalist in IR Magazine Awards – Greater China
    - Finalist in Best Annual Report (Small to Mid-Cap)
    - Finalist in Best ESG Materiality Reporting (Small to Mid-Cap)
- Opened a new office in Dubai, expanding our network to 14 offices globally
- Delivery of “Silhouette Island”, a 61,412 dwt, Imabari 2011-built Ultramax

STRATEGY DELIVERY



HOW WE CREATE VALUE

We attach great importance to cultivating the relationships and resources that we need to propel us towards our vision and to create better outcomes for our customers, our people, our shareholders, society and the environment

Our Vision
To be a leading ship owner/operator in dry bulk shipping, and the first choice partner for customers and other stakeholders

Our Mission
To be the best in our field by continuously refining our business model, our service and our conduct in everything we do

An expanded form of this summary table is available on our website
www.pacificbasin.com
About Us > How We Create Value

The resources and relationships we rely on	How we create or protect value	Desired outcomes
Our Fleet	■ Investing in Our Fleet ■ High-quality Ships ■ Scale & Interchangeability ■ In-house Technical Ops	■ Optimal ship design and efficiency ■ Increased economies of scale and vessel utilisation ■ Optimal scheduling and flexibility for our customers ■ Enhanced technical and service reliability for customers ■ Enhanced health, safety, quality and cost control
Our People, Culture & Global Office Network	■ Investing in Our People ■ Safety, Wellbeing & Engagement ■ Team Productivity ■ Being Local ■ Being Global	■ Safeguarding quality, effectiveness and availability of staff onshore and at sea ■ Meaningful customer partnerships and collaboration ■ Access to market intelligence and cargo ■ Optimal trading and positioning of our fleet
Stakeholder Relationships & Partnerships	■ Deepening Our Relationships ■ Stakeholder Engagement & Collaboration	■ Understanding, trust and support between Pacific Basin and our staff, customers, tonnage providers, suppliers, investors, financiers, communities and other stakeholders
Natural Resources	■ Safeguarding the Environment	■ Minimise consumption of natural resources ■ Minimise impact on the environment
Technology, Data & Intellectual Capital	■ Effective Business Model & Systems	■ Sector-leading service delivery ■ Maximising vessel earnings ■ Minimising costs without impacting safety ■ Strong brand reputation
Financial Capital	■ Evolving Management & Governance Practices ■ Maximising Efficiencies & Controlling Costs ■ Considered Treasury Activity	■ Sound financial management ■ Enhanced corporate & financial profile

The value we create

Serving our customers
We provide over 500 customers with a high-quality, personalised, flexible and reliable freight service under spot and long-term cargo contracts, making it easy to do business with us so that they can focus on growing their business

Serving our people
Our 5,000+ staff feel supported, safe and engaged, benefiting from fulfilling, decent work and fair wages

Serving society
We deliver efficiently and responsibly the food, animal feed, construction materials, energy and other raw materials that are essential to society and the global economy

Serving the environment
We have significantly reduced the intensity of our emissions and other outputs over the past 15 years, and are on a path to decarbonising our operations and further minimising our overall environmental impacts

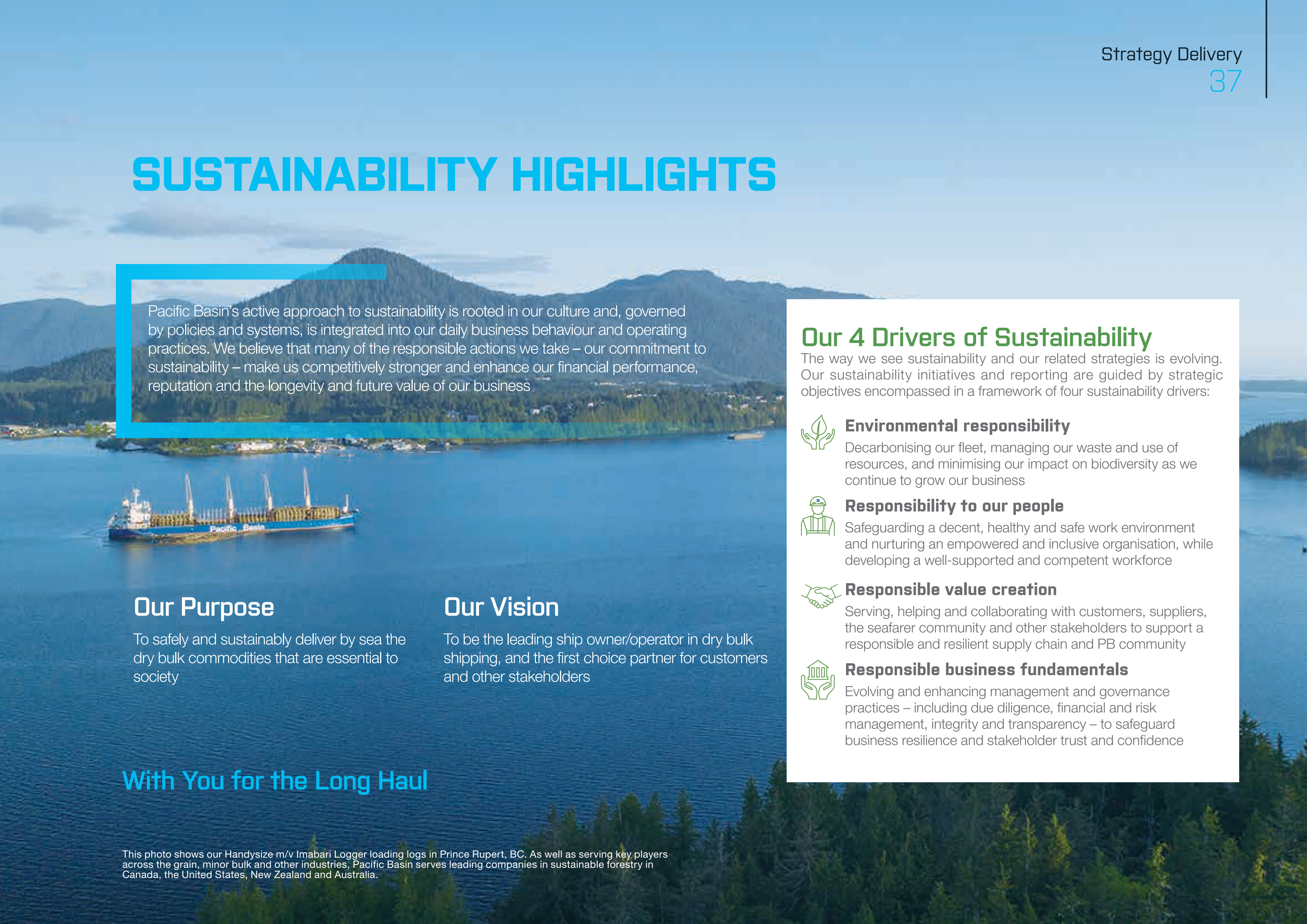
Serving our shareholders
We continue to nurture the financial health of our Group, mitigate risks and leverage our business model to deliver attractive long-term returns over the shipping cycle

DELIVERING ON OUR STRATEGY

Strategic Focus	Strategy Delivery and Performance	2023 Objectives
Investing in Our Fleet	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. 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. Including chartered ships, we currently have around 243 ships on the water.	Given the supportive fundamentals of our industry, we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. 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.
Investing in Our People	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.	We will maintain our permanent objectives of achieving improvements in safety performance, staff retention, productivity, job fulfilment and wellbeing and to achieve our vision to be a leading ship owner and operator in dry bulk shipping, and the first choice partner for staff and all our stakeholders.
Deepening Our Relationships	We opened a new office in Dubai in 2022, representing our 11th commercial office and the 14th overall office in another key location around the world. This new expansion will allow us to better support our customers in the Arabian Gulf and Indian Ocean regions, at the same time provide new opportunities for us to continue our exponential growth. In 2022, we carried 68 million tonnes (2021: 79 million tonnes) for over 500 customers, generating fulltime employment for our 90,450 vessel days (2021: 94,520 vessel days).	We seek to further improve the customer experience through regular customer engagement and close partnership at a local level, collaborating to meet tightening carbon intensity rules, making it easier to do business with us, and drawing on a global team and office network that is unmatched in the dry bulk sector, in return enhancing our access to cargoes.
Safeguarding Health & Safety	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. We achieved a Lost Time Injury Frequency of 0.29 injuries per million man hours during the year. These statistics are among the best in the industry and reflect the value of our specific focus on staff training and wellbeing.	Through continued investment in training, wellbeing, systems, procedures and technology, we will strive to substantially eliminate injury and navigation incidents and promote a healthy and supportive work environment at sea and ashore.

Strategic Focus	Strategy Delivery and Performance	2023 Objectives
Evolving Management & Governance Practices	Our risk management team continued to raise emerging risk and control awareness among staff in 2022. Initiatives included training our chartering and operations staff on our enhanced counterparty due diligence policies, offering anti-bribery training for both shore staff and seafarers, publishing cybersecurity alerts and refining a company-wide Business Continuity Plan ("BCP") to strengthen our readiness for severe business and systems disruption. We won the Gold Award in the Most Sustainable Companies and Organisations (Non-Hang Seng Index (Medium Market Capitalisation) Category) at the HKICPA's Best Corporate Governance and ESG Awards 2022. We continued to adopt the latest ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited as well as other international reporting standards and guidelines such as the United Nations Global Compact, the United Nations Sustainable Development Goals, the Global Reporting Initiative ("GRI") Standards, the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations, Sustainability Accounting Standard Board (SASB) for Maritime transportation, and the International Integrated Reporting Council's International Framework.	We will review and assess our understanding of our emerging risks in the often changing shipping market and establish effective mitigating controls to underpin our commitment to sustainable business. We always seek to refine management decision-making, risk mitigation and board governance procedures and considerations. We strive to continue to uphold our best-in-class levels of board governance, business transparency and stakeholder confidence.
Safeguarding the Environment	In 2022, we finalised our preparations to meet IMO's 2023 carbon-intensity reduction rules and made important progress towards our ambition of Net Zero by 2050 by collaborating with a leading Japanese shipbuilding group and trading house to determine the best green fuel around which to plan our first zero-emission vessels (ZEVs). We formed a dedicated sustainability team to further enhance our strategic focus on sustainable business practices and investments in sustainable assets. ESG Sustainability Report **p.16** Decarbonisation initiatives in 2022	In 2023, we are 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. We will continue to invest, engage and collaborate to ensure we continue to gradually reduce the carbon-intensity and environmental impact of our fleet as required under tightening and new rules. Our sustainability team is dedicated to further enhance our strategic focus on sustainable business practices and investments in sustainable assets. Supported by the sustainability team, day-to-day execution of sustainability initiatives and sustainable business practice lies with managers across the business, most notably the Fleet Director (supported by his senior managers covering technical operations, fleet personnel and risk, safety & security), the Commercial Operations Director, the CEO and the Human Resources and Administration Director.

Strategic Focus	Strategy Delivery and Performance	2023 Objectives
Maximising Efficiencies & Controlling Costs	Our daily vessel operating expenses increased by 14% to US$5,210 per day in 2022. This was mainly due to high crew repatriation cost and other pandemic-related manning expenses. However, our operating expenses 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. 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 reduction efforts of the fleet.	Especially in the expectation of continued freight market volatility, we will continue with our careful cost control measures, leveraging our scale and reputation as a safe counterparty. Leveraging our digitalisation 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.
Enhancing Corporate & Financial Profile	We significantly reduced our already conservative gearing and continue to benefit from access to capital generated through operations, debt, convertible bonds and equity. Our access to various external sources of funding at the most competitive cost in our industry, combined with our strong available committed liquidity position, brings comfort to customers and shareholders. These factors, as part of our strong corporate profile, make Pacific Basin a preferred partner for many stakeholders. In 2022, we substantially reduced the outstanding value of our convertible bonds and made net repayments of US$81 million under our committed facilities, further enhancing our balance sheet and liquidity position. At year end, our net cash to net book value of our owned fleet was 4% and we were in compliance with our bank covenants.	We will continue to manage our financial resources and funding, and to work within our financial gearing targets, maintain the financial health of the Group drawing on our access to capital, and strive for best-in-class reporting, transparency and corporate stewardship. We will continue to leverage our business model and strategy to deliver attractive long-term returns to our shareholders over the shipping cycle. We will continue to pay dividends in line with our dividend policy.



SUSTAINABILITY HIGHLIGHTS

Pacific Basin's active approach to sustainability is rooted in our culture and, governed by policies and systems, is integrated into our daily business behaviour and operating practices. We believe that many of the responsible actions we take – our commitment to sustainability – make us competitively stronger and enhance our financial performance, reputation and the longevity and future value of our business

Our Purpose

To safely and sustainably deliver by sea the dry bulk commodities that are essential to society

Our Vision

To be the leading ship owner/operator in dry bulk shipping, and the first choice partner for customers and other stakeholders

With You for the Long Haul

Our 4 Drivers of Sustainability

The way we see sustainability and our related strategies is evolving. Our sustainability initiatives and reporting are guided by strategic objectives encompassed in a framework of four sustainability drivers:

Environmental responsibility

Decarbonising our fleet, managing our waste and use of resources, and minimising our impact on biodiversity as we continue to grow our business

Responsibility to our people

Safeguarding a decent, healthy and safe work environment and nurturing an empowered and inclusive organisation, while developing a well-supported and competent workforce

Responsible value creation

Serving, helping and collaborating with customers, suppliers, the seafarer community and other stakeholders to support a responsible and resilient supply chain and PB community

Responsible business fundamentals

Evolving and enhancing management and governance practices – including due diligence, financial and risk management, integrity and transparency – to safeguard business resilience and stakeholder trust and confidence

This photo shows our Handysize m/v Imabari Logger loading logs in Prince Rupert, BC. As well as serving key players across the grain, minor bulk and other industries, Pacific Basin serves leading companies in sustainable forestry in Canada, the United States, New Zealand and Australia.

ENVIRONMENTAL RESPONSIBILITY

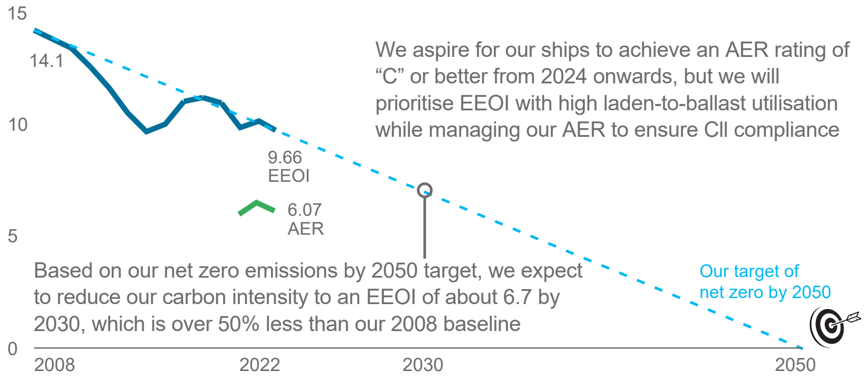
Tracking a Course to Net Zero by 2050

TARGET

Carbon Intensity (EEOI)

0 by 2050 (6.7 by 2030)

Grams CO_2 per tonne-mile



We aspire for our ships to achieve an AER rating of "C" or better from 2024 onwards, but we will prioritise EEOI with high laden-to-ballast utilisation while managing our AER to ensure CII compliance

Based on our net zero emissions by 2050 target, we expect to reduce our carbon intensity to an EEOI of about 6.7 by 2030, which is over 50% less than our 2008 baseline

Partnering with Nihon Shipyard Co. and Mitsui & Co. to investigate alternative green fuels and associated bunkering infrastructure, and to develop an all-new zero-emission-capable ship design

A Parallel Approach to Decarbonisation

We are collaborating and making preparations to achieve the longer-term goal of complete decarbonisation by transitioning to entirely new **zero-emission ships and fuels** which are not yet commercially available.

We continue to adopt **fuel efficiency enhancements and practices** to ensure that our conventionally-fuelled existing ships are well positioned to comply and continue to trade for the foreseeable future.

Collaborating to Develop Zero-Emission-Capable Vessels

In mid-May 2022, Pacific Basin committed to cooperating with top-class ship building partners in Japan to investigate and develop what we expect will be our first zero-emission-capable vessels – a crucial step to achieving our goal of net zero emissions by 2050.

Our partners are Nihon Shipyard Co. (a JV between Japan's two largest shipbuilders Imabari and Japan Marine United) and Mitsui & Co., one of the world's largest trading companies with operations spanning energy, machinery, chemicals, logistics and more.

We concluded that green methanol is currently the best fuel around which to plan our first zero-emission vessels (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.

Well Prepared for 2023 Carbon Intensity Reduction Rules

We have thoroughly analysed the implications of IMO's new EEXI and CII rules on our fleet and prepared our people, ships and systems to ensure our conventionally-fuelled existing ships are well positioned to comply with the rules and continue to trade for the foreseeable future through technical enhancements, operational measures and gradual fleet renewal.

The European Union has recently agreed on the terms of shipping's inclusion in the EU Emissions Trading System (EU ETS) to take effect from January 2024. The final law will likely be published later in 2023. We have been watching the evolution of this scheme closely and are well prepared for it with an EUA trading account in place, charterparty clauses at the ready, etc.

RESPONSIBILITY TO OUR PEOPLE

Our increased focus on mental wellbeing in recent years has been further enhanced with:

- wellbeing assessments of all our ships' crew
- the increased use of specialist seafarer wellbeing trainers
- a seafarer helpline providing 24/7 access to unlimited, independent, professional and immediate help
- engagement of two remote medical service providers to support our crews' physical and mental wellbeing
- creating a new dedicated role of Head of Training and expanding our training programme with several new modules
- Post-pandemic normalisation of ship visits and inspections to provide more regular on-board support across our fleet

Ongoing enhancements of our safety culture have supported near record low injuries in our crew safety KPIs.

Total Recordable Case Frequency KPI

0.58 ↑ 5%

injuries per million man hours

1 Notable Navigational Incident

In extreme weather in July 2022, our vessel Portland Bay lost power near Sydney due to engine blower failure, resulting in a near-grounding, tug support and media attention, but thankfully no injuries.

Employee Engagement Scores Support a Strong Employer Brand

We engaged independent consultants to conduct an anonymous staff survey. The results pointed to a high level of satisfaction and engagement across 10 main criteria, and provided useful insight into areas that may benefit from extra attention.

Overall Engagement Score

82%

"I enjoy working at Pacific Basin"

88%

The Neptune Declaration on Seafarer Wellbeing and Crew Change

Wellness at Sea FROM SAILORS' SOCIETY

RESPONSIBLE VALUE CREATION

Serving our Customers	Serving society
Serving our PB Community	Serving sustainable trade

Sponsoring Community Open Day at the Hong Kong Maritime Museum

Marking the International Day of the Seafarer in late June in 2022, Pacific Basin again sponsored free admission to the Hong Kong Maritime Museum, with Pacific Basin ship cadets and officers as well as shore-based managers and former ship captains volunteering to teach navigation skills and knot-tying, and present museum objects, seafaring stories and career paths to museum visitors. Over 1,800 visitors attended.

Making Best Impressions Wherever We Go

We take pride in the care and professionalism we demonstrate in our interactions across the communities we engage with, and how we are perceived is important to us.

> *"I commend your ship and crew for their efforts made to ensure smooth logs loading operations. All personnel were well-prepared and no deficiency was identified during the process*
>
> *The Captain showed great professionalism in leading the crew to ensure smooth loading operations despite malfunction of the crane on the first day at port*
>
> *Your crew was one of the best crews I've worked with. Loading of the vessel was made easier for my foreman because of everyone on this ship. We thank the crew for their cooperation"*

Please see our Sustainability Report 2022
www.pacificbasin.com/sr2022

RESPONSIBLE BUSINESS FUNDAMENTALS

We aim to evolve and enhance management and governance practices for best-in-class risk management, reporting, transparency, stakeholder confidence and corporate stewardship. We adopt responsible observance of stakeholder interests as an integral part of our commitment to sustainability and good corporate governance.

With an eye on resilience and business continuity, we futureproof the business by assessing and managing disruptions such as those stemming from climate risks, global pandemics and cyber security.

Our Risk Management Committee ("RMC") and Sustainability Management Committee ("SMC") report to the board-level Audit Committee to ensure strong governance, sustainability and board engagement.

Our governance and overall ESG ratings are typically the best in our sector, according to ESG ratings information available from MSCI, ISS, Sustainalytics, Refinitiv, S&P Global and Bloomberg.

MSCI ESG RATINGS BBB

In 2022, Pacific Basin received an MSCI ESG Rating of BBB

GOVERNANCE QUALITYSCORE 1

We ranked in the top 10% among our peers in ISS' governance qualityscore

A+ Sustainability rating by HKQAA

We received a sustainability rating of A+ from the Hong Kong Quality Assurance Agency on behalf of Hang Seng Indexes

0 Corrupt practice or whistleblowing incidents

MACN We are active members of the Maritime Anti-Corruption Network

Climate-change Resilience

We try to understand and prepare ourselves for tomorrow's potential challenges. Our **climate risk scenario analysis** (in conjunction with American Bureau of Shipping) helped us to refine our understanding of the most material climate-related physical and transition risks, vulnerabilities and opportunities for our business.

Physical Risks

Acute or chronic shifts in climate patterns, e.g.:

- more frequent and intense tropical cyclones & floods (extreme events)
- rising sea levels & shifting agriculture patterns (longer-term events)

If not well managed, extreme climate events can disrupt business activities, resulting in lost revenue, and can increase the damage and wear and tear to vessels resulting in higher repair and maintenance costs

Shipping has over many decades developed resilience and mitigation measures (e.g. weather routing tech, enhanced ship design & maintenance) that prepare us well for extreme weather event

We focus on diverse minor bulks and grain with an agile tramping business model which allows us to change our ships' trading patterns at short notice if necessary to avoid physical risks

Transition Risks

Climate-related changes in policy, technology and markets, e.g.:

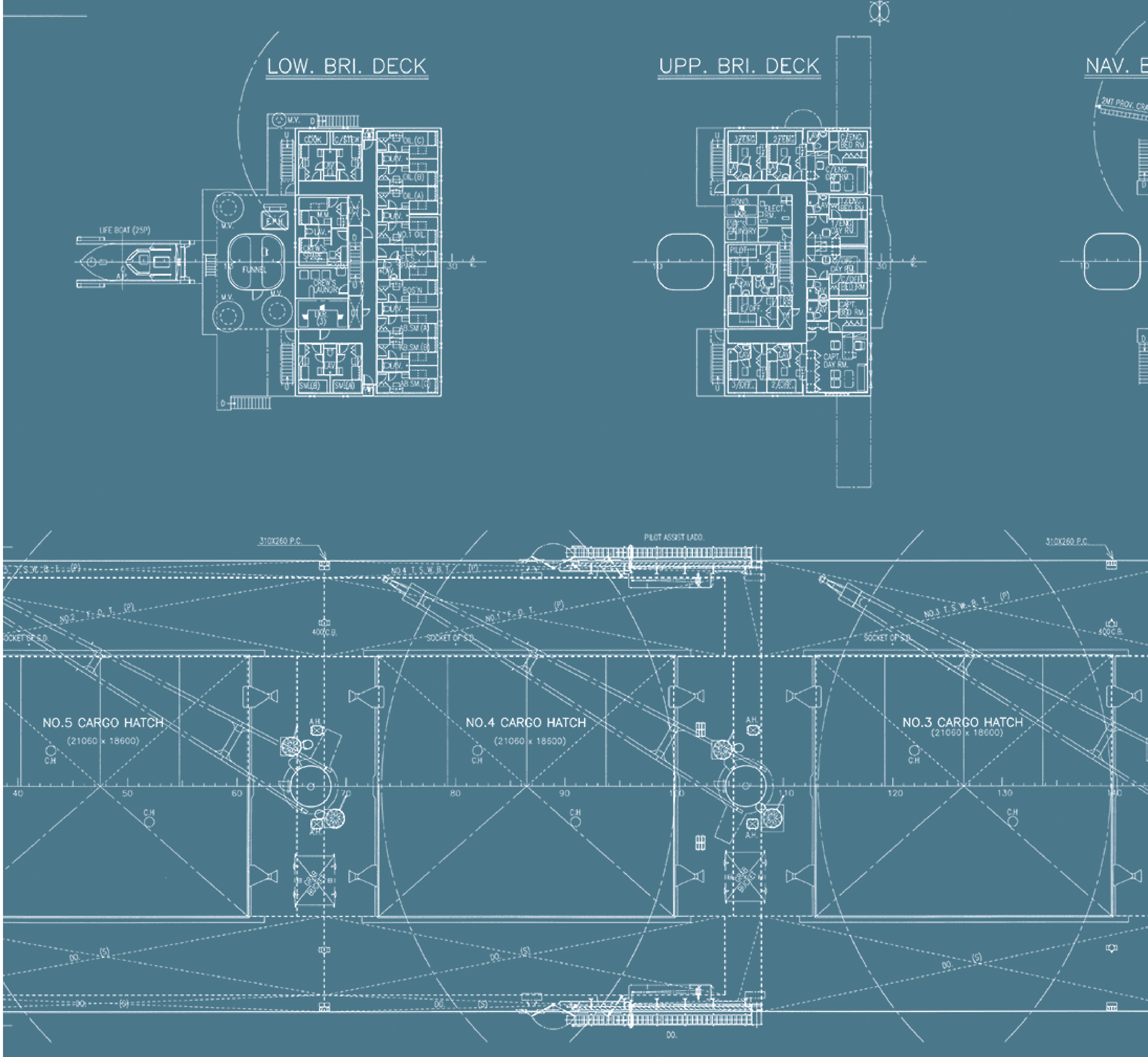
- decarbonisation rules, carbon pricing
- new fuels and propulsion systems
- changing commodity trade patterns

How well a company can respond to and comply with new regulations, how readily it can fund and adopt changing technology and assets, and how nimbly it can respond to changing market conditions can significantly impact its operations, reputation, profitability and financial strength

We have the scale and sophisticated, experienced team that enable us to navigate challenging regulatory, technological, commodity demand and other transition-related changes

Our business and decarbonisation strategies will allow us to effectively manage these identified transition risks and capture the opportunities from our industry's transition to a net-zero future

GOVERNANCE


LOW. BRI. DECK
UPP. BRI. DECK
FUNNEL
NO.5 CARGO HATCH
(21060 x 18600)
NO.4 CARGO HATCH
(21060 x 18600)
NO.3 CARGO HATCH
(21060 x 18600)
PILOT ASSIST LADD.

CORPORATE GOVERNANCE

Accountability
We conduct our business with high standards of corporate governance to ensure responsible direction and management of the Group and to achieve long-term sustainable value for our shareholders and other stakeholders

The Board is responsible for, among other things, the development of the Group's long-term corporate strategies and broad policies. In setting its standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") as well as the Environmental, Social and Governance ("ESG") Reporting Guide of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year ended 31 December 2022, the Group has complied with all code provisions of the Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). The Group adopts all the recommended best practices under the Code except that the Group publishes a quarterly trading update, instead of quarterly financial results. The Board considers this format provides shareholders with the key information to assess the performance, financial position and prospects of the Group's business following on from the full year and interim results.

With regards to the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, details can be found in the Company's 2022 Sustainability Report which will be available together with this Annual Report on the websites of both the Company and the Stock Exchange.

Corporate Strategy

The Company's purpose is to safely and sustainably deliver by sea the dry bulk commodities that are essential to society and its vision is to be the leading ship owner/operator in dry bulk shipping, and the first choice partner for its customers and other stakeholders. In order to achieve this long-term vision, the Company focuses on a number of strategic areas, including investment in its fleet and people, safeguarding the environment etc. More details of our strategic focus can be found in the "Strategy Delivery" section of this Annual Report.

During the year ended 31 December 2022, the Board has regularly reviewed the strategic focus of the Company. The Company ensures its staff members are well informed of its vision and strategies, its activities and performance by a number of means, including hosting town hall forums, inviting department heads or other colleagues to participate in Board meetings, regular management meetings, individual departmental meetings and internal communication via intranet.

Our ability to achieve our vision depends on the effectiveness of our people and we strive to ensure that at the point of recruitment, we select people who would most likely fit in and foster the Company's culture. In addition, the Company has developed a code of conduct (endorsed by the Board) which has to be abided by all staff. It aims to provide a psychologically and physically safe, inclusive, caring and supporting working environment, the necessary training, coaching and professional development to staff. During 2022, the Company has engaged independent consultants to conduct an anonymous staff engagement with the objective to collect feedback from the staff about their understandings, concerns and expectations about the Company.

All of the above forums are important means for the Company in the implementation of its strategies and the alignment with the Company's values and culture.

The Board of Directors

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises nine Directors (two of whom are female): the Chairman, two Executive Directors, five Independent Non-executive Directors ("INEDs"), and one Non-executive Director ("NED"). The number of INEDs is above the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The biographical details of each Board member are set out in the "Our Directors" section of this Annual Report.

All Directors have disclosed to the Company the number and nature of offices they hold in Hong Kong or overseas listed companies or organisations and other significant commitments, as well as the identity of such public companies or organisations. During the year ended 31 December 2022, all Directors have given sufficient time and attention to the Group's affairs. In accordance with the Company's Bye-laws, at each annual general meeting ("AGM"), one-third of the Directors for the time being (rounded up if the number is not a multiple of three) shall retire from office by rotation on the basis that every Director should retire at least once every three years and be eligible for re-election.

An effective Board is key to setting the strategic direction and policies of the Company and is achieved through a combination of fresh perspectives and a long-term understanding of shipping cycles. We lay out below some of the important criteria in achieving an effective Board:

- **Dynamic Board Composition**

  Since the listing in 2004, there have been a total of 26 Board members with diverse skills. The current Board of 9 members has expertise in the areas of shipping, commercial, commodities, accounting, corporate finance, financial services, taxation, law and marine technology and is collectively responsible for directing and supervising the affairs of the Group.

- **Board Nomination and Diversity**

  The Nomination Committee applies the nomination criteria and principles according to the Company's Nomination Policy and the Board Diversity Policy in identifying people suitably qualified to become Board members, having evaluated the scope and responsibility of the required position. Different means will be used by the Nomination Committee in the identification of candidates, including recommendations from members of the Board, use of independent recruitment consultants and any other means or channels that it deems appropriate.

  The selection criteria for Directors include but not limited to the candidate's education, qualifications, skills, knowledge and experience that can benefit the Company's business and development; and diversity in all aspects such as cultural and educational background, ethnicity, gender and age. The Nomination Committee will also consider if the candidates have the ability to make positive contribution to the performance of the Board. It undertakes interviews with prospective candidates and selects or makes recommendations to the Board on the individual(s) nominated for directorships.

  The Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity and the Nomination Policy and considered that they remain effective and appropriate for the Company. As the Board currently comprises 2 female members, the Board considers its diversity of gender is appropriate and no additional measurable objective is necessary in this respect.

ESG Sustainability Report **p.42**
Diversity & Equal Opportunity

Following Mr. David Muir Turnbull's retirement notice as an Executive Director and the Chairman of the Company in May 2022, the Nomination Committee has engaged an independent recruitment consultant to undertake a global search for a successor by considering both external candidates and existing INEDs who indicated their desire to take up the role of Board Chairman. After having considered a substantial number of possible candidates, the Board, with the recommendation of the Nomination Committee, appointed Mr. Stanley Hutter Ryan, a current INED of the Company, to act as the Board Non-executive Chairman following the retirement of Mr. Turnbull at the conclusion of the AGM to be held on 18 April 2023.

- **Separate Formalised Roles for the Chairman and Chief Executive Officer**

  The Chairman oversees the executive team and meets regularly with the CEO on the operations of the Group. He has in the past provided continuity of management during periods of change, hence safeguarding long-term management leadership. The Chairman is responsible for reviewing proposed plans for the Group prior to presentation to the Board. His review focuses on the long-term strategic matters such as capital structure and fleet growth as well as the more immediate operational matters related to debt levels, cash flow, cash balances, risk assessment, other required capital expenditure as well as shareholder considerations.

  The CEO carries out the day-to-day management and execution of the Group's activities and strategic initiatives. He formulates and proposes Group strategy and policy to the Board. He also ensures timely dissemination of appropriate information to the Board members to enable their active contribution to the Group's development.

- **Executive Directors Commitment to the Business Activities of the Group**

  The Executive Directors are required to devote all of their active or contracted business time to the business and affairs of the Group and are not permitted to engage in any other business which is in competition with that of the Group.

- **Role of the INEDs and NED**

  The INEDs and NED play a key role in protecting shareholders' interests. They come from diverse business and professional backgrounds, actively bring a broad range of financial, regulatory, technical and commercial experience and skills to the Board, and enhance the effective strategic management of the Group through independent, constructive and informed contributions. The INEDs and NED provide a long-term view of the business development through shipping cycles and offer views that go beyond the short-term market movements.

- **Assessment of INEDs' Independence**

  The Board considers that all existing INEDs bring strong independent oversight and continue to demonstrate independence. All five INEDs have given written confirmation to the Company about their independence in compliance with Rule 3.13 of the Listing Rules, and the Board continues to consider them to be independent.

  Mr. Alexander Cheung is currently not regarded as independent as the law firm in which he is a partner has been a legal adviser to the Company until the end of 2021 mainly on matters relating to Hong Kong corporate laws and regulations.

INEDs' Period of Office

The Board selects INEDs based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges management's views. Although some INEDs do not necessarily have a shipping background, their familiarity with the business and the industry over the years has enabled them to contribute to the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. Independence from executive management is particularly important as the Group has no controlling shareholder. Continuity of the INEDs provides stability to the Board's decision-making process, compensating for any turnover in the executive management team.

The Board believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities as referred earlier. The Board, however, recognises the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives. Over the last seven years, a total of four INEDs have been appointed. The Board has and will continue to periodically seek new INEDs to join the Board so as to sustain its source of independent views.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. To assist the Directors, the Company Secretary recommends them to attend relevant seminars at the cost of the Company. Relevant reading materials are also identified by the Company Secretary. Each member of the Board has also provided a record of training to the Company, which is set out on page 45 of this Annual Report.

All new Directors receive a comprehensive, formal and tailored induction upon their appointments to the Board with the key objective of assisting them in understanding their duties and responsibilities for being a Director, the Company's business, governance and Board and committee dynamics.

Board Evaluation

The Board has carried out a self-assessment this year led by an INED, Mr. Stanley Hutter Ryan, by way of a one-on-one interview with each Director to evaluate the performance of the Board during the year with an aim of ensuring continuous improvement in its functioning which in turn would influence and impact the Group's business. Directors' recommendations have been analysed, discussed and prioritised.

The Board considers that it has operated effectively during the year and its composition, size and structure are appropriate to the Group's business needs, reflecting a diversity of perspectives and a desirable combination of skills and experience. Succession planning remains a priority and the Board will undertake appropriate recruitment having regard to the retirement of individual Directors.

The Board and its members' responsibilities

The Board is accountable to the shareholders of the Company and its primary responsibilities are to:

- Develop the Group's long-term corporate strategies and broad policies
- Approve budgets and business plans
- Approve acquisition or disposal of investments and assets in particular those that require shareholders' notification or approval under the Listing Rules
- Lead corporate governance and sustainability
- Oversee the management of the Group, including the design, implementation and monitoring of the risk management and internal controls and sustainability management systems
- Prepare accounts and financial statements of the Group
- Monitor the Group's operating and financial performance
- Assess the achievement of targets set by the Board periodically
- Oversee matters that may involve a conflict of interest of a substantial shareholder or a Director
- Review and monitor the training and continuous professional development of the Board and senior management

The Board delegates certain responsibilities to Board Committees outlined below. Executive Directors are delegated authority to oversee the Group's business operations, implementation of strategies laid down by the Board, and the making of day-to-day operating decisions.

The Company adopts a diverse approach to the composition of Board members enhancing diverse perspectives and independence.

The Chairman meets with the INEDs and NED without the presence of the other Directors and management at least once a year to facilitate more liberated expression of views. Directors are free to engage external independent professional advisers to assist them to discharge their duties as they think fit, including the identification of suitable director candidates, at the expense of the Company. Directors are also free to invite any staff members to attend meetings or engage with them directly for information as they think fit.

The Nomination Committee reviews annually the implementation and effectiveness of these mechanisms, and make recommendations on proposed changes to the Board where appropriate.

Board Committees

The Board has established the Audit, Remuneration and Nomination Committees in accordance with the Code.

The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances. The terms of reference of these Board Committees are available on the Company's website and the Stock Exchange's website.

www.pacificbasin.com
Sustainability > Board & Board Committees

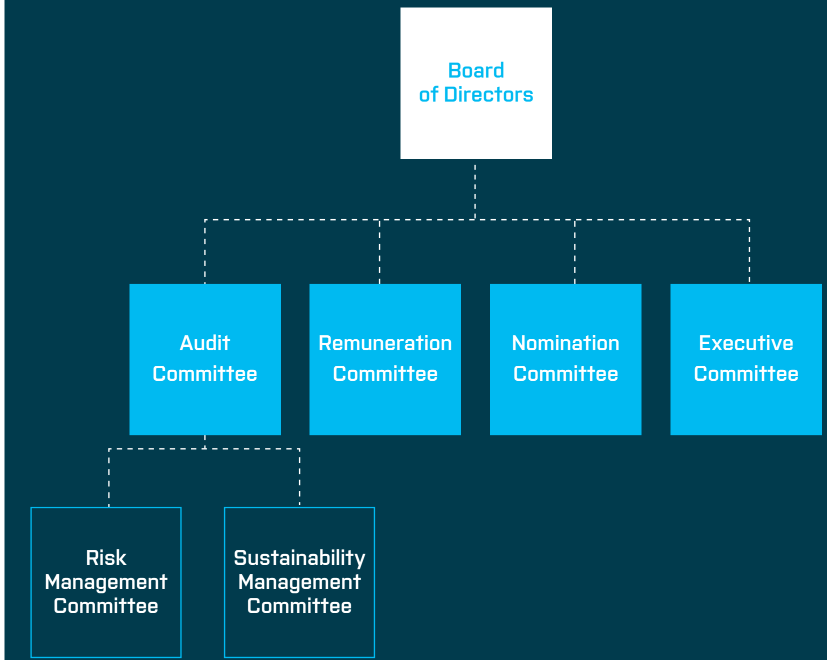
Decisions made by the Board and the Board Committees are based on detailed analyses prepared by the management which include:

(i) monthly operations performance analysis;

(ii) periodic asset investment and divestment proposals;

(iii) periodic proposals on financing and capital structure; and

(iv) periodic Board meetings to evaluate management's strategic priorities.



Board, Board Committee and General Meetings in 2022

The meetings schedule of the Directors and Board Committees is planned a year ahead in order to facilitate participation by all members of the Board and Board Committees. The Board has four regular meetings annually focusing on business strategy, operational issues and financial performance. Additional meetings will be called where necessary to address special businesses.

The Board met four times during the year. The attendance of each Director at Board meetings, Board Committee meetings and general meeting in 2022 are set out below. The Board continued to record healthy attendance at Board and Board Committee meetings, demonstrating strong commitment of the Directors in discharging their duties.

	Annual General Meeting	Board Meeting	Audit[1] Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Training[#]
Executive Directors						
David M. Turnbull (Chairman)[2]	0	3/4				√
Martin Fruergaard (Chief Executive Officer)	1	4/4				√
Peter Schulz (Chief Financial Officer)	1	4/4				√
Non-executive Director						
Alexander H.Y.K. Cheung (appointed on 3 January 2022)	1	4/4	4/4	1/1	3/3	√
Independent Non-executive Directors						
Robert C. Nicholson	0	4/4	4/4	1/1	3/3	√
Irene Waage Basili[3]	0	4/4		1/1		√
Stanley H. Ryan[3]	0	4/4		1/1		√
Kirsi K. Tikka[4]	0	4/4	4/4		3/3	√
John M.M. Williamson	1	4/4	4/4			√
Patrick B. Paul (retired after 2022 AGM)	0	1/1	1/1			√
Alasdair G. Morrison (retired after 2022 AGM)	0	1/1	1/1			√
Total number of meetings held in 2022	1	4	4	1	3	

[1] Representatives of the external auditor participated in all four Audit Committee meetings

[2] Mr. David Turnbull was absent from one of the Board meetings due to health reason

[3] Both Mrs. Irene Waage Basili and Mr. Stanley Ryan stepped down as members of the Nomination Committee on 19 April 2022

[4] Dr. Kirsi Tikka was appointed as a member of the Nomination Committee on 19 April 2022

[#] This includes (i) continuous professional development through attending expert briefings/seminars/conferences relevant to the Company's business or directors' duties arranged by the Company or external organisations, and reading regulatory/corporate governance or industry related updates; and (ii) induction and familiarisation programmes attended by newly appointed Directors or where there is a role change

The Audit Committee

Membership

Chairman: John M.M. Williamson

Members: Robert C. Nicholson, Kirsi K. Tikka and Alexander H.Y.K. Cheung; Patrick B. Paul and Alasdair G. Morrison (both retired after 2022 AGM)

Main Responsibilities

1. Review the financial statements and the financial reporting process to ensure the balance, transparency and integrity of published financial information.
2. Review the effectiveness of the Group's financial controls, internal controls and risk management systems.
3. Review the work of the Risk Management Committee.
4. Review the work of the Sustainability Management Committee.
5. Review the Group's process of monitoring compliance with the laws and regulations affecting financial reporting.
6. Develop and review the Company's policies and practices on corporate governance in compliance with the Code and make recommendations to the Board.
7. Review the independent audit process and the effectiveness of the risk management and internal audit function.
8. Approve the remuneration and terms of engagement of the external auditors and other non-audit services.

Work Done in 2022

The Audit Committee held four meetings during the year, all of which were joined by representatives of the Company's external auditor, and the work undertaken included the following:

- review and discussion of the external auditor's Audit Committee Report in respect of the 2021 full year audit and the 2022 interim review and the audit strategy memorandum;
- review of the 2021 Annual Report, Sustainability Report and accounts and the 2022 interim report and accounts with a recommendation to the Board for approval;
- review of the Risk Management Committee reports including the internal audit work plan for 2022 and the internal controls testing results and the effectiveness of the risk management and internal control systems and function of the Group;
- review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting function;
- review of the Sustainability Management Committee reports including the Group's key ESG performance and targets, new ESG projects, new IMO carbon efficiency regulations and the annual ESG materiality assessment; and
- review of the adequacy of the Group's marine related and other insurance covers.

During the year, the Audit Committee met with the external auditor once without the presence of management.

The Remuneration Committee

Membership

Chairman: Robert C. Nicholson

Members: Irene Waage Basili, Stanley H. Ryan and Alexander H.Y.K. Cheung; Patrick B. Paul (retired after 2022 AGM)

Main Responsibilities

1. Make recommendation to the Board on the Company's remuneration policy and structure for Directors and certain higher paid employees and the desirability of performance-based remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
2. Determine, through authority delegated by the Board, the remuneration of the Executive Directors and certain higher paid employees with reference to the Board's Corporate goals and objectives.
3. Review and make recommendation to the Board on the terms of appointment for Directors when considered necessary.
4. Make recommendation to the Board relating to fair (and not excessive) compensation payments and appropriate arrangements, taking into account contractual entitlements of the Directors, in the case of any loss or termination of office or appointment and dismissal or removal for misconduct.
5. Administer and oversee the Company's 2013 Share Award Scheme and other equity or cash-based incentive schemes of the Company in place from time to time, and review and approve the granting of share awards to any staff members of the Group.
6. Approve the disclosure statements of the Company's policy and remuneration for Directors in the Annual Report.

Work Done in 2022

The Remuneration Committee met once during the year and, together with e-mail communication, the work undertaken included the following:

- approval of the 2022 year-end bonuses, salary review for 2023 for the Executive Directors and certain higher paid employees;
- approval of the grant of restricted share awards to the Executive Directors and certain staff members who, in the case of senior leaders, exhibit continuous excellence and values based leadership, and in the case of other employees, demonstrate continuous strong performance and future leadership attainment, and will benefit the development of the Group and should be retained via this means;
- review of a benchmarking report prepared by the international HR consulting firm in relation to compensation for senior management staff;
- review of a draft of a new share award scheme intended to replace the existing 2013 Share Award Scheme that expires in February 2023; and
- Direct management to undertake a full review of the principles of the Company's long term incentive program.

The Nomination Committee

Membership

Chairman: Robert C. Nicholson

Members: Alexander H.Y.K. Cheung and Kirsi K. Tikka (appointed on 19 April 2022); Patrick B. Paul, Irene Waage Basili and Stanley H. Ryan (all stepped down as members on 19 April 2022)

Main Responsibilities

1. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Group's corporate strategy.
2. Report to the Board on compliance with the Stock Exchange's rules and guidelines on Board composition from time to time.
3. Review the implementation and effectiveness of the Board Diversity Policy on an annual basis and make recommendations to the Board where appropriate.
4. Identify individuals suitably qualified to become Board members and make recommendation to the Board on the selection of individuals nominated for directorship.
5. Assess the independence of the Company's INEDs.
6. Make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer based on an evaluation of scope and responsibility of the position and the advice from external recruitment consultants if considered appropriate.
7. Review annually the implementation and effectiveness of mechanisms that ensures independent views and input are available to the Board, and make recommendations on proposed changes to the Board where appropriate.

Work Done in 2022

The Nomination Committee held three meetings during the year and together with e-mail communication, the work undertaken included the following:

- review of the structure, size and composition of the Board;
- review of the Board Diversity Policy and Nomination Policy;
- review of the Board succession plan and update on the strategy of INED renewal program;
- engaged external advisor for the chairman selection process and interviewed both external and internal candidates (existing INEDs of the Company) and recommended to the Board the appointment of Mr. Stanley Ryan, an existing INED, as Chairman of the Board following retirement of Mr. David Turnbull at the conclusion of the 2023 AGM to be held in April 2023; and
- assess the independence of the Company's INEDs.

The Executive Committee

Membership

Chairman: Chief Executive Officer

Members: Chairman of the Board, Chief Financial Officer and one senior executive (one senior executive left the Company in January 2022)

Main Responsibilities

1. Identify and execute transactions within the parameters approved by the Board.
2. Identify and execute vessel purchase and sale transactions.
3. Identify and execute long-term charter contracts and cargo contracts with duration exceeding 5 years.
4. Identify and execute bunker physical contracts and bunker swap contracts with duration exceeding 5 years.
5. Identify and execute transactions for non-vessel marine fixed assets exceeding US$5 million.
6. Make decisions over financing and related guarantees.
7. Exercise the Company's general mandate to issue new shares or buy back shares in accordance with the parameters set by the Board and the limits approved by the shareholders.

Work Done in 2022

The Executive Committee approved and executed a range of business matters based on detailed analysis submitted by management, and the work undertaken included the following:

- announcement of the issue of new shares to fulfil the grant of restricted share awards to certain employees;
- enter into contracts of purchase of two second-hand Ultramax vessels, charter-in of four Handysize new buildings for a period of five years for delivery from May to November of 2024, charter-in of one Ultramax new building with purchase option for a period of five years for delivery in the fourth quarter of 2024, declaration of purchase option on one second-hand Supramax vessel for delivery in the first half of 2023;
- enter into contracts of disposal of eight smaller and older Handysize vessels;
- incentivised offer to bondholders for early conversion of the convertible bonds issued by the Group in December 2019 and publication of related announcements;
- announcement of the repurchase of the Group's convertible bonds of approximately US$34 million in November/December 2022 and their subsequent cancellation;
- the conversion price adjustment of the Group's convertible bonds due in 2025 and the publication of related announcements in April and August 2022; and
- enter into a memorandum of understanding in the investigation and development of zero-emission vessels and investment in related bunkering infrastructure.

Sustainability Management

The Group's business draws on and impacts resources and relationships it relies on to create value. Its operations have an effect on the environment, its stakeholders and society, and have a bearing on the long-term sustainability of its business.

The Group's active approach to sustainability is rooted in its culture and, governed by policies and systems, is integrated into its daily business behaviour and operating practices. The Group believes that many of the responsible actions it takes – its commitment to sustainability – make it competitively stronger and enhance its financial performance, reputation and the longevity and future value of its business.

ESG metrics are increasingly used by stakeholders to analyse a business' environmental, health and safety, community and ethical impact and sustainability practices.

Sustainability Governance

The Board is responsible for, among other things, the development of the Group's long-term corporate strategies and broad policies. In setting its standards, it considers the needs and requirements of the business, its stakeholders, the Code and ESG Reporting Guide encompassed in the Listing Rules.

As such, the Board also has overall responsibility for, and is engaged in, the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, and ensuring appropriate and effective ESG risk management and internal control systems are in place. Management provides confirmation to the Board of the effectiveness of these systems. The Board also reviews progress made against ESG-related goals and targets.

The Board delegates to the Audit Committee more specific responsibility for reviewing the effectiveness of the Group's sustainability initiatives and the work of the Sustainability Management Committee ("SMC").

Functions of SMC

The Group's SMC comprises the CEO, CFO and six senior executives from different functions. It reports to the Audit Committee at least twice a year, and is responsible for reviewing, assessing and enhancing the Group's sustainability policies, strategies and performance, and ensuring the Group is in full compliance with ESG requirements. This approach affirms and enables the Group's commitment to sustainability, and ensures that members with different backgrounds and expertise are represented to deliver meaningful outcomes.

Day-to-day Implementation

We have recently formed a dedicated sustainability team to enhance and help to coordinate our approach to sustainable business practices and investments in sustainable assets. Supported by the sustainability team, day-to-day execution of sustainability initiatives and sustainable business practice lies with managers across the business, most notably the Fleet Director (supported by his technical, personnel, and risk & safety managers), the Commercial Operations Director, the CEO and the Human Resources and Administration Director.

The Sustainability Management Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer, Director of Chartering, Director of Operations, Director of Fleet Management, Director of Group HR & Admin, Head of Sustainability, Director of Risk, Manager of Risk

Main Responsibilities

1. Oversee and execute the Group's sustainability strategy.
2. Review and ensure proper disclosure and compliance with the ESG Guide of the Hong Kong Stock Exchange.
3. Review the annual materiality assessment of ESG risks.
4. Review the internal procedures and system for the maintenance and generation of appropriate and accurate KPI data.
5. Present and regularly report to the Board on sustainability performance.
6. Make recommendations to enhance sustainability strategies and practices.

Work Done in 2022

In 2022, the SMC met two times and reported twice to the Audit Committee on the Group's sustainability programme, performance and work done. The work undertaken included:

- review and discuss the materiality assessment of ESG topics and risks with reference to the Company's strategy and industry relevance;
- review of the proposed level of ambition for various ESG issues;
- review of the proposed environmental KPI targets and steps to achieve them with a recommendation to the Board for approval;
- review and assess incoming energy-efficiency and decarbonisation regulations and measures in the shipping industry;
- implement of enhanced customer ESG engagement initiatives; and
- amend the terms of reference of the Sustainability Management Committee.

Compliance with ESG Guide

In preparing our Sustainability Report, the Group has followed the ESG Guide as set out in Appendix 27 to the Listing Rules and has referenced other international sustainability reporting standards. We monitor developments and trends in areas of sustainability and sustainability reporting to better meet the expectations of our stakeholders in light of evolving business and regulatory requirements.

Progress towards our ambition of Net Zero by 2050

In 2022, we made an important step towards our Net Zero by 2050 ambition when we commenced a collaboration with leading Japanese shipbuilding group Nihon Shipyard Co. and major trading house Mitsui & Co. to assess the suitability of alternative green fuels for our ship types. We concluded that green methanol is currently the best fuel around which to plan our first zero-emission vessels (ZEVs) and we are now again 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.

ESG Sustainability Report **p.13**
Our Decarbonisation Strategy

RISK MANAGEMENT

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and directions from the Board and Audit Committee.

Framework

The risk management and internal control systems are to help the Group achieve its long-term vision and mission and business sustainability by identifying and evaluating the Group's risks and formulating appropriate mitigating controls to protect our business, stakeholders, assets and capital. Risk management and internal control systems are embedded in our business functions and we believe that they enhance long-term shareholder value. The risks of the Group are subject to and are directly linked to the Group's strategy.

The Board oversees management in the design, implementation and monitoring of the Risk Management and Internal Control Systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable but not absolute assurance against material misstatement or loss. A review of their effectiveness are conducted annually by the Risk Management Committee ("RMC") and reported to the Board through the Audit Committee. The primary responsibility for detailed risk identification and management lies with the respective business units.

The RMC, reporting to the Audit Committee, is responsible for strengthening the Group's risk management culture, ensuring the overall framework of risk management is comprehensive and responsive to changes in the business and market, and managing the internal audit function. It regularly reviews the completeness and accuracy of risk assessments, risk reporting and the adequacy of risk mitigation efforts.

As the first line of defence, individual business units identify operational risks, develop and implement respective controls. These activities are monitored and evaluated by division heads and relevant staff managers, and are overseen by the RMC as the second line of defence. As the third line of defence, internal/external reviews are regularly conducted and reported to the Audit Committee charged with the role to ensure that the enterprise risk management arrangements and structures are appropriate and effective.

The Group has in place a risk management and internal control framework that is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management (ERM) - Integrated Framework and has the following five components:

- **Governance and Culture**

  The Group has reinforced enterprise risk management culture, including ethical values, desired behaviours and risk appetite. Sound organisational structure is established to delegate business functions to respective business units within limits set by the head office management or Executive Directors in the pursuit of the Group's strategy and business objective.

- **Strategy and Objective-setting**

  The Board meets on a regular basis to discuss and agree on business strategies, plans and budgets prepared by management. The Board considers business context and risk implications when establishing strategies to ensure that they align, support and integrate with the defined vision and mission.

- **Performance**

  The Group identifies, assesses and prioritises the risks that are most relevant to the Group's success according to their likelihood and impacts.

  Based on the risk assessment, mitigation plans or controls enhancement are developed and implemented by individual business units. The result of this process is reported to the Board by the RMC annually.

- **Review and Revision**

  The Group continuously reviews its risk framework in light of substantial changes and pursues improvements of enterprise risk management.

- **Information, Communication, and Reporting**

  The Group encourages obtaining and sharing information, from both internal and external sources, which flows up, down and across the organisation. Information systems, channels and reporting tools are established and regularly upgraded to support enterprise risk management communications of the Group.

The Risk Management Committee

Membership

Chairman: Chief Financial Officer

Members: Chief Executive Officer, Director of Chartering, Director of Risk, Manager of Risk

Main Responsibilities

1. Promote and strengthen the Group's risk management culture.
2. Facilitate the identification of significant risks of the Group and recommend and /or implement suitable policies and controls.
3. Review significant risks of the Group through an annual risk assessment with division heads.
4. Review and recommend appropriate internal controls and policies.
5. Develop internal audit plan.
6. Manage the annual risk assessment and testing of internal controls.

Work Done in 2022

The RMC met three times during the year and reported to the Audit Committee twice on the annual risk assessment and internal controls review. The work undertaken included the following:

- develop internal audit plan;
- audit and review internal controls based on the audit plan;
- implement, maintain and improve the risk management policy and risk management framework;
- perform annual risk assessment by way of an online questionnaire and review the input in collaboration with division heads;
- review the Group's significant and emerging risks with division heads and recommend and implement new policies and controls;
- report to the Audit Committee the management of the marine related and other insurances;
- report by way of a deep dive review to the Board the decarbonisation pathway;
- assist in the enhancement of the Group's Environmental, Social and Governance (ESG) Reporting in compliance with the upgraded ESG Guide of the HKEX;
- conduct anti-bribery training for seafarers and shore-based employees to further bolster the Group's anti-corruption culture;
- conduct orientation briefing to newly joined shore-based staff on the Group's corporate governance framework and culture;
- conduct periodic business continuity drills at the headquarters and other overseas offices to simulate a situation of business disruption in the event of a shutdown of essential IT systems; and
- review and assess the potential impact of the environmental regulations to the Group's business.

Annual Assessment of Risk and Internal Controls

The Group carries out an annual risk assessment by way of an online questionnaire completed by senior staff members with the objective to improve the design and the effectiveness of the Group's internal controls. Any changes in the risk profile and related mitigating measures, new risks or other proposal in risk management are evaluated and documented in the Group's risk register. The impact of risks, mitigants and recommendations are communicated to the relevant business divisions.

The mitigating controls of the Group's risks are reviewed and tested periodically by the RMC. The frequency of testing of individual internal controls is by reference to the ranking of the underlying risk areas and the strategy of the Group. The Group adopts a peer review format in its annual testing of internal controls by appointing appropriate staff members auditing selected controls of departments other than their own.

The criteria for assessing the effectiveness of internal controls are based on whether the mitigating controls have been operated and enforced throughout the period being reviewed. Findings and recommendations are communicated with the relevant division heads and staff to formulate appropriate measures to refine or enhance the controls, or rectify any control deficiency.

The RMC conducts regular meetings with division heads and managers at the headquarters and regional offices so as to keep abreast of issues and new risks that are embedded in business operations and to refine or enhance existing procedures and controls in line with business needs and market changes. The Group has a robust mechanism of regular reporting of key business and operations performance to both management and the Board, which is a key element of a healthy risk management system.

The Group also conducts annual customer and investor surveys which generate feedback that we act on to further enhance the quality of our service and our investor relations and corporate governance practices.

p.12 The Year in Review

Effectiveness of the Risk Management and Internal Control Systems

The RMC reports at least twice a year to the Audit Committee which assesses the adequacy and effectiveness of the risk management and internal control systems. Such systems are crucial for the fulfilment of the Group's business objectives. The Audit Committee reviews how management designs, implements and monitors those systems, the findings, recommendations and the follow-up procedures of the annual risk assessment and internal controls testing, as well as the Group's risk register and management's confirmation on the effectiveness of the Group's risk management and internal control systems, and reports to the Board annually.

In respect of the year ended 31 December 2022, the Board, with confirmation from management, considers the risk management and internal control systems effective and adequate. No significant areas of concern were identified.

OUR PRINCIPAL RISKS

The Group is faced with a number of risks that might derail our progress towards achieving our vision and impact shareholder value. This section sets out our key risks and their mitigating measures, arranged by our areas of key strategic focus. These key risks are by no means exhaustive or comprehensive, and there may be other risks which may not be material at this juncture, but could turn out to become material in the future. The risks, impacts and mitigating measures in this section are consistent with the Group's risk register taking into account the outcome of the annual risk assessment by way of an online enterprise risk assessment questionnaire in collaboration with division heads.

p.33 How We Create Value

1. Investing in Our Fleet

p.34-36 Delivering on Our Strategy

Risk/Impact

Market Risk A

Adverse financial impacts include:

- freight rate and geopolitical volatility;
- cost volatility including fuel prices and other operating expenses;
- tightened sanctions regulations;
- uncertainty on environmental regulations; and
- US-China trade tensions affecting freight market sentiment and status of Hong Kong, such as the suspension of US-Hong Kong reciprocal tax exemption of shipping income and increasing cost of trades.

Change from last year: ↑

Mitigating Measures

Our large fleet scale and uniformity enable us to achieve high laden utilisation and TCE earnings that outperform the market indices in our core business over the shipping cycle.

Our operating activity is able to generate a margin throughout the shipping cycle complementing our core business.

Earnings volatility is partially managed by securing contracts of affreightment of one year or longer. We remain focused on the Handysize and Supramax segments of the dry bulk sector which is where we have a strong competitive edge.

Utilise technology to manage forward fleet and cargo exposure, optimise port calls and monitor operational and financial performance.

Fuel costs for our long-term cargo contracts are passed to our customers through bunker price adjustment clauses or hedged with either bunker swap contracts or forward price agreements.

Bunker swap contracts can also be used to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of our estimated fuel consumption on some of our Supramax vessels that are fitted with scrubbers.

Constant monitoring of the development of political landscape and keeping track of the sanctions and environmental regulatory development to ensure compliance.

p.97 Financial Statements Note 15
Derivative Assets and Liabilities for our use of derivative financial instruments

Risk/Impact

Vessel Investment, Deployment and Operational Risk

Inappropriate vessel investment timing, deployment and operations may reduce the competitiveness of our cost structure and margins.

Vessel values vary significantly through shipping cycles, and we need competitively priced and high-quality vessels to provide our services to customers.

Chartering in vessels in a strong market may bring potentially greater downside risks. Furthermore, increasingly stringent environmental regulations increase the uncertainty to the economic life of fossil-fuelled vessels.

Inadequate vessel maintenance could jeopardise crew safety and lead to vessel down-time and service disruptions.

Change from last year: ↑

Mitigating Measures

The Group regularly evaluates potential vessel investments and divestments based on relevant market information, estimated future earnings and residual values. We adopt a flexible ownership/leasing strategy that is aligned with shipping cycles, and we pursue an active fleet growth and renewal programme by:

- acquiring modern Japanese-built or designed young second-hand vessels or newbuildings that are dual-fuel with the ability to upgrade to zero-emission new fuels;
- continuing to dispose of the older and smaller vessels;
- assessing environmental KPIs such as the EEXI and AER in our vessel purchase due diligence;
- monitoring the development of future zero-emission vessels; and
- chartering vessels from quality shipowners.

Our technical team and crews operate and maintain our ships under our International Safety Management (ISM) Code-compliant "Pacific Basin Management System" to ensure safety and service reliability.

ESG Sustainability Report p.31
Pacific Basin Management System

2. Investing in Our People

p.34-36 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Succession Risk Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the Group's business, and undermine stakeholders' confidence within the Group. **Change from last year:** →	Our Group's dedicated HR department oversees the organisational design, talent management, recruitment and remuneration. Succession plans for senior management are regularly reviewed. The Nomination Committee closely monitors the Board succession planning process to ensure Board continuity and diversity. The Group implemented measures to facilitate work flexibility and travel for staff members. The Group has a clear vision, mission and business principles with which to equip any potential Board, management and staff successors to lead the business forward.
Employee Recruitment, Engagement, Retention Risk We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals. Due to the nature of the profession, working at sea can be physically and emotionally demanding which bring challenges to our seafarers' health and wellbeing which may impact the operational safety. **Change from last year:** ↑	Our Group's HR and crewing departments are tasked with recruiting, developing and maximising engagement of staff ashore and at sea by: ■ maintaining regular contact with talent representing a wide cross-section of the shipping industry, and using diverse manning sources for seafarers to engage our diversified crew pools in several countries; ■ reviewing salary structure regularly to ensure that it remains adequate and competitive to attract and retain the best talent; ■ conducting staff engagement survey to enhance employee's engagement; ■ offering regular training for staff ashore and at sea, not only to ensure that they are capable of performing their duties but also to help improve professional fulfilment; ■ implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff; ■ extending flexibility to staff who are separated from their families due to strict quarantine and travel restrictions due to Covid-19; ■ providing 24/7 medical and specialist advice to our seafarers; and ■ providing an employee wellness program on a global basis including offering counselling services and wellness workshops to all employees. ESG Sustainability Report **p.28-43** Responsibility to our People

3. Deepening Our Relationships

p.34-36 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Credit and Counterparty Risk A Default or failure of counterparties to honour their contractual obligations may cause financial losses. Counterparties include: ■ our cargo customers; ■ ship owners; ■ ship builders, sellers and buyers; ■ suppliers; ■ derivatives counterparties; and ■ banks and financial institutions. **Change from last year:** ↑	Our global office network enables us to know our counterparties better. We take measures to limit our credit exposure by: ■ transacting with a diverse range of counterparties with successful track records and sound credit ratings; ■ actively assessing the creditworthiness of counterparties; ■ establishing a due diligence team to perform on-boarding counterparties due diligence; ■ deploying independent risk intelligence tools and our self-developed platform to perform sanction checks on all new counterparties and systematic daily screening of our active counterparties, to ensure the Group complies with international sanctions legislation; ■ engaging with our counterparties on a regular basis to keep up to date with their financial situations; and ■ obtaining refund guarantees from newbuilding shipyards. p.101 Financial Statements Note 16 Trade and other receivables
Customer Satisfaction and Reputation Risk Poor service may impair our brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, high-quality vessels, funding and talent. **Change from last year:** →	Our global office network positions us closer to our customers enabling direct and frequent customer engagement, a clearer understanding of their needs and localised customer service. Our fleet scale and uniformity, complemented by our comprehensive in-house technical operations, enhance our ability to deliver a high-quality and reliable service. Customer engagement includes surveys and regular telephone or face-to-face contact to gather feedback with a view to further improve customer satisfaction.
Banking Relationships Risk Poor loan administration and relationships with banks may limit our funding sources. **Change from last year:** →	Our Group's dedicated corporate finance function develops and maintains relationship with a diverse group of reputable banks worldwide through regular senior management contact.

4. Safeguarding Health and Safety

p.34-36 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Health and Safety Risk Inadequate safety maintenance and operational standards, piracy or other causes of accidents may lead to injuries, loss of life, severe damage to our third party and owned properties or vessels, affecting profitability and impacting the Group's reputation among seafarers, customers and other stakeholders. **Change from last year:**	Our commitment to the safe operation of our ships is manifested through a proactive and robust system ashore and at sea – the Pacific Basin Management System ("PBMS") – which is reviewed and updated regularly. The PBMS is further enhanced by comprehensive risk assessment, as well as well-conceived training and maintenance programmes, as well as innovative initiatives to ensure our vessels are in good condition and in all respects safe to trade. Our high quality attention to safety is evidenced by an excellent safety record and our several safety-related awards in recent years. We maintain high retention of senior officers and sufficient crews on board to ensure our crews are experienced in our trades with good rest-to-work ratio. We focus on enhancing our seafarers' health, safety and wellbeing on board by providing comprehensive support including physical and mental wellbeing support with the latest in remote medical support services. We provide training and development for our seafarers, adopting a well-designed and structured approach that boosts the overall health and safety performance of our seafarers and our fleet. ESG Sustainability Report **p.32-35** Responsibility to our People Safety, Health & Wellbeing
Insurance Risk Vessel incidents could endanger our crew, adversely affect the strength of our brand and reputation and result in service disruption and significant costs. **Change from last year:**	Despite best efforts to ensure safe operations, incidents do happen. We place insurance cover at competitive rates through marine insurance products both on our owned fleets and chartered fleets, including hull and machinery, war risk, protection and indemnity, loss of hire, drug seizure loss, freight demurrage and defence cover. Sufficiency of insurance cover is regularly evaluated and adjusted in line with prevailing asset values and in compliance with loan covenants and internal policies.

5. Evolving Management & Governance Practices

p.34-36 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
IT Security Risk Our business processes rely heavily on IT systems (including cloud-based) on daily communications ashore and at sea. Failure of a key IT system, targeted attacks on our system, or a breakdown of security systems could result in communications breakdown, business disruption and potential financial and/or reputational losses. Business disturbances due to cybersecurity risks can be significant. **Change from last year:** ↑	Our IT Steering Committee chaired by our CEO oversees the Group's IT policies and procedures and ensures the Group's IT strategies meet our business needs. Our IT team works closely with the business departments to tailor appropriate and effective IT solutions, support, and preventive and contingency measures. We have a formalised business continuity plan ("BCP") system in place and arrange periodic company-wide drills and webinars to simulate a situation of essential IT systems shutdown. Our system migrations to reputable cloud-based services had significantly enhanced the Group's data security and reduced the likelihood of cyber incidents. We regularly evaluate our cloud-service providers, ensuring that they have organisational controls in place to safeguard systems and data. We also verify if they are independently certified by international standard audits so as to comply with industry standards and our internal policies. We further protect our business against financial loss due to cyber-crimes by taking commercial crime insurance cover. Vessel hardware and systems are reviewed periodically to maximise system efficiency and security.
Corporate Governance Risk Inadequate corporate governance measures may adversely impact the diligence, integrity and transparency of our risk assessment, decision-making and reporting processes and undermine stakeholders' confidence. **Change from last year:** →	The Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Audit Committee, Risk Management Committee and Sustainability Management Committee proactively ensure the overall corporate governance, risk management framework and sustainability strategy of the Group are working effectively. The Group has put in place appropriate internal procedures to monitor changes in applicable laws and regulations, ensure compliance with all relevant local and international laws and regulations in the places we trade, including comprehensive regulations enacted by the International Maritime Organization (and enforced by its member countries) and international sanctions legislation. Our commitment to anti-bribery practices and high standards of corporate governance has been certified by TRACE, and is underscored by our admission as a member of the Maritime Anti-Corruption Network (MACN). Regular anti-bribery trainings were organised to shore-based staff and seafarers. The Board and relevant employees receive regular governance training to ensure a high standard of corporate governance. p.42 Corporate Governance
Investor Relations Risk Lack of transparency or adequacy in our external communications could undermine stakeholders' confidence in our Group. **Change from last year:** →	The Group has a dedicated investor relations function and has in place policies and guidelines on information disclosure and communication with the public. We publish financial reports or trading updates quarterly, keeping the public informed of material developments of the Group and the market guided by the Corporate Governance Code's best practices. Our website is updated regularly with company news and financial information. p.74 Investor Relations

6. Safeguarding the Environment

p.34-36 Delivering on Our Strategy

Risk/Impact

Environmental and Decarbonisation Risk

Any deficiency in compliance with emissions and other environmental regulations and standards may result in financial loss and significant damage to our brand and the long-term sustainability of our business.

IMO's global EEXI and CII regulations ensuring annual improvements in the carbon efficiency of existing ships took effect from January 2023.

The EU's decision to include shipping in the European Union Emissions Trading System (EU ETS) is due to take effect from January 2024.

The target of net-zero emissions shipping by 2050 promoted by the UN Climate Change Conference of the Parties creates significant challenges to the shipping industry of constantly reducing the carbon intensity of existing conventional ships and replacing them with entirely new zero-emission-capable ships which are not yet available for our segment.

Change from last year: ↑

ESG Sustainability Report p.20-22
Well Prepared for Decarbonisation Rules

Mitigating Measures

Our Sustainability Management Committee chaired by our CEO oversees and executes the Group's sustainability strategy, investment decisions and makes meaningful sustainability recommendations. It also ensures our full compliance with all applicable laws and regulations, adequate Board engagement, proper disclosures and KPI targets are set to drive performance.

We have specialist teams (especially decarbonisation, technical, digitalisation, chartering, operations, asset management and sustainability teams) that collaborate to mitigate risks and harness opportunities around decarbonisation, with support and oversight from management, the Sustainability Management Committee and the Audit Committee.

The Group continually assesses and adopts technology and operational measures to improve our ships' fuel efficiency and to prepare for the transition. Our active fleet renewal programme adds to our fleet younger, larger ships of more fuel-efficient design.

We will only order new builds which are capable of running on low carbon fuel. We are collaborating with top-class industry partners to develop an efficient design for what we expect will be our first dual-fuel ship able to run on either green methanol or fuel oil.

We are members of the *Getting to Zero Coalition* committed to exploring ways to decarbonise our industry. We have also launched the *PB Carbon Neutral Voyage Programme* by partnering with CLP Holdings Limited (CLP) to voluntarily offset the carbon emissions from our global onshore operations using carbon credits derived from CLP's wind and solar farms in Asia, and we offer the option of voluntarily offsetting of voyage emissions for Pacific Basin customers wanting carbon neutral shipping through this Programme.

All our vessels comply with regulations set out by the International Maritime Organization (IMO) and coastal states, including Ballast Water Management (BWM) Convention, 2020 Global Sulphur Limits, EU CO2 MRV regulations, etc. We continue to take a proactive approach to explore viable technological advancement and alternative fuels to achieve net zero emissions shipping by 2050.

We promote a proactive safety culture by way of safety risk assessments to mitigate risk in critical tasks on board. Through our training, we seek to eradicate the risk of accidents that may lead to pollution and related penalties, costs and adverse publicity. We cover our risk of pollution liability through reputable Protection & Indemnity (P&I) clubs.

7. Maximising Efficiencies & Controlling Costs

p.34-36 Delivering on Our Strategy

Risk/Impact

Operational Efficiency Risk

Poor internal systems, processes, communications and management could adversely impact our business and undermine our operational efficiency.

Change from last year:

Mitigating Measures

The Group's top down approach ensures its performance and strategic objectives (including efficiency objectives) are communicated to all staff through organisation-wide staff meetings, information dissemination via intranet and seasonal team building events. We have also established a clear and robust organisation structure that supports our business needs.

Other key measures to bolster operational efficiency include:

- accelerate the Group's digitalisation and processes automations journey by review and upgrade of IT systems, evaluation and procurement of new software and digital applications, applications and hardware to ensure alignment with the business environment and requirements and promote effective system integrations across our operations;
- appropriate documentation of business policies and procedures to ensure process consistency and best practices;
- proper vendor vetting procedures to ensure the stable and sustainable supply of services and goods; and
- outsource certain operational functions where appropriate to third party providers, allowing our own resources to be more effectively deployed.

Cost Management Risk

Failure to manage costs effectively and sensibly could result in financial losses, resources misallocation, safety issues, business disruption, customer dissatisfaction, supplier alienation or loss of opportunities.

Change from last year:

Active resources planning and costs estimation are carried out by business departments to expedite their work scope and assess business opportunities. Our cost management measures are in line with our strategy to maximise efficiency and reduce cost without jeopardising our stakeholders' satisfaction, corporate reputation and operational safety.

Approval mechanisms are in place across business departments to ensure expenditures are scrutinised and approved by authorised persons.

Monthly management reports including its costs and deviation from budget are scrutinised by the Board and management to ensure the proper performance of the Group. Variances from resources planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

8. Enhancing Corporate & Financial Profile

p.34-36 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Liquidity Risk A Insufficient financial resources (such as bank borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due. **Change from last year:**	Our Group's Corporate Finance function actively manages the cash and borrowings of the Group to ensure: ■ sufficient funds are available to meet our existing and future commitments; ■ an appropriate level of liquidity is maintained during different stages of the shipping cycle; ■ compliance with covenants relating to our borrowings and convertible bonds; and ■ regular and transparent dialogues with our relationship banks are maintained. p.111 Financial Statements Note 27 Financial Liabilities Summary p.28 Cash and Borrowings
Capital Management Risk A Weakness in our financial management capability and insufficient capital could impact: ■ our ability to operate as a going concern; ■ our ability to provide adequate returns to shareholders; and ■ other stakeholders' ability and willingness to support the Group. Interest rate fluctuation and exchange rate volatility in the currencies we use may increase uncertainty of funding cost and financial impact. **Change from last year:** p.53 Our Principal Risks Deepening Our Relationships	To achieve an optimal capital structure, the Group conducts regular reviews on: ■ future capital requirements and capital efficiency; ■ prevailing and projected profitability; ■ projected operating cash flows; and ■ projected capital expenditure and expectations for strategic investment opportunities. Our dividend policy is to pay out a minimum of 50% of net profits for the full year excluding disposal gains, with the remainder of the profits retained as capital for future use. Our exchange rate risk is limited by the general use of US dollars in our industry. Interest rate volatility is managed by entering into interest rate swaps. Our Board monitors closely the ratio of interest cover, net borrowings to net book value of owned vessels, and the ratio of net borrowings to shareholders' equity. p.3 Financial Highlights p.97 Financial Statements Note 15 Derivative Assets and Liabilities for our use of derivative financial instruments

OTHER INFORMATION

Handling Inside Information

The Group adopts the following procedures and internal controls for the handling and dissemination of inside information:

- It conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission
- The Group's corporate communication policy governs communication with third parties and, in particular, procedures for responding to external enquiries about the Group's affairs so that designated personnel are authorised to do so
- It has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website
- It stipulates in its Code of Conduct a strict prohibition on unauthorised use of confidential or inside information

Directors – Remuneration and Share Ownership

Details of the remuneration and share ownership of the Directors are contained in the "Remuneration Report" and "Report of the Directors" sections of this Annual Report.

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.

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.

Auditor's Remuneration

Remuneration paid to the Group's external auditor, for services provided for the year ended 31 December 2022 is as follows:

Audit	Non-audit	US$'000 Total
872	43	915

Our Shareholders

Details of shareholder type and shareholding can be found on page 77 of this Annual Report.

p.72 Report of the Directors
Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

p.77 Investor Relations
Our Shareholders

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy with the objective of enabling shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company. Details of the Shareholders Communication Policy can be found on the Company's website. The Board has conducted a review of the implementation and effectiveness of the Shareholders' Communication Policy and the related framework during the year. Its review was from three broad angles, namely (i) the specific policy on the means of communication with the shareholders and the channels available for them to access to the Company; (ii) the Company's internal procedures on proper dissemination of information to the shareholders to ensure their proper understanding of the actions taken by the Company or other useful information of the Company; and (iii) the availability and quality of the two-way dialogue with shareholders such as conducting investor meetings by the Company's designated investor relations personnel or Directors. The Board has been provided with information that the above have been properly in place or performed during the year. In addition, the Company has designated investor relations and company secretarial functions, staffed by appropriately qualified personnel who are charged with, among other things, communication with shareholders and compliance with relevant disclosure regulations. These functions are well established and receive close scrutiny by the Chief Executive and the Board. Taking into account of the above, the Board considers the current Shareholders Communication Policy has been appropriately implemented and remains effective.

www.pacificbasin.com
Sustainability > Corporate Governance

Shareholders Meeting

The Company held one general meeting during the reporting year.

The annual general meeting was held on 19 April 2022 with the following resolutions passed and approved:

- receipt and adoption of the audited financial statements and the Reports of the Directors and Auditor for the year ended 31 December 2021;
- declaration of final dividend for the year ended 31 December 2021;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditor for the year ended 31 December 2022 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares; and
- granting a general mandate to buy back shares.

All resolutions tabled at the annual general meeting were voted on and approved by poll.

www.pacificbasin.com
Investors > News: Proxy Form
Media > FAQ: AGM and Shareholders' Questions

Shareholders' Rights

Each of the following procedures are subject to the Company's bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation.

1. Procedures for Shareholders to make proposals at general meeting other than a proposal of a person for election as a Director

- Shareholder(s) holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at an annual general meeting ("AGM") of the Company; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.
- The written request/statements must be signed by the Shareholder(s) concerned and deposited at the Company's registered office** and its principal office** for the attention of the Company Secretary not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.
- If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in giving effect thereto.

2. Procedures for Shareholders to propose a person for election as a Director

- A Shareholder who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s) can deposit a written notice at the Company's principal office** for the attention of the Company Secretary to propose a person (other than that Shareholder) for election as a Director at that meeting.
- The written notice must be signed by the Shareholder concerned, stating the full name of the person proposed for election as a director, his/her biographical details as required by the Listing Rules, and that person depositing a signed written notice at the Company's principal office** for the attention of the Company Secretary indicating his/her willingness to be elected.
- The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the general meeting and end no later than 7 days prior to the date of such general meeting. If the notice is received less than 15 business days prior to that general meeting, the Company may consider adjournment of the general meeting where appropriate.

** p.121 Corporate Information
including the Company's registered office and principal office addresses

3. Procedures for Shareholders to convene a special general meeting ("SGM")

- Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition (stating the purpose of the general meeting and signed by the Shareholder(s) concerned) sent to the Company Secretary at the Company's registered office** and principal office** to require a SGM to be called by the Board to transact a specified business in such requisition; and such meeting shall be held within two months after the deposit of such requisition.
- If the requisition is in order, the Company Secretary will ask the Board to convene a SGM in accordance with applicable legal and regulatory requirements.

Enquires of the above may be addressed in writing to the Company Secretary at the principal office** or by e-mail to companysecretary@pacificbasin.com.

** **p.121** Corporate Information
including the Company's registered office and principal office addresses

Planned Financial Calendar in 2023

23 February	2022 annual results announcement
14 March	2022 Annual Report
17 April	First quarter 2023 trading update
13-18 April	Book closure for determining entitlement to attend and vote at the AGM
18 April	Annual General Meeting
Applicable if 2022 final dividend is payable:	
24 April	Last day of dealings in shares with entitlement to 2022 final dividend
25 April	Ex-dividend date
26 April by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2022 final dividend
27 April	2022 Final dividend record date and book closure of the share register
9 May	2022 Final dividend payment date
31 July	2023 interim results announcement
Applicable if 2023 interim dividend is payable:	
10 August	Last day of dealings in shares with entitlement to 2023 interim dividend
11 August	Ex-dividend date
14 August by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2023 interim dividend
15 August	2023 Interim dividend record date and book closure of the share register
25 August	2023 interim dividend payment date
12 October	Third quarter 2023 trading update

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 Service 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.

OUR DIRECTORS

Our Board comprises 9 Directors whose complementary expertise and shared commitment to responsible investment and management practices is harnessed in the overall interests of our diverse shareholders and other stakeholders

Executive Directors

David Muir Turnbull

Chairman

(age 67)

Mr. Turnbull joined Pacific Basin as an INED in 2006 and was appointed as the Chairman and an Executive Director in 2008. He previously spent 30 years with the Swire Group where he held various senior management positions. He was the chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company and a non-executive director of Greka Drilling Limited (previously London AIM-listed) between February 2011 and October 2017 and London-listed G3 Exploration Limited between July 2006 and July 2018.

Education & qualifications:
Cambridge University: Master of Arts degree in Economics

Term of office:
Appointed as INED in May 2006

Appointed as Chairman in January 2008 and Executive Director in July 2008

Retiring at the 2023 AGM

External appointments:
INED of Hong Kong-listed The Wharf (Holdings) Limited

Committee membership:
Executive Committee

Martin Fruergaard

Chief Executive Officer

(age 55)

Mr. Fruergaard joined Pacific Basin as an Executive Director in July 2021. He previously spent 26 years with A.P. Moller-Maersk A/S in Copenhagen and Houston, starting in 1989 at Maersk Tankers followed by the group's gas carrier operation until 1995, before occupying managerial and leadership positions including senior director of Maersk Bulk Carriers, senior vice president of Maersk Tankers, and chief commercial officer of Maersk Drilling. From 2015 to June 2021, he served as chief executive officer of gas tanker owner and operator Ultragas.

Education & qualifications:
International Institute for Management Development: EMBA degree

Various executive courses at IMD and Harvard Business School

Advanced Management Program at Harvard Business School

Term of office:
Appointed as Executive Director in July 2021 for 3 years (re-elected at the 2022 AGM)

External appointments:
Executive Committee member of the Hong Kong Shipowners Association

Committee membership:
Chairman of Executive Committee

Peter Schulz

Chief Financial Officer

(age 50)

Mr. Schulz joined Pacific Basin as the Group's Chief Financial Officer in August 2017 and was appointed as an Executive Director on 30 July 2018. He is responsible for the Group's finance and accounting, investor relations, risk management and corporate governance and compliance. He has a banking background having served from 1996 to 2012 in various M&A and corporate finance roles in Stockholm, London and Hong Kong with SEB, Dresdner Kleinwort, ABN AMRO/RBS and Royal Bank of Canada. Prior to joining Pacific Basin, he served as chief financial officer of BW Pacific Limited, a product tanker company based in Singapore.

Education & qualifications:
Stockholm School of Economics: Master of Science in Economics and Business Administration

Erasmus University Rotterdam School of Management: International Marketing and International Business

Term of office:
Appointed as Executive Director in July 2018

Stepping down on 31 March 2023

External appointments:
None

Committee membership:
Executive Committee

Independent Non-executive Directors and Non-executive Director

Robert Charles Nicholson

Independent Non-executive Director

(age 67)

Mr. Nicholson was a senior partner of Reed Smith Richards Butler, then a senior advisor to the board of directors of PCCW Limited. He joined Hong Kong-listed First Pacific Company Limited's board in June 2003 and served as an executive director from November 2003 to December 2018. He also held directorships in First Pacific subsidiaries, associates and affiliates including Philex Mining Corporation, Metro Pacific Investments Corporation and PXP Energy Corporation, and was a commissioner of Indonesia-listed PT Indofood Sukses Makmur Tbk. He was also an independent non-executive director of Hong Kong-listed Lifestyle Properties Development Limited.

Education & qualifications:
University of Kent

Qualified as a solicitor in England and Wales and in Hong Kong

Term of office:
Appointed as INED in March 2004

Retiring at the 2023 AGM

External appointments:
None

Committee membership:
Chairman of Remuneration and Nomination Committees

Audit Committee

Irene Waage Basili

Independent Non-executive Director

(age 55)

Mrs. Basili held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA. From 1999 to 2007 she held various positions in Wallenius Wilhelmsen Logistics, including as commercial director in 2004. From 2007 to 2011, she served as vice president, marine business unit of Petroleum Geo Services following its acquisition of Arrow Seismic ASA where she was the chief executive officer. She also served as a director of Odfjell SE from December 2008 to May 2014, the chief executive officer of GC Rieber Shipping from March 2011 to April 2017, a director and the deputy chairman of Kongsberg Gruppen ASA from May 2011 to May 2019 and a director of Wilh. Wilhelmsen Holding ASA from May 2016 to May 2020 (all listed on the Oslo Stock Exchange).

Education & qualifications:
Boston University: Bachelor of Business Administration degree

Term of office:
Appointed as INED in May 2014

Current term expires at the 2023 AGM

External appointments:
Chief executive officer of Shearwater Geoservices

Committee membership:
Remuneration Committee

Nomination Committee (up to 19 April 2022)

Stanley Hutter Ryan

Independent Non-executive Director

(age 61)

Mr. Ryan served with Cargill, Inc. for 25 years in executive and general management roles worldwide including as general manager of Cargill's oilseed operations, and Venezuela and Brazil refined oils businesses. He was president of Cargill's North American dressings, sauces and oils business, and managing director of Cargill's refined oils business in Europe and food ingredients business in Australasia. He was a global co-leader of Cargill's agricultural supply chain businesses and member of its global corporate center. Mr. Ryan served as an independent director at Eagle Bulk Shipping Inc. from October 2014 to June 2016 and as Eagle Bulk's interim chief executive officer from March to September 2015. He also served as a chief executive officer and a president of Darigold, Inc. from February 2016 to March 2022.

Education & qualifications:
University of Notre Dame: Bachelor of Economics and Computer Applications degree

University of Chicago: MBA & Master of Arts degree in International Relations

Term of office:
Appointed as INED in July 2016
Current term expires at the 2024 AGM

Appointed as Chairman of the Board with effect from 18 April 2023

External appointments:
Senior advisor of McKinsey & Company

Committee membership:
Remuneration Committee

Nomination Committee (up to 19 April 2022)

Kirsi Kyllikki Tikka

Independent Non-executive Director

(age 66)

Dr. Tikka served with American Bureau of Shipping ("ABS") for 18 years from 2001 to 2019, having started as vice president, engineering and then in a variety of specialist and leadership roles including as vice president, global technology, business development and special projects (2005-2011), vice president and chief engineer, global (2011-2012); president and chief operating officer, ABS Europe Division (2012-2016); executive vice president, global marine (2016-2018), and executive vice president and senior maritime advisor (2018-2019). Prior to joining ABS, Dr. Tikka was a professor of Naval Architecture at Webb Institute in New York (1996-2001) and she worked as a naval architect, operations planner and analyst at Wartsila Shipyards and Chevron Shipping.

Education & qualifications:
University of California, Berkeley: PhD in Naval Architecture and Offshore Engineering

University of Technology, Helsinki: Master's degree in Solid Mechanics and Naval Architecture

Harvard Business School: Executive Training Program, Management Development

Term of office:
Appointed as INED in September 2019
Current term expires at the 2025 AGM

External appointments:
INED of New York-listed Ardmore Shipping Corporation

Committee membership:
Audit Committee

Nomination Committee (from 19 April 2022)

John Mackay McCulloch Williamson

Independent Non-executive Director

(age 64)

Mr. Williamson served as independent non-executive director of Hong Kong Exchanges and Clearing Limited for 13 years (2008 to 2021) where he acted as chairman of the board risk committee and a member of several board governance committees. He was chief executive officer at SAIL Advisors Limited (2011 to 2018); senior managing director (2012 to 2018), chief financial officer (2007 to 2018), and managing director (2007 to 2011) at Search Investment Group; managing director and head of infrastructure & operational risk at Morgan Stanley Asia (1998 to 2007); chief operating officer at NatWest Securities Asia Holdings (1994 to 1998); managing director at NatWest Investment Services, London (1992 to 1994); and INED of Nasdaq-listed Provident Acquisition Corp. (2021-2022).

Education & qualifications:
Heriot-Watt University: Bachelor of Arts degree

Chartered Accountant & member of The Institute of Chartered Accountants of Scotland

Fellow of the Chartered Institute for Securities and Investment, UK

Senior Fellow of the Hong Kong Securities and Investment Institute

Member of the Hong Kong Management Association

Term of office:
Appointed as INED in November 2020
Current term expires in November 2023

External appointments:
Non-executive chairman of UK Tote Group Limited

Committee membership:
Chairman of Audit Committee

Alexander Howarth Yat Kay Cheung

Non-executive Director

(age 51)

Mr. Cheung served with Linklaters in London in 1994 where he commenced his legal career, before moving to their Hong Kong office in 1999 where he specialised in corporate finance, Hong Kong Stock Exchange listings, regulatory matters and mergers and acquisitions. In 2005, he joined the Hong Kong law firm, Vincent T. K. Cheung, Yap & Co. as a partner and the head of the firm's Central branch. He advises numerous clients on a broad range of corporate, commercial, capital markets, regulatory and employment matters. He is also well versed in governance and compliance matters.

Education & qualifications:
King's College London: LLB Hons Degree

Qualified as a solicitor in England and Wales and in Hong Kong

Term of office:
Appointed as Non-executive Director in January 2022 for 3 years (re-elected at the 2022 AGM)

External appointments:
None

Committee membership:
Audit, Remuneration and Nomination Committees

REMUNERATION REPORT

Introduction

The Group's remuneration policies and amounts for all employees including Executive Directors and Non-executive Directors are set out in this report. Information on pages 66 to 67 comprise the audited parts of the Remuneration Report and form an integral part of the Group's financial statements. The Group employed a total of 373 shore-based staff at 31 December 2022 (2021: 365) and about 3,900 seafarers during the year (2021: 4,600).

Group's Remuneration Policy

The Board, through the Remuneration Committee, seeks to attract and retain personnel with the skills, experience and qualifications needed to manage and grow the business successfully. We achieve this by providing remuneration packages, including bonuses, which are competitive, consistent with market practice, and reward performance and align employees and shareholders' interests.

The Board has taken into consideration a number of relevant factors when considering remuneration adjustments and annual bonuses, such as making reference to the prevailing market conditions, local market practice, salaries paid by comparable companies, the levels of emolument of existing staff of the Company, job responsibilities, duties and scope, performance of individuals and the market demand for their skills. The business of shipping is highly cyclical. It is inappropriate to impose straight financial measures for both salary adjustments and bonus determination as to do so would likely generate meaningless results and potentially damaging consequences. The Board seeks to obtain a balance of all the above mentioned factors.

Discretionary equity awards by way of restricted share awards are provided through the Company's Share Award Scheme which is designed to provide Executive Directors and other employees with long-term financial benefits that are aligned to and consistent with the creation of shareholder value as an incentive and recognition for their contribution to the Group. The number of share awards granted each year is based on the performance, role and responsibilities of the individual eligible participant and approved by the Remuneration Committee.

The Group's principal retirement benefit scheme is the Mandatory Provident Fund Scheme, a defined contribution scheme provided under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those staff employed under the jurisdiction of the Hong Kong Employment Ordinance. Other locations provide pension contributions in line with the local regulations. Key components of remuneration are set out below.

Key Remuneration Components	Executive Directors and All Employees	Non-executive Directors
Fixed based salary	Salaries are reviewed annually taking into account prevailing market conditions and local market practice, as well as the individual's role, duties, experience, responsibilities and performance	No
Annual discretionary cash bonus	Discretionary cash bonuses are determined based on the overall performance of the individual and the Group. Bonuses for Executive Directors and certain higher paid employees are assessed by the Remuneration Committee and those of all other staff are assessed by the Chief Executive Officer. Bonuses to Executive Directors and other employees are generally expected to be no more than 12 months' salary equivalent	No
Long-term equity award	Discretionary awards are determined based on the performance, role and responsibilities of eligible participants. Awards typically vest annually over a three-year period. New Awards for existing awardees are considered each year by the Remuneration Committee to maintain the incentive period, in which case they vest at the end of the third year	No
Retirement benefit	Retirement benefit is in line with local legislation and market practice	No
Fixed annual director's fee	No	In line with market practice

Remuneration for the Years Ended 31 December 2022 and 2021

31 December 2022	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension[6] US$'000	Total payable US$'000	Share-based[7] compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	402	406	2	810	264	1,074
Martin Fruergaard	–	919	1,075	2	1,996	947	2,943
Peter Schulz	–	556	373	2	931	358	1,289
	–	1,877	1,854	6	3,737	1,569	5,306
Independent Non-executive Directors							
Robert C. Nicholson	109	–	–	–	109	–	109
Irene Waage Basili	102	–	–	–	102	–	102
Stanley H. Ryan	102	–	–	–	102	–	102
Kirsi K. Tikka	110	–	–	–	110	–	110
John M.M. Williamson	123	–	–	–	123	–	123
Patrick B. Paul [1]	31	–	–	–	31	–	31
Alasdair G. Morrison [1]	31	–	–	–	31	–	31
Non-executive Director							
Alexander H.Y.K. Cheung [2]	109	–	–	–	109	–	109
	717	–	–	–	717	–	717
Total Directors' remuneration	717	1,877	1,854	6	4,454	1,569	6,023
Other Employees	–	186,934[5]	22,508	4,691	214,133	5,288	219,421
Total remuneration	717	188,811	24,362	4,697	218,587	6,857	225,444
31 December 2021							
Executive Directors							
David M. Turnbull	–	395	262	2	659	257	916
Martin Fruergaard [3]	–	472	376	1	849	660	1,509
Peter Schulz	–	533	530	2	1,065	329	1,394
Mats H. Berglund [4]	–	672	600	2	1,274	795	2,069
	–	2,072	1,768	7	3,847	2,041	5,888
Independent Non-executive Directors							
Patrick B. Paul	107	–	–	–	107	–	107
Robert C. Nicholson	109	–	–	–	109	–	109
Alasdair G. Morrison	103	–	–	–	103	–	103
Irene Waage Basili	103	–	–	–	103	–	103
Stanley H. Ryan	103	–	–	–	103	–	103
Kirsi K. Tikka	103	–	–	–	103	–	103
John M.M. Williamson	112				112		112
	740	–	–	–	740	–	740
Total Directors' remuneration	740	2,072	1,768	7	4,587	2,041	6,628
Other Employees	–	164,631[5]	20,100	4,869	189,600	4,120	193,720
Total remuneration	740	166,703	21,868	4,876	194,187	6,161	200,348

Notes:

(1) Mr. Paul and Mr. Morrison both retired as an Independent Non-executive Director on 19 April 2022.

(2) Mr. Cheung was appointed as a Non-executive Director on 3 January 2022.

(3) Mr. Fruergaard was appointed as the Chief Executive Officer and an Executive Director on 2 July 2021.

(4) Mr. Berglund retired as the Chief Executive Officer and Executive Director on 31 July 2021.

(5) Salaries of Other Employees includes crew wages and other related costs of US$150.0 million (2021: US$128.9 million), which are classified as cost of services in the income statement.

(6) During the year, a total of approximately US$47,500 (2021: US$52,000) of forfeited contributions under the MPF Scheme was used to reduce the contributions payable by the Group. As at the year end, there were no forfeited contributions available for such use.

(7) Share-based compensation represents a non-cash charge to the income statement of the share awards through the vesting period based on their fair values on the grant date (please refer to the accounting policy for share-based compensation on page 67) and does not represent any cash payment.

For the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group were three Executive Directors and two employees (2021: three Executive Directors and two employees). The emoluments of the highest paid individuals who are not Executive Directors are set out below and fell within the following bands.

	2022 US$'000	2021 US$'000
Salaries	752	760
Bonuses	1,029	843
Pension	221	244
Total Payable	2,002	1,847
Share-based compensation(1)	324	355
Total payable and charged	2,326	2,202

Emolument bands	2022	2021
HK$7,000,001 to HK$7,500,000	1	0
HK$7,500,001 to HK$8,000,000	0	1
HK$9,000,001 to HK$9,500,000	0	1
HK$10,500,001 to HK$11,000,000	1	0

Note:

(1) Share-based compensation represents a non-cash charge to the income statement of the share awards through the vesting period based on their fair values on the grant date and does not represent any cash payment.

During the year, the Group did not pay any of the five highest paid individuals (including three Directors and two other employees) or any other Directors any inducement to join or upon joining the Group or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year.

Accounting Policies on Employee Benefits A

Bonuses

The Group recognises a liability and expense for bonuses when there is a contractual or constructive obligation or where there is a past practice that created a constructive obligation.

Retirement Benefit Obligations

Mandatory Provident Fund Scheme

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee administered funds.

Under the MPF scheme, the employer and its employees are each required to make regular mandatory contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The Group also makes voluntary contribution in addition. The Group's contributions to the scheme are expensed as incurred. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Other Defined Contribution Schemes

The Group also operates a number of defined contribution retirement schemes outside Hong Kong in accordance with local statutory requirements. The assets of these schemes are generally held in separate administered funds and are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to their contributions being fully vested.

Share-based Compensation

The Group operates an equity-settled, share-based compensation scheme. Restricted share awards are recognised as an expense in the income statement with a corresponding credit to reserves, based on the fair value of the shares. The total amount to be expensed is calculated by reference to the fair value of the equity instruments on the grant date, excluding the impact of any non-market vesting conditions (for example, requirement of an employee to remain in employment for a specified time period). The number of equity instruments that are expected to vest takes into account non-market assumptions, including expectations of an employee remaining in the Group during the vesting period. The total amount expensed is charged through the vesting period. The Company reviews its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions if necessary. It recognises the impact of the revision of the original estimates, if any, in the income statement with a corresponding adjustment to equity.

The grant of share-based compensation by the Company to the employees of subsidiary undertakings in the Group is treated as a capital contribution by the Company to the subsidiaries. The fair value of employee services received, measured by reference to fair value of the shares on the grant date is recognised over the vesting period as an increase in investment in the subsidiary undertakings, with a corresponding credit to equity in the Company's account. In the accounts of the subsidiaries, such fair value is recognised as an expense in the income statement with corresponding credit to reserve.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

Principal Activities, Analysis of Operations, Business Review and Financial Summary

The principal activity of the Company is investment holding. The Company's principal subsidiaries (set out in Note 32 to the financial statements) are engaged in the ownership and international operation of modern Handysize and Supramax dry bulk ships. In addition, the Group is engaged in the management and investment of the Group's cash and deposits through its treasury activities.

The business review of the Group for the year ended 31 December 2022 is set out on pages 4 to 31 of this Annual Report. A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the "Group Financial Summary" section of this Annual Report. A brief introduction of the Group's sustainability efforts for the year ended 31 December 2022 is set out in the "Sustainability Highlights" section of this Annual Report and a comprehensive Sustainability Report 2022 is available on our website.

Results

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 80.

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.

p.13 Chief Executive's Review

Distributable Reserves

Distributable reserves of the Company at 31 December 2022, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US$653.5 million as set out in Note 33(b) to the financial statements.

Donations/Sponsorships

Charitable and other donations and sponsorships made by the Group during the year amounted to US$312,000.

Share Capital and Pre-emptive Rights

Movements in the share capital of the Company are set out in Note 23 to the financial statements.

During the reporting year, a total of 448,519,751 ordinary shares were issued, of which (a) 14,412,000 shares were issued in March 2022 to fulfil the grant of the Company's restricted awards under the Company's 2013 Share Award Scheme; (b) 425,987,441 conversion shares were issued in May 2022 to bondholders who accepted the incentivised conversion offer launched in April 2022 in relation to the 3.0% p.a. coupon guaranteed convertible bonds due in 2025 issued by the Group in December 2019 (the "Bonds"); and (c) a further 8,120,310 conversion shares were issued in July 2022 to bondholders of the Bonds who exercised their conversion right.

There is no provision for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under Bermuda Law.

Convertible Bonds

As at 31 December 2022, there remained the Bonds with an outstanding principal amount of US$34,110,000. The Bonds are convertible into ordinary shares of the Company at a current conversion price of HK$1.63 per share.

More details are set out in Note 21(b) to the financial statements.

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.

Material Investments, Acquisitions and Disposals

During the year, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

2013 Share Award Scheme ("SAS")

The current SAS was adopted by the Board on 28 February 2013 and has an effective term of 10 years. It is a single share award scheme under which no share options can be granted.

The SAS enables the Company to grant share awards or unit awards ("Awards") to eligible participants, being principally Executive Directors and employees, as an incentive and recognition for their contribution to the Group.

The SAS is due to expire on 28 February 2023 and the Board has resolved to propose a new Share Awards Scheme (the "2023 SAS") whose terms and conditions are substantially similar to the existing SAS with appropriate amendments to comply with the Listing Rules, for approval and adoption by the Shareholders of the Company at the forthcoming annual general meeting to be held on 18 April 2023.

Maximum Number of Shares

The total number of shares which may be or already have been issued by the Company or transferred to the trustee of the SAS in satisfaction of the Awards granted under the SAS must not, in aggregate, exceed 10% of the issued share capital of the Company as at the first date of each financial year during the term of the SAS (equivalent to 526,121,102 shares as at 1 January 2023). There were 78,811,000 unvested restricted awards under the SAS which represents 1.50% of the issued share capital of the Company as at 23 February 2023.

Vesting of Awards

Awards typically vest annually over a three year period. New Awards for existing awardees are considered each year by the Remuneration Committee on a discretionary basis to maintain the incentive period, in which case they vest at the end of the third year.

Limit for Each Eligible Participant

The maximum number of shares for any specific eligible participant which may be subject to an Award or Awards at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the first date of the relevant financial year of the Company.

New Shares to be Issued

Apart from the Awards which are to be purchased from the market for the connected persons of the Company, the number of shares to satisfy grant of Awards (if comprising new shares) can be allotted and issued by the Board by utilising the general mandate granted to them by the shareholders. The Company will apply to the Stock Exchange for permission to list and to deal in those new shares to be issued as soon as practicable after any grant of Awards.

Procedure of Granting Restricted Awards

The Board entered into a trust deed to appoint a trustee to administer Awards under the SAS and to constitute a trust to hold property transferred by the Company to the trustee (which shall include cash or shares) in order to satisfy grants of Awards. At the direction of the Board, the trustee shall either subscribe for new shares from the Company at the relevant benchmarked price as stipulated in the Listing Rules or acquire existing shares in the market in accordance with the rules of the SAS. The Remuneration Committee administers and oversees the SAS. Their review and approval is required prior to the granting of Awards to any eligible participants.

Awards Granted

Details of the grant of long-term incentives and the history and movements of the outstanding incentives under the SAS during the year ended 31 December 2022 are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 31 Dec 2022	Unvested at 1 Jan 2022	Granted during the year[1]	Vested and/or lapsed[2]	Vesting in 2023	Vesting in 2024	Vesting in 2025	Awards granted during the year: Lapsed in 2022	Awards granted during the year: Vesting in 2023	Awards granted during the year: Vesting in 2024	Awards granted during the year: Vesting in 2025
Directors														
David M. Turnbull	5-Aug-08	13,416	(9,982)	3,434	4,006	706	(1,278)	1,249	1,479	706	–	–	–	706
Martin Fruergaard	2-Aug-21	5,475	(1,694)	3,781	3,632	1,359	(1,210)	1,210	1,212	1,359	–	–	–	1,359
Peter Schulz	21-Aug-17	10,949	(6,299)	4,650	5,363	975	(1,688)	1,683	1,992	975	–	–	–	975
		29,840	(17,975)	11,865	13,001	3,040	(4,176)	4,142	4,683	3,040	–	–	–	3,040
Other Employees				57,371	65,810	15,776	(24,215)	20,137	24,485	12,749	605	1,211	1,211	12,749
				69,236	78,811	18,816	(28,391)	24,279	29,168	15,789	605	1,211	1,211	15,789

Notes:

(1) 18,816,000 share awards were granted on 3 March 2022. The closing price of the shares of the Company immediately before the grant date, i.e. 2 March 2022, was HK$4.31. The awardees were not required to make any payment upon acceptance of the share awards.

(2) Other than the vesting of 23,008,000 shares on 14 July 2022 according to the annual vesting schedule, 670,000 shares lapsed due to the resignation of two employees and 4,713,000 shares vested due to the retirement or early retirement of three employees.

Directors

The Directors who held office up to the date of this Annual Report are set out below:

	Date of Appointment	Term of Appointment
Executive Directors		
David M. Turnbull, Chairman	17-May-06	retiring at 2023 AGM
Martin Fruergaard, CEO	2-Jul-21	3 years until July 2024
Peter Schulz, CFO	30-Jul-18	stepping down on 31 March 2023
Independent Non-executive Directors		
Robert C. Nicholson	25-Mar-04	retiring at 2023 AGM
Irene Waage Basili	1-May-14	3 years until 2023 AGM
Stanley H. Ryan	5-Jul-16	3 years until 2024 AGM
Kirsi K. Tikka	2-Sep-19	3 years until 2025 AGM
John M.M. Williamson	2-Nov-20	3 years until November 2023
Non-executive Director		
Alexander H.Y.K. Cheung	3-Jan-22	3 years until January 2025

Notes:

Pursuant to the Company's Bye-law 87(1), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years.

Messrs. David Turnbull, Robert Nicholson, John Williamson and Mrs. Irene Waage Basili shall retire at the 2023 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (2). Apart from Messrs. Turnbull and Nicholson who are retiring at the conclusion of the 2023 AGM, all retiring directors, being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2023 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transaction, Arrangement and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's Indemnities

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he/she may sustain or incur in or about the execution of the duties of his/her office. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

At 31 December 2022, the disclosable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO, or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Personal interest	Corporate or Family interests/ Trust & similar interests	Long/ Short position	Total Share interests	Approximate percentage holding of issued share capital 31 Dec 22	31 Dec 21
David M. Turnbull[1]	3,434,000	318,000[2]	Long	3,752,000	0.07%	0.22%
Martin Fruergaard[1]	5,586,000	–	Long	5,586,000	0.11%	0.09%
Peter Schulz[1]	9,449,000	129,000[3]	Long	9,578,000	0.18%	0.18%
Robert C. Nicholson	250,000	0	Long	250,000	less than 0.01%	less than 0.01%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	less than 0.01%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 69.

(2) 318,000 shares are held by a trust of which Mr. Turnbull is a beneficiary.

(3) 129,000 shares are held by Mr. Schulz in the capacity of a beneficiary of a trust.

All the interests stated above represent long positions. No short positions and shares under equity derivatives held by Directors were recorded in the register maintained by the Company under Section 352 of the SFO as at 31 December 2022.

Biographical Details of Directors

Brief biographical details of the Directors are set out in the "Our Directors" section of this Annual Report.

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2022, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/Nature of interest	Long/ Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 31 Dec 2022	31 Dec 2021
Pzena Investment Management, LLC[1]	Investment manager / Beneficial owner	Long	322,879,435	6.14%	6.71%
M&G Plc	Interest of corporation controlled	Long	354,351,497	6.74%	6.96%
		Short	17,880,503	0.34%	0.09%
Brown Brothers Harriman & Co.	Approved lending agent	Long	315,738,046	6.00%	5.49%
Aggregated of Aberdeen plc affiliated investment management entities	Investment manager	Long	313,803,500	5.96%	7.01%
Citigroup Inc.[2]	Interest of corporation controlled/	Long	294,922,656	5.61%	6.36%
	Approved lending agent	Short	1,624,000	0.03%	0.67%

Notes:

(1) The long position in shares held by Pzena Investment Management, LLC includes 513,000 shares held in dual capacities as Investment manager and Beneficial owner.

(2) The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (1,982,403 shares) and Approved lending agent (292,940,253 shares). The short position is held in the capacity of Interest of corporation controlled.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2022, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Disclosure

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Major Customers and Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

Connected Transactions

During the year, the Group had no connected transactions that were subject to the Listing Rules' reporting requirements for disclosure in this Annual Report.

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 Part 2 of Appendix 14 to the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report.

Audit, Remuneration, Nomination, Executive, Risk Management and Sustainability Management Committees

Details of the audit, remuneration, nomination, executive, risk management and sustainability management committees are set out in the Corporate Governance Report of this Annual Report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming 2023 AGM.

Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, approximately 98.5% of the Company's total issued share capital is held by the public, which fulfils the Listing Rules' minimum requirement of 25%.

By Order of the Board

Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 23 February 2023

INVESTOR RELATIONS

Creating Value for Shareholders

We seek to provide the investor community and other stakeholders with relevant regular news about Pacific Basin so they have comprehensive information about our business, strategy and performance with which to assess the Group's value

2022 was an exceptional year for Pacific Basin as a result of a continuation of strong dry bulk freight rates in the first half of the year, and despite dry bulk freight rates coming under pressure in the second half. We have continued to see strong interest in Pacific Basin and the dry bulk shipping sector, and we took this opportunity to engage investors through non-deal roadshows, conferences, and increased social media presence. We continued to conduct online earnings calls and actively participated in numerous virtual conferences and investor events hosted by investment banks. A reduction in Covid controls allowed us to finally return to some in-person meetings with investors – which we are excited to do more of in 2023. Virtual events still remain the prominent way to connect with investors around the world however, we do expect increasing in-person meetings, conferences and investor events going forward.

During the year, we received two awards for investor relations and corporate governance including a Gold Award in the Most Sustainable Companies and Organisations. We are grateful for all these votes of confidence cast by the investment community in recognition of our commitment to transparent and responsible business practices and accountability to our shareholders.

www.pacificbasin.com
About Us > Awards

Stakeholder Communication Channels

We proactively engage with a broad range of institutional and retail investors as well as media and other interest groups. We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholder value. We facilitate engagement through several channels:

Financial Reporting

- Annual and Interim Reports
- Quarterly Trading Updates
- Presentations and press releases on business activities

Shareholder Meetings and Hotlines

- Group and one-on-one meetings
- Shareholder hotline and e-mail

tel: +852 2233 7000
e-mail: ir@pacificbasin.com

Investor Perception

We gauge feedback on our financial reporting, management team, investor relations programme, corporate governance and group strategy through written, online and verbal investor interactions.

Vessel Tours

Ship and cargo terminal visits for analysts, investors, bankers, press and guests are organised during vessel port calls, dry-dockings or at ship naming ceremonies when safe to do so.

Social Media Communications

Facebook, Twitter, LinkedIn, YouTube and WeChat

Company news, video clips, photos and events news are published through our social media sites.

Company Website – www.pacificbasin.com

Our corporate website is considered a key marketing medium which comprehensively describes Pacific Basin's activities and competences. English & Chinese (traditional and simplified Chinese) versions of the site are available, covering:

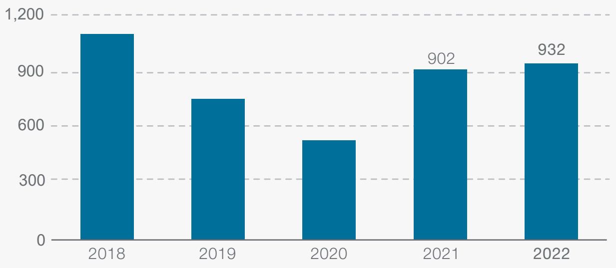
- Group profile
- Fleet profile
- Strategic and business models
- Service highlights for customers
- Board of Director's biographical data
- Board Committees' Terms of Reference
- Corporate Governance, Risk Management and CSR
- Financial reports and company news
- Financial information excel downloads
- Press kits
- Careers

Our Activities in 2022

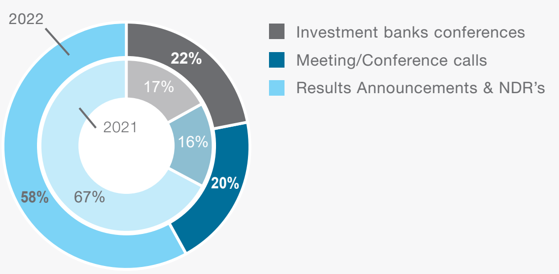
Investor Meetings

Our share capital is held by a diverse range of institutional, private and corporate investors, so we consider it important to make ourselves accessible to a wide spectrum of shareholders and members of the investor community to enhance their understanding of our business. The number of investor contacts during a year is a key measure of our engagement with investors. In 2022, we talked to 932 (2021: 902) shareholders and investors.

Number of Investors We Met



Type of Investor Meetings



Communications with Sell-side Analysts

Pacific Basin encourages active analyst coverage to help investors evaluate the Group and its opportunities and challenges. Analyst Days, meetings and conference calls are arranged with management from time to time, particularly after results announcements. A significant number of key banks publish research reports on the Group.

9 analysts covered Pacific Basin in 2022 (2021: 8)

65 research reports covered Pacific Basin in 2022 (2021: 55)

Contact Details of the Analysis
www.pacificbasin.com
Investors > Shareholder Information > Research Coverage

Investor Perception

We gauge feedback on our financial reporting, management team, investor relations programme, corporate governance and group strategy through written, online and verbal investor interactions.

During 2022, investor interest in the Company and sector has remained high given a continuation of strong earnings and appeal of longer-term benefits to the sector from supportive demand and supply fundamentals. Investors were interested to discuss how the implementation of IMO's greenhouse gas emission reduction goals will influence the fundamentals of the shipping sector, on-going impact of Covid, demand and supply dynamics, and our capital allocation strategy.

Key Investor Concerns in 2022

- Implementation of IMO's greenhouse gas emission reduction rules and the impact this will have on shipping, and our strategy to address them
- Impact of demand and supply fundamentals on dry bulk trade
- Freight rate seasonality and sustainability
- Capital allocation strategy
- Our fleet expansion plan
- ESG development

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue as at 31 December 2022:

- 5,261,211,023 ordinary shares, each with a par value of US$0.01
- US$34.1 million of 3.0% coupon Convertible Bonds due 2025

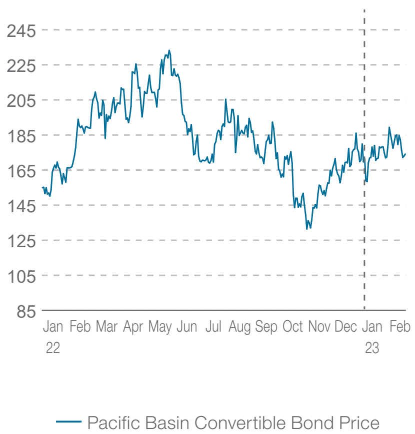
Our stock is a constituent member of the Hang Seng Sub-index series and the MSCI Index series, and it is eligible for Southbound Trading under the Shenzhen-Hong Kong Stock Connect programme.

p.106 Share Capital

Pacific Basin Share Price Performance vs Hang Seng Index

Source: Bloomberg, data as at 20 February 2023

Convertible Bonds Price Performance



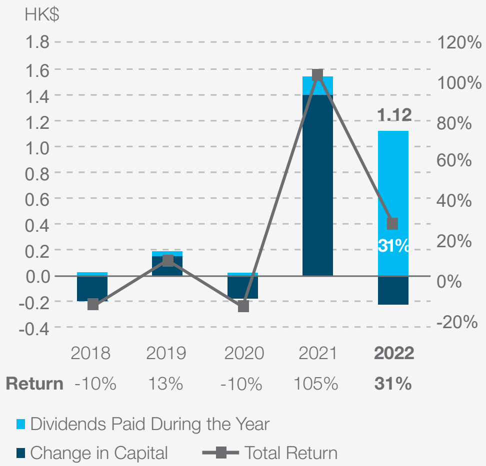
Source: Bloomberg, data as at 20 February 2023

Shareholder Return and Dividend

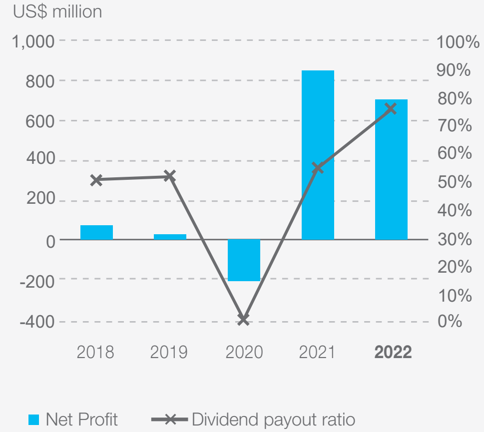
We return value to our shareholders by way of both appreciation in share price and dividends. In 2022, our total shareholders' return was 31%.

Our dividend policy is to pay out at least 50% of our annual net profit (excluding any disposal gains).

Total Shareholders' Return



Net Profit and Dividend Payout Ratio



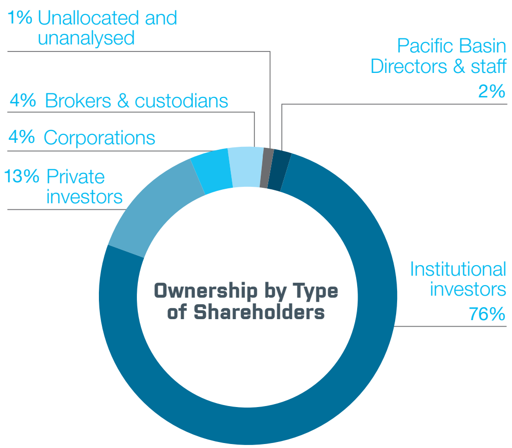
Our Shareholders

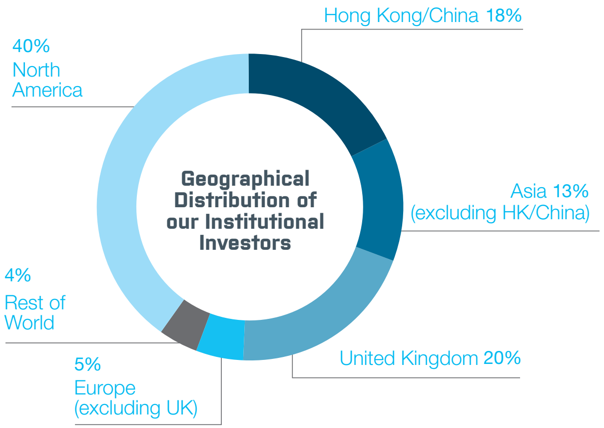
As at 31 December 2022, Orient Capital was able to analyse the ownership of approximately 89% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning nearly 4.0 billion shares or 76% of our share capital.

We were able to identify 337 shareholders as at 31 December 2022. The actual number of investors interested in our shares is likely to be greater, as some shares are held through nominees, investment funds, custodians, etc, and each custodian or nominee or broker is considered as a single shareholder.

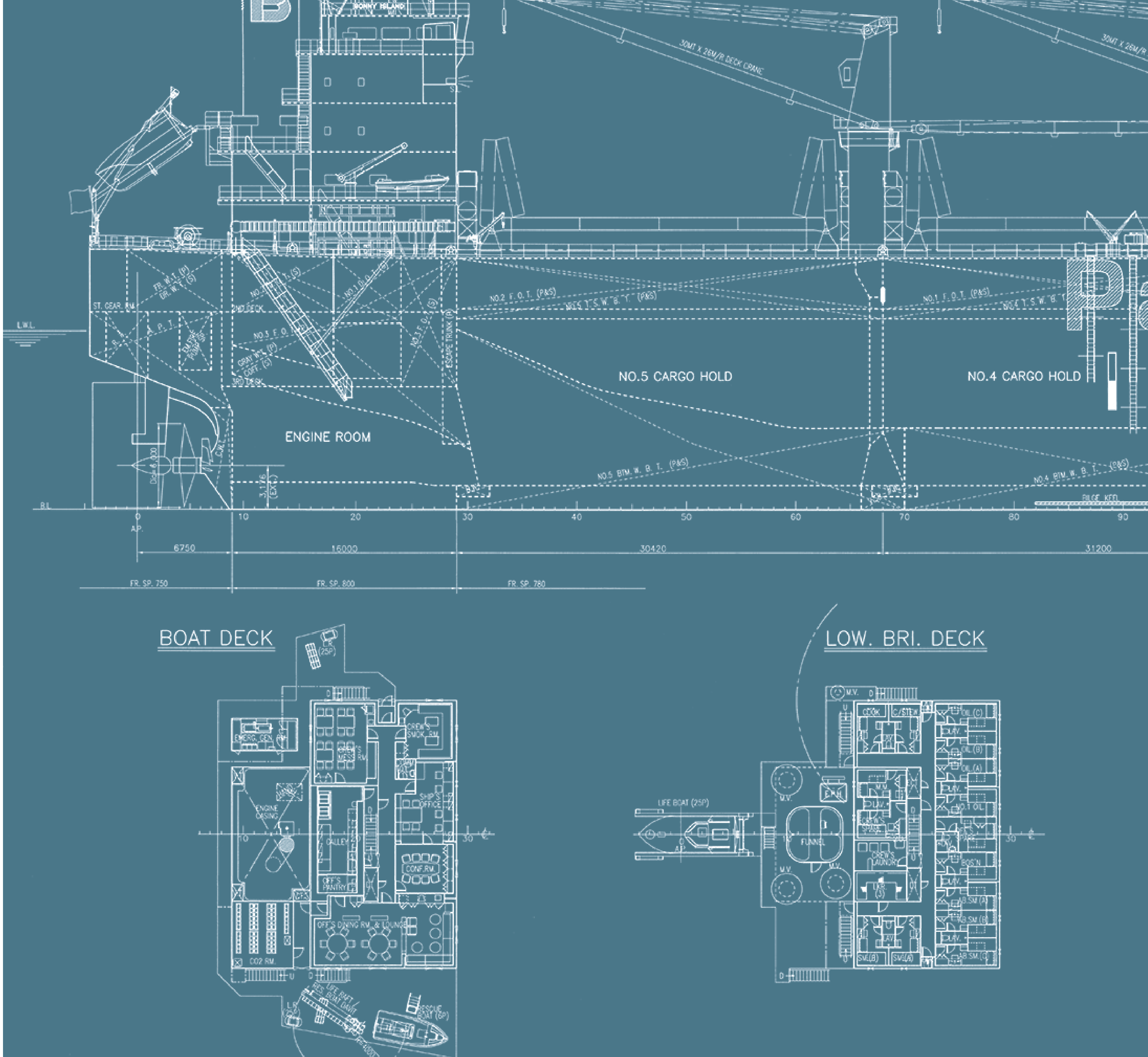
Shareholding*	No. of Shareholders	% of Shareholders	Total Holding	% of IC
1-1,000,000	97	29%	31,487,705	1%
1,000,001-10,000,000	170	50%	622,803,267	13%
>=10,000,001	70	21%	4,043,178,493	86%
Total	337	100%	4,697,469,465	100%

* Number of shareholders discovered and analysed





FINANCIAL STATEMENTS



GROUP PERFORMANCE REVIEW

Our record underlying earnings in 2022 were largely due to continued strong dry bulk freight rates in the first half of the year. We delivered record TCE earnings, generated strong operating activity margins, and continued to maintain good control of our vessel operating costs. We generated an underlying profit of US$714.7 million, a net profit of US$701.9 million and an EBITDA of US$935.1 million, yielding an exceptionally strong return on equity of 38%.

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.

Pages 80 to 115 comprise the audited financial statements A

FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	For the year ended 31 December **2022** **US$'000**	 2021 US$'000
Revenue	4	**3,281,626**	2,972,514
Cost of services	5	**(2,549,548)**	(2,233,171)
Gross profit		**732,078**	739,343
(Provision for)/reversal of vessel impairment	6	**(1,513)**	151,658
Indirect general and administrative overheads	5	**(8,129)**	(8,462)
Other income and gains	7	**18,586**	336
Other expenses	5	**(23,091)**	(4,815)
Finance income	8	**8,655**	722
Finance costs	8	**(24,089)**	(32,434)
Profit before taxation		**702,497**	846,348
Tax charges	9	**(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	11(a)	**13.93**	17.90
Diluted earnings per share	11(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	12	**1,772,168**	1,906,019
Right-of-use assets	13	**89,867**	55,302
Goodwill	14	**25,256**	25,256
Derivative assets	15	**6,120**	496
Trade and other receivables	16	**5,276**	8,499
Restricted bank deposits	17	**52**	51
		1,898,739	1,995,623
Current assets			
Inventories	18	**124,461**	103,590
Derivative assets	15	**4,421**	14,710
Trade and other receivables	16	**157,355**	171,839
Assets held for sale	19	**19,884**	–
Cash and deposits	17	**443,825**	459,670
		749,946	749,809
Total assets		**2,648,685**	2,745,432

	Note	As at 31 December **2022** **US$'000**	 2021 US$'000
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	23	**52,464**	47,858
Retained profits	24	**705,625**	744,553
Other reserves	24	**1,149,266**	1,038,815
Total equity		**1,907,355**	1,831,226
LIABILITIES			
Non-current liabilities			
Borrowings	21	**280,803**	521,363
Lease liabilities	22	**33,389**	29,270
Derivative liabilities	15	**292**	6,540
Trade and other payables	20	**–**	17
		314,484	557,190
Current liabilities			
Borrowings	21	**97,805**	66,793
Lease liabilities	22	**59,902**	31,159
Derivative liabilities	15	**7,268**	10,232
Trade and other payables	20	**261,870**	247,554
Taxation payable		**1**	1,278
		426,846	357,016
Total liabilities		**741,330**	914,206

Approved by the Board of Directors on 23 February 2023.

Martin Fruergaard
Director

Peter Schulz
Director

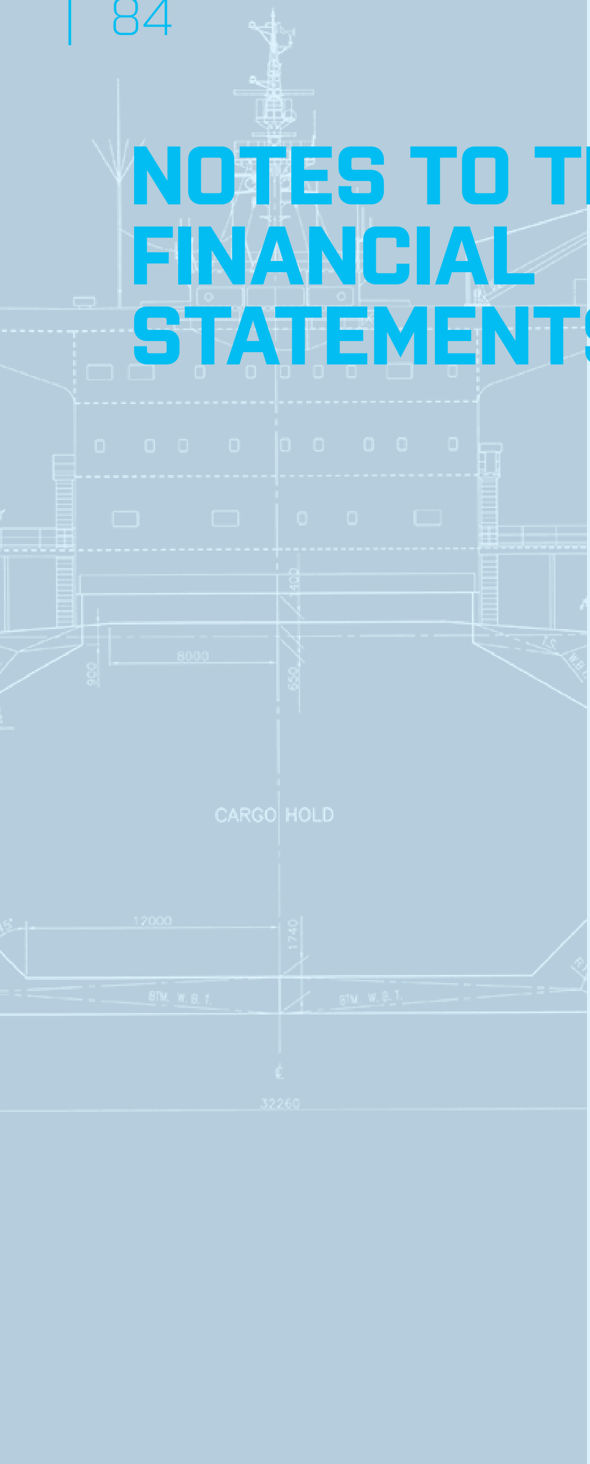
Consolidated Statement of Changes in Equity

	Note	For the year ended 31 December 2022 US$'000	2021 US$'000
At 1 January		**1,831,226**	1,064,509
Total comprehensive income attributable to shareholders		**709,344**	849,876
Transactions with owners in their capacity as owners			
Shares issued upon conversion of convertible bonds	23(a)	**102,508**	–
Derecognition of equity component upon repurchase and cancellation of convertible bonds	21(b)	**(24,675)**	–
Dividends paid	10	**(716,196)**	(86,473)
Share-based compensation		**6,857**	6,161
Shares purchased by trustee of the SAS	23(b)	**(1,709)**	(2,847)
At 31 December		**1,907,355**	1,831,226

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2022 US$'000	2021 US$'000
Operating activities			
Cash generated from operations	25(a)	**937,250**	851,468
Taxation paid		**(1,933)**	(1,046)
Net cash generated from operating activities		**935,317**	850,422
Investing activities			
Purchase of property, plant and equipment		**(84,718)**	(224,483)
Disposal of property, plant and equipment		**59,873**	21,575
Disposal of assets held for sale		**14,320**	7,806
Decrease/(increase) in term deposits		**65,049**	(141,536)
Bank interest received	8	**8,633**	715
Other interest received	8	**22**	7
Receipt of subleasing receivables – principal element		**–**	1,915
Net cash generated from/(used in) investing activities		**63,179**	(334,001)

	Note	For the year ended 31 December 2022 US$'000	2021 US$'000
Financing activities			
Drawdown of bank loans and other borrowings	25(b)	**–**	70,000
Repayment of bank loans and other borrowings	25(b)	**(80,940)**	(348,290)
Interest on borrowings and other finance charges paid		**(16,607)**	(26,213)
Payment for repurchase and cancellation of convertible bonds		**(56,167)**	–
Incentives and fees for conversion of convertible bonds		**(15,824)**	–
Repayment of lease liabilities – principal element	22	**(58,218)**	(36,381)
Interest on lease liabilities paid	8	**(3,467)**	(2,823)
Dividends paid	10	**(716,196)**	(86,473)
Payment for shares purchased by trustee of the SAS	23(b)	**(1,709)**	(2,847)
Net cash used in financing activities		**(949,128)**	(433,027)
Net increase in cash and cash equivalents		**49,368**	83,394
Cash and cash equivalent			
At 1 January		**309,634**	226,273
Net increase in cash and cash equivalents		**49,368**	83,394
Exchange losses		**(164)**	(33)
At 31 December	17	**358,838**	309,634
Term deposits			
At 1 January		**150,036**	8,500
(Decrease)/increase in term deposits		**(65,049)**	141,536
At 31 December	17	**84,987**	150,036
Cash and deposits at 31 December	17	**443,825**	459,670



NOTES TO THE FINANCIAL STATEMENTS

1 Introduction

1.1 General information

Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of dry bulk shipping services internationally.

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

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

These financial statements have been approved for issue by the Board of Directors on 23 February 2023.

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Market Review &
Our Performance

p.121 Corporate Information
Registered Office Address

1.2 Presentation of the notes to the financial statements

The notes to the financial statements in this report are placed in order of significance to aid an understanding of the key drivers of the financial position of the Group, whilst maintaining the grouping of notes between income statement and balance sheet where appropriate.

Information relating to a specific financial statement line item has been brought together in one note. Hence:

Principal Accounting Policies

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this grey background. A navigation table is presented in Note 2.3.

Critical Accounting Estimates and Judgements

are not shown separately but are included in the note or sections of this Annual Report for that item. They have been highlighted with this white background with frame. A navigation table is presented in Note 3.

Disclosure of the following items has been integrated into other sections of the Annual Report. The audited parts have been clearly marked and are listed below:

- Financial risk management in Risk Management section
  - Market Risk – Page 51
  - Credit and Counterparty Risk – Page 53
  - Liquidity Risk – Page 58
  - Capital Management Risk – Page 58
- Employee benefits in Remuneration Report – Pages 66-67

2 Basis of preparation

2.1 Objective and accounting standards

The objective of these consolidated financial statements is to present and explain the results of the year ended 31 December 2022 and the financial position of the Group on that date, together with comparative information.

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 ("HKICPA"). The financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are listed under Note 3.

2.2 Impact of new accounting policies

The new or revised 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.

2.3 Accounting policies navigator

Accounting policies	Location
Assets held for sale	Note 19
Borrowings	Note 21
Cash and cash equivalents	Note 17
Consolidation	Note 2.4
Contingent liabilities and contingent assets	Note 30
Convertible bonds	Note 21(b)
Current and deferred income tax	Note 9
Derivative financial instruments and hedging activities: i) cash flow hedges, and ii) derivatives not qualifying for hedge accounting	Note 15
Dividends	Note 10
Employee benefits	Remuneration Report (p.67)
Financial assets at fair value through profit or loss	Note 15
Financial guarantees	Note 29
Foreign currency translation	Note 2.5
Goodwill	Note 14
Impairment of i) investments and non-financial assets and ii) financial assets	Note 5
Inventories	Note 18
Leases	
Lease liabilities	Note 22
Non-lease component of leases	Note 5
Right-of-use assets	Note 13
Operating leases where the Group is the lessor	Note 26(b)(ii)
Offsetting financial instruments	Note 15
Property, plant and equipment ("PP&E") including: i) vessels and vessel component cost, ii) other property, plant and equipment, iii) subsequent expenditure, iv) depreciation, v) residual values and useful lives, and vi) gains or losses on disposal	Note 12
Provisions	Note 2.6
Revenue recognition for freight and charter-hire	Note 4
Segment reporting	Note 4
Share capital	Note 23
Trade receivables	Note 16
Trade payables	Note 20

The Group's principal accounting policies have been consistently applied to each of the years presented in these financial statements.

2.4 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. In each acquisition case, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Please refer to Note 5 for the accounting policy on impairment.

2.5 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in United States Dollars, which is the Company's functional and the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

2.5 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in "direct G&A overheads included in cost of services" or "indirect G&A overheads" of the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation difference on non-monetary financial assets and liabilities carried at fair value such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss.

(c) Group companies

The results and financial position of each of the Group entities (none of which has the currency of a hyperinflationary economy) whose functional currency is different from the presentation currency is translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate on the balance sheet date;

(ii) income and expenses are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

When a foreign operation is partially or totally disposed of, exchange differences that were recorded in equity are reclassified to the consolidated income statement.

2.6 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are listed below with references to the locations of these items in the notes to the financial statements.

	Critical Accounting Estimates and Judgements	Location
(a)	Residual values of property, plant and equipment	Note 12
(b)	Useful lives of vessels and vessel component costs	Note 12
(c)	Impairment of owned vessels and right-of-use assets	Note 12
(d)	Impairment of goodwill	Note 14

4 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.

Accounting policy

Segment reporting

Management internally reviews and reports on the performance of the Group's material operations as a single segment. This is also the basis on which management reports to the Board.

Revenue recognition

Revenue is measured at the transaction price agreed under the contract with a customer for the services rendered in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts and after eliminating sales within the Group.

Freight and charter-hire

The Group generates revenue from shipping activities, which are principally derived from Handysize and Supramax vessels. Revenues are generated from a combination of voyage charters and time charters.

Freight, revenue from a voyage charter, is recognised over time, which is determined on a time proportion method of the voyage from loading to discharging.

Charter-hire, revenue from a time charter, is recognised over time based on daily rate. The Group separately accounts for the lease (i.e. bareboat charter) and non-lease components (i.e. technical management services) for time charter contracts. Consideration of the lease component and non-lease component is allocated with reference to the stand-alone market prices which are benchmarked against market data available from industry reports.

5 Expenses by nature

US$'000	2022	2021
Vessel-related expenses		
Vessel charter costs (a)	**978,630**	934,744
Bunker consumed	**644,301**	462,497
Port disbursements and other voyage costs	**448,512**	440,498
Vessel depreciation		
– owned vessels	**140,616**	117,800
– right-of-use assets	**54,251**	30,436
Employee benefit expenses – crew wages and other related costs (c)	**150,042**	128,884
Vessel operating expenses	**62,008**	55,764
Lubricating oil consumed	**11,411**	10,517
Net gains on bunker swap contracts	**(21,694)**	(21,174)
	2,468,077	2,159,966
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments (c)	**75,402**	71,464
Other PP&E depreciation		
– right-of-use assets	**2,224**	2,324
– owned other PP&E	**1,464**	1,635
Net foreign exchange gains	**(448)**	(56)
Auditor's remuneration		
– audit	**872**	908
– non-audit	**43**	187
Office lease expenses	**703**	674
Other general and administrative expenses	**9,340**	4,531
	89,600	81,667

US$'000	2022	2021
Other expenses		
Incentives and fees for conversion of convertible bonds	**15,824**	–
Provisions	**7,187**	4,279
Losses on disposal of assets held for sale	**80**	–
Losses on disposal of PP&E	**–**	448
Net losses on forward freight agreements	**–**	88
	23,091	4,815

The sum of the above reconciles to the following items in the income statement. (i) Cost of services, (ii) Indirect general and administrative overheads and (iii) Other expenses	**2,580,768**	2,246,448

(a) Vessel charter costs

Vessel 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.

Vessel charter costs include variable lease payments on an index-linked basis amounting to US$25.1 million (2021: US$20.5 million).

(b) Total general and administrative ("G&A") overheads

US$'000	2022	2021
Direct G&A overheads included in cost of services	**81,471**	73,205
Indirect G&A overheads	**8,129**	8,462
Total G&A overheads	**89,600**	81,667

(c) Employee benefit expenses

Total employee benefit expenses amounted to US$225.4 million (2021: US$200.3 million). Please refer to Remuneration Report p.66 for details.

Accounting policy

Impairment

(i) Impairment of investments and non-financial assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing whether there is any indication that an asset may be impaired, internal and external sources of information are considered. If any such indication exists, the recoverable amount of the asset is assessed. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of (a) an asset's fair value less costs of disposal and (b) the value-in-use. The fair values of vessels are determined by independent valuers. The value-in-use of the vessels represents estimated future cash flows from the continuing use of the vessels. For the purposes of assessing impairment, assets are grouped into the lowest levels at which there are separately identifiable cash flows. This level is described as a cash-generating unit ("CGU").

Assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment provision at each balance sheet date.

(ii) Impairment of financial assets

The Group's trade receivables are financial assets that are subject to the expected credit loss assessment. For trade receivables, the expected credit losses are measured using a lifetime expected loss allowance. To measure the expected credit loss, the Group assesses its trade receivables on individual debtor basis to determine the probability that the Group will not be able to collect the specific amount due according to the original terms of that receivable. For each debtor, the Group considers historical repayment performance, external ratings, reports and statistics, other factors such as significant financial difficulties faced by debtors and macroeconomic factors affecting the ability of the debtors as appropriate, while incorporating forecasts of future conditions. The carrying amount of trade receivables is reduced by the provision for impairment, and the amount of the loss is recognised in the income statement within "Cost of services". The trade receivables are written off where there is no reasonable expectation of recovery.

For other financial assets carried at amortised cost, the expected credit losses are assessed on a forward-looking basis.

Cash and cash equivalents are also subject to the impairment requirements of HKFRS 9.

Non-lease component of leases

The Group, as lessee, has elected to separately account for the lease (i.e. bareboat charter) and non-lease components (i.e. technical management services) for time charter contracts on vessels with a term of over 12 months. Assessing the measurement of the non-lease component includes a significant accounting judgement. Consideration of the lease component and non-lease component is allocated with reference to the stand-alone market prices which are benchmarked against market data available from industry reports.

6 (Provision for)/reversal of vessel impairment

US$'000	2022	2021
(Provision for)/reversal of impairment		
– owned vessels	**(1,513)**	150,283
– right-of-use assets	**–**	2,214
– assets held for sale	**–**	(839)
	(1,513)	151,658

Please refer to Note 12 for the critical accounting estimates and judgements on impairment.

7 Other income and gains

US$'000	2022	2021
Net gains on disposal of PP&E	**16,048**	–
Net gains on forward foreign exchange contracts	**1,038**	251
Net gains on forward freight agreements	**872**	–
Government subsidies	**628**	–
Gain on disposal of assets held for sale	**–**	85
	18,586	336

8 Finance income and finance costs

US$'000	2022	2021
Finance income		
Bank interest income	**(8,633)**	(715)
Other interest income	**(22)**	(7)
	(8,655)	(722)
Finance costs		
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 PP&E	**332**	343
Net losses on interest rate swap contracts	**331**	2,717
Other finance charges	**149**	1,515
	24,089	32,434
Finance costs, net	**15,434**	31,712

9 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

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the countries in which the Group operates, as follows:

US$'000	2022	2021
Profit before taxation	702,497	846,348
Tax calculated at applicable tax rates	115,788	139,602
Income not subject to taxation	(354,535)	(352,309)
Expenses not deductible for taxation purposes	240,264	214,249
Adjustments in respect of prior year	(876)	(4)
Tax charges	641	1,538
Weighted average applicable tax rate	16.5%	16.5%

Accounting policy

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

10 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.

Accounting policy

Dividend distributions to the Company's shareholders are recognised as liabilities in the financial statements in the period in which the dividends are approved by the shareholders or Directors, where appropriate.

The dividend declared after the year end is not reflected as a dividend payable in the financial statements of that year, but will be reflected as an appropriation of retained profits for the following year.

11 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 (Note 23(b)).

		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 (Note 21(b)) and unvested restricted shares (Note 23(b)).

		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

12 Property, plant and equipment

US$'000	2022 Vessels and vessel component costs	2022 Leasehold improvements	2022 Furniture, fixtures and equipment	2022 Motor vehicles	2022 Total	2021 Vessels and vessel component costs	2021 Leasehold improvements	2021 Furniture, fixtures and equipment	2021 Motor vehicles	2021 Total
Cost										
At 1 January	**2,791,466**	**5,621**	**10,235**	**29**	**2,807,351**	2,609,097	5,529	10,003	31	2,624,660
Additions	**87,350**	**115**	**476**	**–**	**87,941**	223,871	187	401	–	224,459
Transfer (to)/from assets held for sale (Note 19)	**(73,120)**	**–**	**–**	**–**	**(73,120)**	34,379	–	–	–	34,379
Disposals	**(120,035)**	**–**	**(7)**	**–**	**(120,042)**	(61,090)	–	(8)	–	(61,098)
Write offs	**(28,534)**	**–**	**(122)**	**–**	**(28,656)**	(14,791)	–	(107)	–	(14,898)
Exchange differences	**–**	**(134)**	**(105)**	**(2)**	**(241)**	–	(95)	(54)	(2)	(151)
At 31 December	**2,657,127**	**5,602**	**10,477**	**27**	**2,673,233**	2,791,466	5,621	10,235	29	2,807,351
Accumulated depreciation and impairment										
At 1 January	**888,154**	**3,923**	**9,226**	**29**	**901,332**	947,679	3,047	8,661	31	959,418
Charge for the year	**140,616**	**883**	**581**	**–**	**142,080**	117,800	922	713	–	119,435
Transfer (to)/from assets held for sale (Note 19)	**(38,836)**	**–**	**–**	**–**	**(38,836)**	26,816	–	–	–	26,816
Provision for/(reversal of) impairment	**1,513**	**–**	**–**	**–**	**1,513**	(150,283)	–	–	–	(150,283)
Disposals	**(76,211)**	**–**	**(6)**	**–**	**(76,217)**	(39,067)	–	(8)	–	(39,075)
Write offs	**(28,534)**	**–**	**(122)**	**–**	**(28,656)**	(14,791)	–	(107)	–	(14,898)
Exchange differences	**–**	**(73)**	**(76)**	**(2)**	**(151)**	–	(46)	(33)	(2)	(81)
At 31 December	**886,702**	**4,733**	**9,603**	**27**	**901,065**	888,154	3,923	9,226	29	901,332
Net book value										
At 31 December	**1,770,425**	**869**	**874**	**–**	**1,772,168**	1,903,312	1,698	1,009	–	1,906,019

Estimated useful lives				
Vessels:	25 years	4 to 10 years or the remaining lease period if shorter	3 to 6 years	4 to 5 years
Vessel component costs:	estimated period to the next drydocking			

12 Property, plant and equipment (continued)

(a) As at 31 December 2022, the aggregate cost and accumulated depreciation of vessel component costs amounted to US$89,402,000 (2021: US$90,531,000) and US$47,151,000 (2021: US$54,732,000) respectively.

(b) Certain owned vessels with net book value of US$973,321,000 (2021: US$1,398,640,000) were pledged to banks as securities for bank loans granted to the Group (Note 21(a)).

Certain owned vessels with net book value of US$59,118,000 (2021: US$77,438,000) were effectively pledged as securities to other borrowings (Note 21(c)) as the rights to the vessels revert to the lessors in the event of default.

(c) As at 31 December 2022, excluding assets held for sale, the Group owned vessels with net book value of US$1,770.4 million as follows:

	Number of vessels	Average net book value (US$ Million)	Total net book value (US$ Million)
Small Handysize	12	10.9	131.2
Large Handysize	59	14.4	846.8
Supramax	42	18.1	761.8
Capesize	1	30.6	30.6
	114		1,770.4

Accounting policy

Please refer to Note 5 for the accounting policy on impairment.

(i) Vessels and vessel component costs

Vessels are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

Vessel component costs include the cost of major components which are usually replaced or renewed at drydockings. The assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Group subsequently capitalises drydocking costs as they are incurred.

(ii) Other property, plant and equipment

Other property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is either included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will accrue to the Group and such expenditure can be measured reliably. The carrying amount of a replaced part is written off. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

(iv) Depreciation

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their cost less their residual values over their remaining estimated useful lives.

(v) Residual values and useful lives

The residual values of the Group's assets are defined as the estimated amounts that the Group would obtain from disposal of the assets, after deducting the estimated costs of disposals, as if the assets were already of the age and in the conditions expected at the end of their useful lives.

Useful lives of the Group's vessels and vessel component costs are defined as the period over which they are expected to be available for use by the Group.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(vi) Gains or losses on disposal

Gains or losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised in the income statement.

12 Property, plant and equipment (continued)

Critical accounting estimates and judgements

Residual values of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the Far East market and Indian Sub-Continent market.

- **Sensitivity analysis:**

  With all other variables held constant, if the residual value of vessels increases/decreases by 10% from management estimates, the depreciation expense would decrease/increase by US$3.1 million in the next year.

Useful lives of vessels and vessel component costs

The Group estimates the useful life of its vessels by reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

The Group estimates the useful life of its vessel component costs by reference to the average historical periods between drydocking cycles of vessels of similar age, and the expected usage of the vessel until its next drydock.

- **Sensitivity analysis:**

  With all other variables held constant, if the useful lives of vessels increase/decrease by 3 years from management estimates, the depreciation expense would decrease by US$23.7 million or increase by US$64.4 million in the next year.

Impairment of owned vessels and right-of-use assets

The Group tests whether the carrying values of owned vessels and right-of-use assets have suffered any impairment in accordance with the accounting policy on impairment of investments and non-financial assets in Note 5. In assessing the indicators of potential impairment, internal and external sources of information such as reported sale and purchase prices, market demand and general market conditions are considered. If any of such indication exists, the Group estimates the recoverable amount of that asset based on the information above as well as valuations from independent valuers.

Vessels that are interchangeable are grouped together into one cash-generating unit ("CGU"). The owned vessels and right-of-use assets are separated into three CGUs, comprising Handysize vessels smaller than 30,000 dwt ("Small Handysize"), Handysize vessels equal to or larger than 30,000 dwt ("Large Handysize") and Supramax vessels.

An impairment is recognised when the carrying value exceeds the recoverable amount, where the recoverable amount is the higher of value-in-use and fair value less costs of disposal.

The value-in-use of the vessels is an assessment of estimated future vessel earnings based on assumptions and appropriate discount rates to derive the present value of those earnings. The discount rates are based on a weighted average cost of capital ("WACC"), calculated by using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters. The applicable discount rate is 8.7% (2021: 7.3%).

The fair value less costs of disposal is based on valuations performed by independent valuers. This valuation is regarded as unobservable inputs and is within Level 3 of the fair value scale (Note 15). The valuation is based on a market approach under which each vessel is valued with reference to recent sales of comparable vessels.

At 30 June 2022, a Handysize vessel had been contracted to be sold and was impaired to its fair value less costs of disposal. As at 31 December 2022, the net asset value of the Group is higher than its market capitalisation. This is considered as an indicator of potential impairment. Management has assessed the recoverable amount of the three CGUs, and concluded no further provision for impairment was required based on fair value less costs of disposal of Small Handysize vessels and value-in-use of Large Handysize and Supramax vessels.

- **Sensitivity analysis:**

  (i) With all other variables held constant, increasing the discount rates by 100 basis points from management estimates would not give rise to any impairment.

  (ii) With all other variables held constant, reducing the future vessel earnings over the life of the vessel by US$1,000 per day from the management estimates would not give rise to any impairment.

13 Right-of-use assets

US$'000	Vessels	Other PP&E	Total
At 1 January 2022	**49,467**	**5,835**	**55,302**
Additions	**73,858**	**87**	**73,945**
Depreciation	**(54,251)**	**(2,224)**	**(56,475)**
Lease modification	**12,111**	**5,284**	**17,395**
Exchange differences	**–**	**(300)**	**(300)**
At 31 December 2022	**81,185**	**8,682**	**89,867**
At 1 January 2021	57,739	8,039	65,778
Additions	9,746	94	9,840
Depreciation	(30,436)	(2,324)	(32,760)
Lease modification	10,204	159	10,363
Reversal of impairment provision	2,214	–	2,214
Exchange differences	–	(133)	(133)
At 31 December 2021	49,467	5,835	55,302

Accounting policy

At inception, we assess whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made before the commencement date. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets. Please refer to Note 12 for the critical accounting estimates and judgements on impairment.

The Group applies the lease recognition exemption to short-term leases and leases for which the underlying asset is of low value such as office equipment (e.g. printing and photocopying machines).

14 Goodwill

US$'000	2022	2021
At 1 January/31 December	**25,256**	25,256

Goodwill represents the excess of the Group's cost of acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Accounting policy

Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity being sold. It is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with the accounting policy on impairment in Note 5. Impairment losses on goodwill are not reversible.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Critical accounting estimates and judgements – Impairment of Goodwill

The recoverable amount of the goodwill has been determined based on a value-in-use calculation. The calculation is based on a one-year budget and a further four-year outlook. Key assumptions were based on past performance, management's expectations on market development and general inflation. Cash flows beyond the fifth year are extrapolated assuming zero growth and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 8.7% (2021: 7.3%).

Based on the assessment performed, no impairment provision against the carrying value of goodwill is considered necessary.

With all other variables held constant, increasing the discount rates by 100 basis points from the original estimate will not give rise to any impairment.

15 Derivative assets and liabilities

The Group is exposed to fluctuations in freight rates, bunker prices, interest rates and currency exchange rates. The Group manages these exposures using the derivatives summarised below together with their respective fair value levels.

Derivatives	Fair value levels
Interest rate swap contracts	Level 2
Forward foreign exchange contracts	Level 2
Bunker swap contracts	Level 2
Forward freight agreements	Level 1

Fair value levels

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of interest rate swap contracts, forward foreign exchange contracts and bunker swap contracts are quoted by dealers at the balance sheet date. The forward freight agreements are traded through a clearing house and its fair value is determined using forward freight rates at the balance sheet date.

	2022		2021	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**5,918**	**–**	–	(2,687)
Forward foreign exchange contracts (b)(i)	**–**	**–**	–	(3,834)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**202**	**(292)**	494	(19)
Forward foreign exchange contracts (b)(ii)	**–**	**–**	2	–
	6,120	**(292)**	496	(6,540)
Current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**–**	–	(7)
Forward foreign exchange contracts (b)(i)	**–**	**(2,326)**	264	(181)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**2,965**	**(4,816)**	14,435	(10,021)
Forward foreign exchange contracts (b)(ii)	**1,020**	**–**	3	(23)
Forward freight agreements (d)	**436**	**(126)**	8	–
	4,421	**(7,268)**	14,710	(10,232)
Total	**10,541**	**(7,560)**	15,206	(16,772)

15 Derivative assets and liabilities (continued)

(a) Interest rate swap contracts

All our interest rate swap contracts qualify for hedge accounting as cash flow hedges

Certain borrowings are subject to floating interest rates, which can be volatile, but the Group manages these exposures by entering into interest rate swap contracts.

Effective date	Notional amount	Swap details	Expiry
2022 & 2021			
June & September 2019	US$115 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 1.5% to 1.7% per annum	Contracts expire through May 2026
December 2018	US$40 million on amortising basis	USD 6-month LIBOR swapped to a fixed rate of approximately 3.0% per annum	Contract expires in June 2025
December 2018	US$5 million on bullet basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.9% per annum	Contract expires in June 2025
2021			
February 2017	US$9 million on amortising basis	USD 1-month LIBOR swapped to a fixed rate of approximately 1.8% per annum	Contract expired in January 2022

As a result of the global interest rate benchmark reform, LIBOR will be fully replaced by alternative reference rates after June 2023. This is expected to affect LIBOR-based borrowings with maturities beyond mid-2023 and their corresponding hedging instruments. At 31 December 2022, the Group had LIBOR-based outstanding committed facilities of US$344.3 million expected to mature after June 2023, of which US$96.0 million were hedged by interest rate swaps. Agreements were reached with the counterparties to use Term SOFR as alternative benchmark rates with effect not later than 30 June 2023.

- **Sensitivity analysis:**

  With all other variables held constant, if the average interest rate on the net cash balance subject to floating interest rates (cash and deposits net of unhedged floating borrowings) held by the Group at the balance sheet date had been 50 basis point higher/lower, the Group's profit after tax would increase/decrease by approximately US$1.8 million (2021: US$1.8 million).

(b) Forward foreign exchange contracts

The Group operates internationally and is exposed to fluctuation in foreign exchange arising from transactions and monetary assets and liabilities that are denominated in currencies other than United States Dollars which is the functional currency of most of the Group's entities.

(i) Forward foreign exchange contracts that qualify for hedge accounting as cash flow hedges

The Group has bank borrowings denominated in Danish Kroner ("DKK") with maturity in August 2023. The Group entered into forward foreign exchange contracts with terms that match the repayment schedules of such bank loans.

At 31 December 2022, the Group had outstanding forward foreign exchange contracts to buy approximately DKK74.7 million (2021: DKK167.2 million) and simultaneously sell approximately US$13.2 million (2021: US$29.6 million), which expire through August 2023.

(ii) Forward foreign exchange contracts that do not qualify for hedge accounting

The Group has transactions denominated in currencies other than United States Dollars.

At 31 December 2022, the Group had outstanding forward foreign exchange contracts to buy approximately GBP5.4 million, CAD3.2 million and AUD2.0 million and simultaneously sell approximately US$6.1 million, US$2.4 million and US$1.3 million respectively for general and administrative overheads of several global offices. These contracts will expire through June 2023.

At 31 December 2022, the Group had outstanding forward foreign exchange contracts to buy JPY700.0 million and simultaneously sell approximately US$4.8 million for operating expenses denominated in Japanese Yen. These contracts will expire through April 2023.

At 31 December 2022, the Group had outstanding forward foreign exchange contracts to buy approximately US$0.4 million (2021: US$2.0 million) and simultaneously sell approximately AUD0.6 million (2021: AUD2.8 million) for revenue that was denominated in Australian Dollars. These contracts will expire through March 2023.

15 Derivative assets and liabilities (continued)

(c) Bunker swap contracts

None of our bunker swap contracts qualifies for hedge accounting

The Group enters into bunker swap contracts for fuel oil, very low sulphur fuel oil and marine gas oil to manage the fluctuations in bunker prices in connection with its cargo contract commitments.

The Group also used bunker swap contracts to lock in the future fuel price spread between high and low sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that were fitted with scrubbers. These contracts expired during the year.

At 31 December, the Group had outstanding bunker swap contracts as follows:

Contract Type	Fuel Type	Quantity (Metric tonnes)	Average deal price (US$)	Average market price (US$)	Expiry through
2022					
Buy	Fuel oil	3,275	421	384	December 2023
Buy	Very low sulphur fuel oil	109,191	578	550	December 2024
Buy	Marine gas oil	12,730	707	810	December 2024
Sell	Very low sulphur fuel oil	29,490	558	559	September 2023
Sell	Marine gas oil	3,821	845	851	September 2023
2021					
Buy	Fuel oil	22,423	330	418	December 2022
Buy	Very low sulphur fuel oil	127,930	499	543	February 2023
Buy	Marine gas oil	47,834	502	638	December 2024
Sell	Fuel oil	19,800	203	419	December 2022
Sell	Very low sulphur fuel oil	38,612	459	546	December 2022
Sell	Marine gas oil	24,914	582	642	March 2023

- **Sensitivity analysis:**

  With all other variables held constant, if the average forward price of following fuel types on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax would increase/decrease by approximately US$0.1 million (2021: US$0.1 million) for fuel oil; increase/decrease by approximately US$4.4 million (2021: US$4.8 million) for very low sulphur fuel oil and increase/decrease by approximately US$0.7 million (2021: US$1.5 million) for marine gas oil.

(d) Forward freight agreements

None of our forward freight agreements qualifies for hedge accounting

The Group enters into forward freight agreements as a method of managing its exposure to both its physical tonnage and cargo commitments with regard to its Handysize and Supramax vessels.

At 31 December, the Group had outstanding forward freight agreements as follows:

Contract Type	Index[1]	Quantity (days)	Contract daily price (US$)	Expiry through
2022				
Sell	BHSI	285	11,558	March 2023
Sell	BSI	495	12,591	June 2023
2021				
Sell	BHSI	105	22,536	December 2022

[1] "BHSI" stands for "Baltic Handysize Index" and "BSI" stands for "Baltic Supramax Index".

- **Sensitivity analysis:**

  With all other variables held constant, if the average forward freight rate on forward freight agreements held by the Group at the balance sheet date had been 20% higher/lower, the Group's profit after tax would decrease/increase by approximately US$1.8 million (2021: US$0.5 million).

15 Derivative assets and liabilities (continued)

Accounting policy

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Derivatives are classified as current and non-current assets according to their respective settlement dates.

Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement, and are subsequently remeasured at their fair values. Gains and losses arising from changes in the fair values are included in the other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

In the cash flow statement, financial assets held for trading are presented within "operating activities" as part of changes in working capital.

Derivative financial instruments and hedging activities

The method of recognising the resulting gain or loss arising from changes in fair value for derivative financial instruments depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as cash flow hedges.

The Group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the changes in fair values or cash flows of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedging derivative is more than twelve months after the balance sheet date.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income and expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recycled when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

(ii) Derivatives not qualifying for hedge accounting

Derivative instruments that do not qualify for hedge accounting are accounted for as financial assets and liabilities at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

Bunker swap contracts, forward freight agreements and certain forward foreign exchange contracts do not qualify for hedge accounting mainly because the contract periods, which are in calendar months, do not coincide with the periods of the physical contracts.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

16 Trade and other receivables

US$'000	2022	2021
Non-current		
Prepayments (a)	**5,276**	8,499
Current		
Trade receivables (b)	**112,429**	118,065
Other receivables	**29,003**	25,755
Prepayments	**15,923**	28,019
	157,355	171,839

p.53 Our Principal Risks
Credit and Counterparty Risk

Trade and other receivables are mainly denominated in United States Dollars and the carrying values approximate their fair values due to their short-term maturities.

(a) Non-current prepayments

Prepayments comprise instalments paid for the installation of ballast water treatment systems and docking costs.

(b) Trade receivables

At 31 December, the ageing of trade receivables 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

Accounting policy

Trade receivables mainly represent freight and charter-hire receivables which are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment, if any.

Please refer to Note 5 for the accounting policy on impairment.

Credit policy

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

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of international customers.

At 31 December 2022 and 2021, there was no loss allowance arising from its trade and other receivables.

17 Cash and deposits

US$'000	2022	2021
Cash at bank and on hand	52,057	83,358
Bank deposits	391,820	376,363
Total cash and deposits	443,877	459,721
Average effective interest rate on bank deposits for the year	1.7%	0.3%
Average remaining maturity of bank deposits at year end	41 days	49 days
Cash and cash equivalents	358,838	309,634
Term deposits with original maturities over 3 months	84,987	150,036
Cash and deposits	443,825	459,670
Restricted bank deposits included in non-current assets	52	51
Total cash and deposits	443,877	459,721

Cash and deposits are mainly denominated in United States Dollars and the carrying values approximate their fair values due to their short-term maturities.

We invest our cash in a mix of financial products, based on our assessment of balance of risk, return and liquidity, which are placed with a range of leading international banks, mainly in Hong Kong and Singapore. The Group's cash and deposits at 31 December 2022 comprised US$440.7 million in United States Dollars and US$3.2 million in other currencies. They are primarily placed in liquid deposits and saving accounts.

Accounting policy – Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Please refer to Note 5 for the accounting policy on impairment.

p.28 Cash and Borrowings
Cash Flow and Cash

18 Inventories

US$'000	2022	2021
Bunkers	112,370	91,597
Lubricating oil and others	12,091	11,993
	124,461	103,590

Accounting policy

Inventories are stated at the lower of cost and net realisable value, as estimated by the management. Costs are calculated on a first-in first-out basis.

19 Assets held for sale

US$'000	2022	2021
At 1 January	–	16,136
Transfer from/(to) PP&E (Note 12)	34,284	(7,563)
Disposals	(14,400)	(7,721)
Provision for impairment	–	(839)
Others	–	(13)
At 31 December	19,884	–

Accounting policy

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of disposal.

20 Trade and other payables

US$'000	2022	2021
Non-current		
Receipts in advance	–	17
Current		
Trade payables (a)	80,793	70,513
Accruals and other payables	120,746	105,929
Receipts in advance (b)	60,331	71,112
	261,870	247,554

Trade and other payables are mainly denominated in United States Dollars and the carrying values approximate their fair values due to their short-term maturities.

(a) Trade payables

At 31 December, the ageing of trade payables 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

Accounting policy

Trade payables mainly represent freight and charter-hire payables which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Receipts in advance

Receipts in advance included amounts received in relation to cargo contracts to be completed of US$59.3 million (2021: US$68.6 million). Receipts in advance of US$68.6 million as at 31 December 2021 were fully recognised as revenue in 2022.

21 Borrowings

US$'000	2022	2021
Non-current		
Bank loans (a)	256,248	320,868
Convertible bonds (b)	–	165,183
Other borrowings (c)	24,555	35,312
	280,803	521,363
Current		
Bank loans (a)	54,384	57,177
Convertible bonds (b)	32,664	–
Other borrowings (c)	10,757	9,616
	97,805	66,793
Total	378,608	588,156

The borrowings are mainly denominated in United States Dollars.

The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments and are within Level 2 of the fair value scale (Note 15).

Please refer to Note 25(b) for reconciliation of borrowings.

For relevant information of global interest rate benchmark reform, please refer to Note 15(a).

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

21 Borrowings (continued)

(a) Bank loans

The Group's bank loans were secured, *inter alia*, by the following:

(i) Mortgages over certain owned vessels with net book value of US$973,321,000 (2021: US$1,398,640,000) (Note 12(b)); and

(ii) Assignment of earnings and insurances compensation in respect of these vessels.

These bank loans are repayable as follows:

US$'000	2022	2021
Within one year	**54,384**	57,177
In the second year	**53,144**	64,203
In the third to fifth year	**180,408**	185,573
After the fifth year	**22,696**	71,092
	310,632	378,045
Average effective interest rate for the year (after hedging)	**3.9%**	3.2%

(b) Convertible bonds

	2022		2021	
US$'000	Face value	Liability component	Face value	Liability component
3.0% coupon due 2025	**34,110**	**32,664**	175,000	165,183

The carrying value of convertible bonds approximate their fair values.

During the year, an aggregate principal amount of US$106,919,000 of convertible bonds were converted into 434,107,751 shares.

During the year, an aggregate principal amount of US$33,971,000 of convertible bonds were repurchased and cancelled at 164.7% of their principal amount. A gain of US$1,120,000 was recognised in the income statement and an equity movement of US$22,128,000 debited to retained earnings was recognised upon the derecognition of the respective liability and equity components.

Key terms	
Issue size	US$175.0 million
Issue date	10 December 2019
Maturity date	10 December 2025
Coupon – cash cost	3.0% p.a. payable semi-annually in arrears on 10 June and 10 December
Effective interest rate	4.7% charged to income statement
Redemption price	100%
Conversion price converting bonds into shares	HK$1.63 (with effect from 10 August 2022) (Note)
Conversion at bondholders' options	Anytime on or after 20 January 2020
Bondholder put date for redemption at 100% of the principal amount	On 10 December 2023, each bondholder will have the right to require the Group to redeem all or some of the bonds. As this is an unconditional put option, accounting standards require the Group to treat the convertible bonds as falling due on the put date.

Note: The conversion price is subject to an adjustment arising from any cash dividends paid by the Company according to a pre-determined adjustment factor. Such adjustment becomes effective on the first date on which the shares are traded ex-dividend if a dividend had been declared.

Accounting policy

Convertible bonds are accounted for as the aggregate of (i) a liability component and (ii) an equity component.

At initial recognition, the fair value of the liability component of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond. The remainder of the proceeds is allocated to the conversion option as an equity component.

Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

21 Borrowings (continued)

(c) Other borrowings

The Group's other borrowings related to four (2021: five) owned vessels with a combined net book value of US$59,118,000 (2021: US$77,438,000) (Note 12(b)) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined times during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

These other borrowings are repayable as follows:

US$'000	2022	2021
Within one year	**10,757**	9,616
In the second year	**2,857**	10,757
In the third to fifth year	**7,813**	8,159
After the fifth year	**13,885**	16,396
	35,312	44,928
Average effective interest rate for the year (after hedging)	**4.3%**	4.3%

22 Lease liabilities

US$'000	2022	2021
At 1 January	**60,429**	76,833
Additions	**73,945**	9,840
Repayments	**(58,218)**	(36,381)
Lease modification	**17,396**	10,363
Exchange differences	**(261)**	(226)
At 31 December	**93,291**	60,429
Non-current	**33,389**	29,270
Current	**59,902**	31,159
	93,291	60,429

The lease liabilities are repayable as follows:

US$'000	2022	2021
Within one year	**59,902**	31,159
In the second year	**26,054**	14,375
In the third to fifth year	**6,971**	13,823
After the fifth year	**364**	1,072
	93,291	60,429

Accounting policy

At the commencement date of the lease, lease liabilities are measured at the present value of lease payments to be made over the lease term. The lease term comprises the non-cancellable period with addition of periods covered by options to extend the lease if the Group is reasonably certain to exercise the extension option or reasonably certain not to exercise the termination option. This assessment is made on inception of the lease. The lease payments include fixed payments and variable payments depending on an index or a rate.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced following the making of the lease payments. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments on short-term leases and leases of low-value assets expensed in the income statement on a straight-line basis over the lease term.

23 Share capital

	2022 Number of shares	2022 US$'000	2021 Number of shares	2021 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**4,811,327,272**	**47,858**	4,787,014,272	47,490
Shares issued upon conversion of convertible bonds (a)	**434,107,751**	**4,341**	–	–
Shares issued upon grant of restricted share awards (b)	**14,412,000**	**144**	23,820,000	238
Shares granted to employees in the form of restricted share awards (b)	**4,404,000**	**1,978**	9,444,000	3,246
Shares transferred back to trustee upon lapse of restricted share awards (b)	**(670,000)**	**(148)**	(1,364,000)	(269)
Shares purchased by trustee of the SAS (b)	**(3,040,000)**	**(1,709)**	(7,587,000)	(2,847)
At 31 December	**5,260,541,023**	**52,464**	4,811,327,272	47,858

The issued share capital of the Company as at 31 December 2022 was 5,261,211,023 shares (2021: 4,812,691,272 shares). The difference compared to the number of shares shown in the table above of 670,000 (2021: 1,364,000) represents shares held by the trustee of the Company's SAS, amounting to US$148,000 (2021: US$269,000) which are recognised as a debit to share capital.

(a) Shares issued upon conversion of convertible bonds

During the year, 434,107,751 shares were issued upon the conversion of convertible bonds in an aggregate principal amount of US$106,919,000 at a conversion price of HK$1.93 per share.

(b) Restricted share awards

Restricted share awards under the Company's SAS were granted to Executive Directors and certain employees. The SAS under HKFRS is regarded as a special purpose entity of the Company.

On the grant of the restricted share awards, the relevant number of shares is legally transferred or issued to the trustee who holds the shares for the benefit of the grantees. A grantee shall not be entitled to vote, to receive dividends (except where the Board grants dividend rights to the grantee at its discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares are lapsed or forfeited, they will be held by the trustee and can be utilised for future awards.

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

000' shares	2022	2021
At 1 January	**78,811**	77,209
Granted	**18,816**	33,264
Vested	**(27,721)**	(30,298)
Lapsed	**(670)**	(1,364)
At 31 December	**69,236**	78,811

Out of the 69,236,000 unvested restricted share awards as at 31 December 2022 and according to the vesting schedule, 24,279,000 shares, 29,168,000 shares and 15,789,000 shares will be vested on 14 July 2023, 14 July 2024 and 14 July 2025 respectively.

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Movement of Restricted Awards Granted

23 Share capital (continued)

(b) Restricted share awards (continued)

The fair value of the restricted share awards is determined by the closing share price on the date which the Company and employees agreed the terms and conditions of the share awards arrangement. The weighted average fair value of the shares granted during the year was HK$3.2 (2021: HK$1.7) per share.

The sources of the shares granted and the related movements between share capital and share premium and staff benefit reserve are as follows:

	2022		2021	
Sources of shares granted	Number of granted shares awards	Related movement US$'000	Number of granted shares awards	Related movement US$'000
Shares issued	14,412,000	144	23,820,000	238
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	3,040,000	1,709	7,587,000	2,847
Shares transferred from the trustee	1,364,000	269	1,857,000	399
	18,816,000	2,122	33,264,000	3,484

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Share Capital and Pre-emptive Rights

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax) is included in equity.

For equity-settled share-based payment transactions excluding services from employee and other similar services (see Remuneration Report page 67), the increase in equity is measured as the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the increase in equity would be measured, indirectly, by reference to the fair value of the equity instruments granted.

24 Reserves

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits	Total
	2022									
	Other reserves									
At 1 January	313,375	(56,606)	13,121	(8,035)	(2,613)	(365)	779,938	1,038,815	744,553	1,783,368
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	701,856	701,856
Other comprehensive income										
Cash flow hedges										
– fair value gains/(losses)	–	–	–	–	5,879	–	–	5,879	–	5,879
– fair value gains transferred to income statement	–	–	–	–	3,074	–	–	3,074	–	3,074
Currency translation differences	–	–	–	–	–	(1,465)	–	(1,465)	–	(1,465)
Total comprehensive income	–	–	–	–	8,953	(1,465)	–	7,488	701,856	709,344
Transactions with owners in their capacity as owners										
Shares issued upon conversion of convertible bonds (Note 23(a))	106,183	–	(8,016)	–	–	–	–	98,167	–	98,167
Dividends paid (Note 10)	–	–	–	–	–	–	–	–	(716,196)	(716,196)
Derecognition of equity component upon repurchase and cancellation of convertible bonds (Note 21(b))	–	–	(2,547)	–	–	–	–	(2,547)	(22,128)	(24,675)
Share-based compensation (see Remuneration Report p.66)	–	–	–	6,857	–	–	–	6,857	–	6,857
Share awards granted (Note 23(b))	–	–	–	482	–	–	–	482	(2,460)	(1,978)
Shares issued upon grant of restricted share awards (Note 23(b))	7,949	–	–	(8,093)	–	–	–	(144)	–	(144)
Share awards lapsed (Note 23(b))	–	–	–	148	–	–	–	148	–	148
At 31 December	427,507	(56,606)	2,558	(8,641)	6,340	(1,830)	779,938	1,149,266	705,625	1,854,891

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits/ (accumulated losses)	Total
	2021									
	Other reserves									
At 1 January	307,139	(56,606)	13,121	(7,199)	(7,956)	(88)	779,938	1,028,349	(11,330)	1,017,019
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	844,810	844,810
Other comprehensive income										
Cash flow hedges										
– fair value gains/(losses)	–	–	–	–	(267)	–	–	(267)	–	(267)
– fair value gains transferred to income statement	–	–	–	–	5,610	–	–	5,610	–	5,610
Currency translation differences	–	–	–	–	–	(277)	–	(277)	–	(277)
Total comprehensive income	–	–	–	–	5,343	(277)	–	5,066	844,810	849,876
Transactions with owners in their capacity as owners										
Shares issued upon conversion of convertible bonds (Note 23(a))	–	–	–	–	–	–	–	–	–	–
Dividends paid (Note 10)	–	–	–	–	–	–	–	–	(86,473)	(86,473)
Derecognition of equity component upon repurchase and cancellation of convertible bonds (Note 21(b))	–	–	–	–	–	–	–	–	–	–
Share-based compensation (see Remuneration Report p.66)	–	–	–	6,161	–	–	–	6,161	–	6,161
Share awards granted (Note 23(b))	–	–	–	(792)	–	–	–	(792)	(2,454)	(3,246)
Shares issued upon grant of restricted share awards (Note 23(b))	6,236	–	–	(6,474)	–	–	–	(238)	–	(238)
Share awards lapsed (Note 23(b))	–	–	–	269	–	–	–	269	–	269
At 31 December	313,375	(56,606)	13,121	(8,035)	(2,613)	(365)	779,938	1,038,815	744,553	1,783,368

(a) Share premium mainly represents the net share issuance proceeds in excess of the nominal value credited to share capital.

(b) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the Company's shares issued pursuant to the transfer of PB Vessels Holding Limited and its subsidiaries into the Company through an exchange of shares prior to the listing of the shares of the Company on the Stock Exchange in 2004.

(c) Contributed surplus represents the amount of the capital reduction transferred from the share capital and share premium accounts as a result of the capital reorganisation of the Company that took effect on 27 May 2016. Under the Company Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution, but the Company cannot make a distribution out of the contributed surplus if: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than its liabilities.

25 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to cash generated from operations

US$'000	2022	2021
Profit before taxation	**702,497**	846,348
Assets and liabilities adjustments		
Depreciation on vessels and other PP&E	**142,080**	119,435
Depreciation on right-of-use assets	**56,475**	32,760
(Gains)/losses on disposal of PP&E	**(16,048)**	448
Losses/(gains) on disposal of assets held for sale	**80**	(85)
Incentives and fees for conversion of convertible bonds	**15,824**	–
Provisions	**7,187**	4,279
Net unrealised gains on derivative instruments not qualified as hedges	**5,490**	4,447
Provision for/(reversal of) vessel impairment		
– owned vessels	**1,513**	(150,283)
– right-of-use assets	**–**	(2,214)
– assets held for sale	**–**	839
Capital and funding adjustments		
Share-based compensation	**6,857**	6,161
Results adjustments		
Finance costs, net	**15,434**	31,712
Net foreign exchange gains	**(448)**	(56)
Profit before taxation before working capital changes	**936,941**	893,791
Increase in inventories	**(20,871)**	(25,495)
Decrease/(increase) in trade and other receivables	**13,968**	(93,974)
Increase in trade and other payables	**7,212**	77,146
Cash generated from operations	**937,250**	851,468

(b) Reconciliation of borrowings

US$'000	2022	2021
At 1 January	**588,156**	863,885
Cash flows		
Drawdown of bank loans and other borrowings	**–**	70,000
Repayment of bank loans and other borrowings	**(80,940)**	(348,290)
Repurchase and cancellation of convertible bonds	**(32,669)**	–
Coupon payment of convertible bonds	**(1,839)**	(5,250)
Other non-cash movements		
Amortisation of loan arrangement fee	**2,478**	1,108
Accrued coupon payment of convertible bonds	**4,497**	7,540
Conversion of convertible bonds	**(102,508)**	–
Foreign exchange adjustments	**1,433**	(837)
At 31 December	**378,608**	588,156

(c) Cash outflow on all leases

The total cash outflow for all leases is US$1,002.3 million (2021: US$943.1 million).

26 Commitments

(a) Capital commitments

US$'000	2022	2021
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	**42,399**	16,757

(b) Lease commitments

(i) The Group as the lessee – payments

The non-cancellable lease commitment included short-term leases with a term of 12 months or less, leases of low-value assets and long-term leases with a term of over 12 months not yet commenced at 31 December 2022.

The future aggregate minimum lease payments of these leases are as follows:

US$'000	Vessels	Office equipment	Total
At 31 December 2022			
Within one year	**92,050**	**8**	**92,058**
In the second to fifth year	**87,979**	**7**	**87,986**
After the fifth year	**29,033**	**–**	**29,033**
	209,062	**15**	**209,077**
At 31 December 2021			
Within one year	111,862	20	111,882
In the second to fifth year	–	26	26
	111,862	46	111,908

(ii) The Group as the lessor – receipts

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

US$'000	2022	2021
Within one year	**71,634**	136,793
In the second to fifth year	**19,120**	27,907
	90,754	164,700

The Group leases vessels with leases expiring within 1 year to 4 years (2021: within 1 year to 5 years). The lease expiring in 4 years relates to a Capesize vessel.

Accounting policy – Operating leases: where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet and, where applicable, are depreciated in accordance with the Group's depreciation policies as set out in Note 12 Property, plant and equipment. Revenue arising from assets leased out under operating leases is recognised over time based on daily rate.

27 Financial liabilities summary

This note should be read in conjunction with the Liquidity Risk section on page 58. The maturity profile of the Group's financial liabilities, net-settled derivative financial instruments and gross-settled derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date are summarised below. These represented contractual cash flows which include principal and interest elements where applicable.

	Within one year		In the second year		In the third to fifth year		After the fifth year		Total	
US$'000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Borrowings										
Bank loans	**72,743**	68,718	**67,231**	75,383	**201,368**	208,252	**24,749**	75,412	**366,091**	427,765
Other borrowings	**12,063**	11,289	**3,812**	12,063	**11,404**	11,415	**20,038**	23,839	**47,317**	58,606
Convertible bonds	**35,133**	5,250	**–**	5,250	**–**	185,500	**–**	–	**35,133**	196,000
Lease liabilities	**62,625**	33,020	**26,303**	15,344	**7,284**	14,301	**344**	1,178	**96,556**	63,843
Derivative financial instruments										
(i) Net-settled (a)										
Interest rate swap contracts	**(3,141)**	1,782	**(1,833)**	607	**(1,352)**	327	**–**	–	**(6,326)**	2,716
Bunker swap contracts	**4,816**	10,021	**292**	19	**–**	–	**–**	–	**5,108**	10,040
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges										
– outflow	**13,215**	48,456	**–**	13,215	**–**	–	**–**	–	**13,215**	61,671
– inflow	**(10,720)**	(45,682)	**–**	(11,391)	**–**	–	**–**	–	**(10,720)**	(57,073)
– Others										
– outflow	**14,946**	2,249	**–**	566	**–**	–	**–**	–	**14,946**	2,815
– inflow	**(15,854)**	(2,220)	**–**	(568)	**–**	–	**–**	–	**(15,854)**	(2,788)
Net outflow	**1,587**	2,803	**–**	1,822	**–**	–	**–**	–	**1,587**	4,625
Trade and other payables	**201,539**	176,442	**–**	–	**–**	–	**–**	–	**201,539**	176,442

(a) Net-settled derivative financial instruments represent derivative assets or liabilities whose terms result in settlement by a netting mechanism, such as settling the difference between the contract price and the market price of the financial assets or liabilities.

(b) Gross-settled derivative financial instruments represent derivative assets or liabilities which are not settled by the above mentioned netting mechanism.

28 Significant related party transactions

Significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis comprised only key management compensation. For the compensation of key management (including Directors' emoluments) and the accounting policy on employee benefits, please refer to the Remuneration Report on pages 65 to 67.

29 Financial guarantees

As at 31 December 2022, the Company has given corporate guarantees with maximum exposures of US$494.2 million (2021: US$603.1 million) for certain subsidiaries in respect of the Group's loan facilities granted.

Accounting policy

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

30 Contingent liabilities and contingent assets

The Group had no material contingent liabilities and contingent assets as at 31 December 2022 and 2021.

Accounting policy

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements when an outflow of economic resources is probable, a provision is recognised.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

31 Event after the balance sheet date

Subsequent to 31 December 2022, the Group has contracted with a third party to purchase one Handysize vessel, one Supramax vessel and four Ultramax vessels for an aggregate consideration of US$124.7 million.

These six vessels are expected to be delivered between February 2023 and July 2023.

32 Principal subsidiaries

As at 31 December 2022, the Company has direct and indirect interests in the following wholly owned principal subsidiaries:

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Shares held directly			
PB Vessels Holding Limited	BVI	US$1,191,118,775	Investment holding
PB Management Holding Limited	BVI	US$12,313	Investment holding
PB Issuer (No.5) Limited	BVI	US$1	Convertible bonds issuer
Shares held indirectly			
Vessel owning and chartering			
Albatross Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Astoria Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Badger Limited	BVI/Int'l	US$1	Vessel owning
Baker River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Barracuda Island Limited	HK/Int'l	HK$1	Vessel chartering
Barrow Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Bass Strait Limited	HK/Int'l	HK$1	Vessel owning and chartering
Bell Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Block Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Bonny Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Bright Cove Limited	HK/Int'l	HK$1	Vessel owning and chartering
Cherry Point Limited	HK/Int'l	HK$1	Vessel owning and chartering
Chiloe Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Columbia River Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Cooper Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Corio Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Cramond Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Eaglehill Trading Limited 鷹峯貿易有限公司	HK/Int'l	HK$1	Vessel owning and chartering
Eastern Cape Limited	BVI/Int'l	US$1	Vessel owning and chartering
Elizabay Limited	BVI/Int'l	US$1	Vessel owning and chartering
Elizabeth River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Esperance Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Finest Solution Limited	HK/Int'l	HK$1	Vessel owning and chartering
Fortune Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Future Sea Limited	HK/Int'l	HK$1	Vessel owning and chartering
Gharapuri Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Gold River Vessel Limited	HK/Int'l	HK$1	Vessel owning and chartering

32 Principal subsidiaries (continued)

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Good Shape Limited	HK/Int'l	HK$1	Vessel owning and chartering
Goodwyn Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Grande Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Gullholmen Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Hainan Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Helen Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Honey Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Illovo River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Imabari Logger Limited	BVI/Int'l	US$1	Vessel owning and chartering
Impression Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Ince Point Limited	HK/Int'l	HK$1	Vessel owning and chartering
Incheon Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Indian Ocean Limited	HK/Int'l	HK$1	Vessel owning and chartering
Indigo Lake Limited	HK/Int'l	HK$1	Vessel owning and chartering
Iona Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Ipanema Beach Limited	HK/Int'l	HK$1	Vessel owning and chartering
Ipswich Bay Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Irvine Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Isabela Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Iwagi Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Jamaica Bay Limited	BVI/Int'l	US$1	Vessel owning and chartering
James Bay Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jericho Beach Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jervis Bay Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jiangmen Trader Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jules Point Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jumeirah Beach Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kaiti Hill Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kanda Logger Limited	HK/Int'l	HK$1	Vessel owning and chartering
Key West Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kodiak Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kultus Cove Limited	HK/Int'l	HK$1	Vessel owning and chartering
Labrador Shipping (BVI) Limited	BVI/Int'l	US$38,001	Vessel owning and chartering
Lake Stevens Limited	HK/Int'l	HK$1	Vessel owning and chartering
Liberty Vessel Limited	BVI/Int'l	US$1	Vessel owning and chartering
Longview Logger Limited	HK/Int'l	HK$1	Vessel chartering
Luzon Strait Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Marawah Limited	BVI/Int'l	US$1	Vessel owning

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Matakana Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mega Fame Limited	BVI/Int'l	US$1	Vessel owning and chartering
Mersea Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Mount Aso Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Hikurangi Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Rainier Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Seymour Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Taranaki Limited	HK/Int'l	HK$1	Vessel owning and chartering
Neptune Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Newman Shipping (BVI) Limited	BVI/Int'l	US$26,001	Vessel owning and chartering
Nightingale Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Nobal Sky Limited	BVI/Int'l	US$1	Vessel owning and chartering
Nootka Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
North Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Novelty Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Oak Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Olive Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Olympia Logger Limited	HK/Int'l	HK$1	Vessel owning and chartering
Orange River Shipping Limited	HK/Int'l	HK$1	Vessel chartering
Osaka Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Otago Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Otago Harbour Limited	HK/Int'l	HK$1	Vessel owning and chartering
Oyster Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering Limited	BVI/Int'l	US$10	Vessels chartering
Pacific Basin Chartering (No. 2) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 3) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 4) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 6) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 7) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Paqueta Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pearl Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pelican Island Limited	HK/Int'l	HK$1	Vessel owning and chartering

32 Principal subsidiaries (continued)

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Penguin Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alberni Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alfred Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alice Limited	BVI/Int'l	US$1	Vessel owning and chartering
Port Angeles Limited	HK/Int'l	HK$1	Vessel owning and chartering
Puget Sound Limited	HK/Int'l	HK$1	Vessel owning and chartering
Saldanha Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Seal Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shakespeare Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shark Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Sharp Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shelter Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Silhouette Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Skomer Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Swan River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Tampa Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Texel Island Limited	HK/Int'l	HK$1	Vessel chartering
Uhland Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Verner Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
West Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
White Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Zhoushan Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Others			
Pacific Basin Agencies Limited 太平洋航運代理有限公司	HK/Int'l	HK$10	Shipping consulting services
Pacific Basin Handysize Limited	BVI/HK	US$10	Provision of ship management and ocean shipping services
Pacific Basin Handysize (HK) Limited	HK	HK$10	Provision of ship management and ocean shipping services

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Pacific Basin Supramax Limited	HK	HK$10	Provision of ship management and ocean shipping services
Pacific Basin (UK) Limited[1]	England & W	GBP2	Shipping consulting services
Pacific Basin Shipping (Australia) Pty Ltd[1]	Australia	AUD1	Shipping consulting services
Pacific Basin Shipping (Brasil) Ltda	Federative Republic of Brazil	R$95,000	Shipping consulting services
Pacific Basin Shipping (Canada) Limited	BC, Canada	1 common share without par value	Shipping consulting services
Pacific Basin Shipping (Chile) Limitada	Chile, Santiago	Chilean pesos equivalent to US$6,000	Shipping consulting services
Pacific Basin Shipping DMCC	United Arab Emirates	AE$50,000	Ship management and operation
Pacific Basin Shipping (HK) Limited 太平洋航運(香港)有限公司	HK	HK$20	Ship agency and management services
Pacific Basin Shipping (New Zealand) Limited	New Zealand	100 shares without par value	Shipping consulting services
Pacific Basin Shipping (South Africa) (Pty) Ltd[1]	Republic of South Africa	120 shares without par value	Shipping consulting services
Pacific Basin Shipping (UK) Limited[1]	England & W	GBP2	Shipping consulting services
Pacific Basin Shipping (USA) Inc.	USA	US$1,000	Shipping consulting services
PB Maritime Personnel Inc.[1]	The Philippines	PHP$17,300,000	Crewing services
PBS Corporate Secretarial Limited	HK	HK$10	Secretarial services
Taihua Shipping (Beijing) Limited[1&2] 太華船務(北京)有限公司	PRC	US$4,000,000 (registered capital)	Agency and ship management services

(1) The financial statements of these subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net liabilities and net loss for the year attributable to the shareholders of the Group amounted to US$27,092,000 (2021: US$22,248,000) and US$8,504,000 (2021: US$5,818,000) respectively.

(2) The subsidiary is wholly foreign-owned enterprise established in the PRC, with registered capital fully paid up by the Group.

(3) Under the place of incorporation/operation, "BVI" represents "The British Virgin Islands", "England & W" represents "England and Wales", "HK" represents "Hong Kong" and "Int'l" represents "International".

33 Balance sheet and reserve movement of the company

(a) Balance Sheet of the Company

	Note	As at 31 December 2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,328,322**	1,326,250
Current assets			
Prepayments and other receivables		**1,561**	222
Amounts due from subsidiaries		**575,036**	469,834
Cash and cash equivalents		**174**	75
		576,771	470,131
Total assets		**1,905,093**	1,796,381
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	23	**52,464**	47,858
Retained profits		**653,496**	649,850
Other reserves		**1,198,804**	1,085,278
Total equity		**1,904,764**	1,782,986
LIABILITIES			
Current liabilities			
Accruals and other payables		**329**	276
Amounts due to subsidiaries		**–**	13,119
Total liabilities		**329**	13,395

Approved by the Board of Directors on 23 February 2023.

Martin Fruergaard
Director

Peter Schulz
Director

(b) Reserve movement of the Company

	Other reserves					
US$'000	**Share premium**	**Staff benefits reserve**	**Contributed surplus**	**Subtotal**	**Retained profits**	**Total**
At 1 January 2022	**313,375**	**(8,035)**	**779,938**	**1,085,278**	**649,850**	**1,735,128**
Comprehensive income						
Profit attributable to shareholders	**–**	**–**	**–**	**–**	**722,302**	**722,302**
Transactions with owners in their capacity as owner						
Share issued upon conversion of convertible bonds (Note 23(a))	**106,183**	**–**	**–**	**106,183**	**–**	**106,183**
Dividends paid (Note 10)	**–**	**–**	**–**	**–**	**(716,196)**	**(716,196)**
Share-based compensation (see Remuneration Report p.66)	**–**	**6,857**	**–**	**6,857**	**–**	**6,857**
Share awards granted (Note 23(b))	**–**	**482**	**–**	**482**	**(2,460)**	**(1,978)**
Share issued upon grant of restricted shares awards (Note 23(b))	**7,949**	**(8,093)**	**–**	**(144)**	**–**	**(144)**
Share awards lapsed (Note 23(b))	**–**	**148**	**–**	**148**	**–**	**148**
At 31 December 2022	**427,507**	**(8,641)**	**779,938**	**1,198,804**	**653,496**	**1,852,300**
At 1 January 2021	307,139	(7,199)	779,938	1,079,878	9,893	1,089,771
Comprehensive income						
Profit attributable to shareholders	–	–	–	–	728,884	728,884
Transactions with owners in their capacity as owner						
Dividends paid (Note 10)	–	–	–	–	(86,473)	(86,473)
Share-based compensation (see Remuneration Report p.66)	–	6,161	–	6,161	–	6,161
Share awards granted (Note 23(b))	–	(792)	–	(792)	(2,454)	(3,246)
Share issued upon grant of restricted shares awards (Note 23(b))	6,236	(6,474)	–	(238)	–	(238)
Share awards lapsed (Note 23(b))	–	269	–	269	–	269
At 31 December 2021	313,375	(8,035)	779,938	1,085,278	649,850	1,735,128

Profit attributable to shareholders of US$722,302,000 (2021: US$728,884,000) is dealt with in the financial statements of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Pacific Basin Shipping Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 80 to 115, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the carrying value of owned vessels and right-of-use assets.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of owned vessels and right-of-use assets *Refer to notes 12 and 13 to the consolidated financial statements.* As at 31 December 2022, the Group has a fleet of owned vessels and right-of-use assets (the "Dry Bulk Vessels") amounting to US$1,770.4 million and US$81.2 million respectively. Right-of-use asset represents the Group's right (as a lessee) to use an underlying vessel for a lease term. The net asset value of the Group at 31 December 2022 is higher than its market capitalisation. This is considered as an indicator of possible impairment. Management has therefore performed an impairment assessment of the Group's Dry Bulk Vessels. In performing this assessment, the Group continues to separate the Dry Bulk Vessels into three cash-generating units ("CGUs"). The three CGUs comprise Handysize vessels smaller than 30,000 dwt ("Small Handysize"), Handysize vessels equal to or larger than 30,000 dwt ("Large Handysize") and Supramax vessels. Management determines the recoverable amounts of each CGU based on the higher of the assets' value-in-use or fair value less costs of disposal. Value-in-use calculations are based on future discounted cash flows of each CGU which involve significant judgements and assumptions, including forecast utilisation, daily time-charter equivalent ("TCE") rates, service costs, inflation rates and discount rates applied to the future cash flows. The fair value less costs of disposal of the Dry Bulk Vessels is primarily based on the market value of vessels as assessed by independent third-party valuers. Based on the results of the assessment, the Group concluded that no impairment of Dry Bulk Vessels is recognised as at 31 December 2022.	We evaluated management's assessment of the recoverable amounts of the CGUs by assessing the valuation methodology. For the value-in-use model, we assessed the future discounted cash flows used in the value-in-use model and the process by which they are prepared, including comparing them to the latest Board of Directors approved budgets, and assessing the underlying assumptions, including: ■ the forecast daily TCE rates were compared with historical actual results and external industry forecasts; ■ the inflation rates of operating expenses and general and administrative expenses were compared with external economic forecasts; ■ the service costs were compared to external market data; ■ the forecast utilisation rates were compared with historical actual results; ■ the discount rate was assessed with our specialist knowledge of discount rates for the industry and with comparable organisations; ■ evaluating the reasonableness of historical budgets and forecasts, this includes, comparing the forecast utilisation, charter rates and operating expenses used in the prior year value-in-use model against the actual performance of the business in the current year; ■ performing sensitivity analyses over the assumptions set out above by reference to our knowledge of the business and industry. Regarding management's assessment of fair value less costs of disposal ■ we evaluated and assessed the competence, capabilities and objectivity of the external valuers used by management; ■ we also benchmarked valuations performed by the valuers to external market data. We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon. The other information does not include the specific information presented therein that is identified as being an integral part of the consolidated financial statements and, therefore, covered by our audit opinion on the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

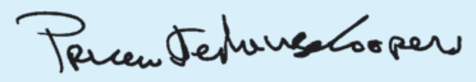
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John J. Ryan.



PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 February 2023

GROUP FINANCIAL SUMMARY

A summary of the results, balance sheet, cash flows and other data of the Group for the last five financial years, as extracted from our Annual Reports of those years without retrospective adjustments for currently prevailing accounting standards, is set out below:

US$'000		**2022**	2021	2020	2019	2018
Results						
Revenue		**3,281,626**	2,972,514	1,470,932	1,585,900	1,591,564
EBITDA		**935,131**	889,858	184,736	230,704	215,848
Underlying profit/(loss)		**714,722**	698,307	(19,444)	20,534	71,968
Profit/(loss) attributable to shareholders		**701,856**	844,810	(208,228)	25,124	72,284
Balance Sheet						
Total assets		**2,648,685**	2,745,432	2,189,527	2,394,235	2,366,206
Total liabilities		**(741,330)**	(914,206)	(1,125,018)	(1,118,303)	(1,134,997)
Total equity		**1,907,355**	1,831,226	1,064,509	1,275,932	1,231,209
Total cash and deposits		**443,877**	459,721	234,824	200,244	341,802
Net cash/(borrowings)		**65,269**	(128,435)	(629,061)	(662,907)	(619,291)
Cash Flows						
Operating		**935,317**	850,422	219,613	217,027	189,555
Investing		**63,179**	(334,001)	(92,114)	(143,900)	(116,842)
of which Purchase of PP&E		**(84,718)**	(224,483)	(102,031)	(183,984)	(127,924)
Financing		**(949,128)**	(433,027)	(101,572)	(202,146)	29,979
Net change in cash and cash equivalents		**49,368**	83,394	25,927	(129,019)	102,692
Other Data						
Basic EPS	US cents	**13.93**	17.90	(4.45)	0.55	1.64
Dividends per share	US cents	**10.0**	9.5	–	0.3	0.8
Eligible profit payout ratio		**75%**	54%	–	51%	50%
Operating cash flows per share	US cents	**18.5**	18.0	4.7	4.8	4.3
Equity per share	US cents	**36.3**	38.0	22.2	27.1	27.2
Closing price at year end	HK$	**2.64**	2.86	1.46	1.64	1.49
Market capitalisation at year end	US$'000	**1,781,600**	1,764,800	902,000	993,000	863,000

www.pacificbasin.com
Investors > Financial Highlights
Historical Financial Summary

CORPORATE INFORMATION

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Listing Venue & Listing Date
The Stock Exchange of Hong Kong Limited
14 July 2004

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Registered Public Interest Entity Auditor

Solicitors
Holman Fenwick Willan

Stock Code
Stock Exchange: 2343.HK
Bloomberg: 2343 HK
Reuters: 2343.HK

Total Shares in Issue
5,261,211,023 as at 31 December 2022

Website
www.pacificbasin.com

Social Media Channels
Facebook, Twitter, LinkedIn, YouTube and WeChat

Sustainability Report 2022

Both our Annual Report and Sustainability Report are now available at www.pacificbasin.com/ar2022

Please send us your feedback via our online feedback form

Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

ANNUAL REPORT 2022

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