Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 as follows:

BUSINESS HIGHLIGHTS

Solid Result and Strong Cash Generation

In 2023, we produced a solid underlying profit of US$119.2 million, net profit of US$109.4 million and EBITDA of US$347.2 million. This yielded a return on equity of 6% with basic EPS of HK16.5 cents. We continue to maintain a strong financial position with available committed liquidity of US$549.2 million which includes cash and deposits of US$261.5 million. During the period, we continued to invest in our owned fleet, increasing deadweight carrying capacity by 4%. Despite this growth, our financial net gearing ratio remained low at 2%, demonstrating our ability to support our growth plans while maintaining a strong balance sheet.

In view of the solid financial results, strong cash generation and confidence in the long-term fundamentals of the dry bulk market, the Board recommends a final basic dividend of HK1.6 cents per share and an additional final special dividend of HK4.1 cents per share which, combined with the HK6.5 cents per share interim dividend distributed in August 2023, represents 75% of our net profit for the full year.

US$ Million	Year Ended 31 December 2023	2022
Revenue	2,296.6	3,281.6
EBITDA #	347.2	935.1
Underlying Profit	119.2	714.7
Profit Attributable to Shareholders	109.4	701.9
Basic Earnings per share *(HK cents)*	16.5	109.1
Full Year Dividends per share, including HK4.1 cents Special Dividend *(HK cents)*	12.2	78.0

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

Benefitting From China Reopening

Market freight rates were under pressure during most of the year due to decelerating global economic growth, higher interest rates, increased vessel supply due to newbuilding deliveries and limited congestion in China. Dry bulk demand benefitted from China's reopening as increased economic activity boosted commodity demand.

China's energy security concerns led to an increase in coal imports despite record domestic production, while increased investment in infrastructure and higher steel exports raised demand for iron ore and other minor bulks.

Towards the end of 2023, vessels were increasingly disrupted when passing through the Red Sea and the Gulf of Aden. As a result, vessels began to avoid Red Sea and the Suez Canal routes, opting for the significantly longer journey around Africa instead. Additionally, the reduced traffic through the Panama Canal because of draught restrictions further contributed to reduced vessel availability, which supported freight rates.

We continue to remain optimistic about the long-term potential of dry bulk shipping, thanks to favourable demand and supply fundamentals. Our fleet of modern and versatile Handysize and Supramax vessels, along with our customer partnerships and improved access to cargo opportunities, ensures we continue to lead the way in dry bulk shipping.

Our Fleet

	Vessels in Operation: Owned[1]	Long-term Chartered	Short-term Chartered[2]	Total	Total Capacity (Million dwt) Owned	Average Age Owned
Handysize	65	10	46	121	2.3	13
Supramax/ Ultramax[3]	50	7	87	144	2.9	12
Capesize	1	–	–	1	0.1	13
Total	116	17	133	266	5.3	13

As at 31 January 2024

1 Including 1 Ultramax vessel delivered in February 2024

2 Average number of short-term and index-linked vessels operated in January 2024

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

Positive Financial Results

- Our core business achieved Handysize and Supramax net daily time-charter equivalent ("TCE") earnings of US$12,250 and US$13,830 respectively, generating a total contribution of US$167.4 million before overheads
- Our operating activity achieved a daily margin of US$1,090 net over 23,480 operating days, generating a contribution of US$25.6 million before overheads
- Our P&L break-even was US$9,640 and US$11,210 per day for Handysize and Supramax vessels respectively; our costs have benefitted from lower crew repatriation related costs as pandemic restrictions eased around the world
- Having delivered a solid result in 2023, earnings remain robust in the first quarter of 2024, and the outlook remains positive for 2024

Preparing our Fleet for the Future

- We currently own 115 Handysize and Supramax vessels and have around 266 owned and chartered vessels on the water overall
- In 2023, we sold a total of eight vessels, including seven Handysize vessels and one Supramax vessel, while acquiring eight high quality, modern, second-hand vessels. These included six Ultramax vessels, one Supramax vessel and one Handysize vessel. Additionally, we took delivery of three Handysize vessels on long-term time charters with extension and purchase options
- We remain committed to our long-term strategy of further growing our Supramax/Ultramax fleet and renewing our Handysize fleet with younger, larger and more efficient vessels, thereby further optimising our fleet to more easily meet tightening environmental regulations
- We are well positioned to continue to comply with IMO carbon intensity reduction rules that came into force in January 2023, through technical enhancements, operational measures and gradual fleet renewal
- We will invest in dual-fuel low-emission vessels (LEVs) when we consider them to be commercially viable for minor bulk trades

CHAIRMAN'S STATEMENT

Our Strategy in Action

In 2023, we delivered underlying profit of US$119.2 million due to weaker market freight rates as compared to 2022, caused by a slowdown in economic growth and an increased supply of vessels.

I would like to thank our shareholders for their trust and support in our vision and strategy. Together, we have achieved outperformance in a complex market environment, and we are well-positioned to seize the opportunities ahead.

Our advantageous network and operating platform has proven its effectiveness through a challenging year and has enabled us to deliver high-quality service to our customers as well as sector-leading returns to our shareholders. We continue to invest in our fleet to further improve our scale and ability to optimise our performance, while maintaining our competitive cost structure, and a strong commitment to the safety and wellbeing of our seafarers and shore-based employees.

Our capital structure remains healthy, safe and flexible with available committed liquidity of US$549.2 million, allowing us to support our continuous growth. As a result of our solid financial results, strong cash generation, and confidence in the long-term fundamentals of the dry bulk market, the Board is pleased to recommend a final basic dividend of HK1.6 cents per share for 2023, and an additional final special dividend of HK4.1 cents per share which, combined with the HK6.5 cents per share interim dividend distributed in August 2023, represents 75% of our net profit for the full year. This implies a 2023 dividend yield of 5% based on our share price at the beginning of the year.

Our distribution policy is to pay out dividends of at least 50% of our annual net profit (excluding vessel disposal gains). Any additional distribution can be in the form of special dividends and/or share buyback.

Investing in Our Future

Investing in dry bulk shipping requires strategic vision and keenly disciplined long-term investing that can anticipate and adapt to the changing market conditions. One of our key challenges and pivotal opportunities to distinguish ourselves is the transition of dry bulk shipping to a low-carbon industry, which has both tangible and intangible benefits for the industry and Pacific Basin. Our future requires a careful and comprehensive analysis of the costs and benefits, as well as the risks and opportunities, and the timing of the low-carbon transition. Pacific Basin has taken a proactive and collaborative approach that involves the participation and coordination of all the stakeholders in the dry bulk shipping value chain, such as the shipyards, shipowners, operators, charterers, customers, regulators and technology providers. Building on our superior network and competencies, we seek to capitalise on the long-term transition to low-emissions and further differentiate ourselves.

Industry Recognition

Pacific Basin again received several awards in 2023, including the Bulk Ship Operator of the Year Award for two consecutive years at IBJ Awards 2023 (International Bulk Journal). We also received various awards relating to our governance and sustainability including at the HKICPA's Best Corporate Governance and ESG Awards 2023, Hong Kong ESG Reporting Awards and Hong Kong Awards for Environmental Excellence. We also received the Outstanding Performance Award in Port State Control Inspection for 2022 from the Hong Kong Marine Department.

We take great pride in the recognition we have received through such awards, which acknowledge our dedication to maintaining high standards in vessel operation, safety and other areas of environmental, social and governance responsibility. Our business model is centred around transparency, sustainability and prioritising the needs of our customers. We remain committed to supporting charitable organisations that focus on important causes such as education, mental health, and welfare initiatives within the maritime industry and beyond. Through our initiatives and donations, we hope to make a meaningful impact in the communities we serve.

Sustainability and Decarbonisation

As a responsible and forward-looking dry bulk owner and operator, Pacific Basin is committed to achieving our long-term goal of complete decarbonisation by 2050 and to assessing and pursuing the opportunities that will help us to transition to a low-carbon industry. We are taking steps to reduce the carbon intensity of our existing vessels, as well as preparing to transition to entirely new LEVs and fuels. We are collaborating with Japanese partners Nihon Shipyard Co. and Mitsui & Co. to jointly develop and eventually invest in dual-fuel LEVs capable of running on methanol as well as fuel oil, and we will consider in 2024 whether we are ready to contract to build such a vessel with well ahead of our original 2030 target.

I encourage you to read our 2023 Sustainability Report for more discussion about decarbonising shipping and our own initiatives for energy–efficiency and decarbonisation.

Safety and Wellbeing

We are pleased that with the removal of pandemic-related controls, crew-change restrictions, onboard inspections and training have returned to normal. We are grateful to our seafarers and shore-based employees for their dedication to safety and uninterrupted service to our customers during the Covid years and always. Safety remains our top priority as we strive to substantially eliminate injuries and enhance our focus on wellbeing overall. Our commitment to the safety and wellbeing of our seafarers and shore-based employees remains steadfast regardless of the many challenges of our industry.

Strong Governance and Leadership

At our core, we prioritise the adherence to rigorous standards of corporate governance. Our devotion to transparency, accountability and the implementation of robust internal controls is unwavering. We understand that the trust of our stakeholders is paramount and we are committed to upholding it by ensuring that all our operations are conducted in a responsible and ethical manner. Our Board and board-level committees have undergone continuous evolution to ensure that we remain at the forefront of best practices in corporate governance.

I am pleased to welcome our latest two appointments to our Board, Mats Henrik Berglund and Alexandre Frederic Akira Emery, who have joined us as Non-executive Director and Independent Non-executive Director respectively. Mats is the former CEO of Pacific Basin and one of the proven top leaders in the maritime industry. Alexandre has over 20 years of experience as a senior leader at a major private equity firm with extensive experience in finance, strategy and creating long-term value. We look forward to their valuable contributions to our company as we continue to grow.

We recognise the value and importance of diversity and inclusion in our employees and our leadership. The Board is unwilling to compromise on talent and the Nomination Committee continues to be actively searching to achieve further diversity, and we will expand the Board when we find suitable candidates. We champion gender diversity throughout our organisation which encourages diverse views and perspectives. Currently females represent 42% of our shore-based employees and we continue to make progress in developing female seafarers on our vessels with 52 currently employed.

We are proud to offer cadet programmes that offer a clear path for career progression within our crew. We have officer cadets training on all of our vessels, and we are always seeking to expand our intake of female cadets. With our cadet programmes, we aim to provide a supportive and inclusive environment for all aspiring crew members to learn and grow.

Focused Strategy for a Sustainable Future

We remain committed to our long-term disciplined strategy to grow our owned fleet by renewing our Handysize and Supramax fleet by acquiring high-quality, modern and highly-efficient vessels to replace our older and less-efficient vessels. Our capital allocation strategy is focused on driving superior total shareholder returns over the long term. This is achieved by balancing short-term shareholder returns with disciplined investments for growth and increased performance. We maintain flexibility in order to capture counter-cyclical and value-enhancing opportunities while remaining nimble.

We are committed to a disciplined investment strategy, focused on dual-fuel methanol Ultramax vessels. We think they are currently the best solution for achieving higher performance and lower emissions over the long term. Rational investments in LEVs will support our goal of decarbonising our operations by 2050.

We are optimistic about the future of the dry bulk market and our ability to outperform over the long term. I am confident that with our experienced and talented management team, our fleet of high-quality vessels, our loyal and long-term customer base, and our sound financial position, we are well positioned to navigate through the market cycles and create value for all our stakeholders.

I would like to express my gratitude to our seafarers and shore-based staff for delivering excellent service to our customers. Their commitment and diligence are the foundation of our success. We will continue to uphold high standards of safety and wellbeing for our seafarers and shore-based staff to enable them to fulfil their roles effectively.

Stanley Hutter Ryan
Chairman

Hong Kong, 29 February 2024

CHIEF EXECUTIVE'S REVIEW

Continuing to Reward Shareholders

In 2023, we generated an underlying profit of US$119.2 million, a net profit of US$109.4 million and EBITDA of US$347.2 million. This yielded a return on equity of 6% with basic EPS of HK16.5 cents.

We delivered a solid result despite weaker market freight rates, caused by slowing global economic growth, higher interest rates, increased supply of vessels due to newbuilding deliveries and relaxation of Covid mitigation rules that reduced port congestion in China. Global demand for minor bulks increased year on year, largely attributed to China's post-Covid reopening which supported more demand for iron ore, coal and minor bulks.

We continue to utilise our high level of cash generation to continue to pay down debt and expand our owned fleet deadweight carrying capacity, while maintaining a healthy financial position with US$549.2 million of available committed liquidity. Our net borrowings now represent 2% of the net book value of our owned vessels. Additionally, we have 62 vessels currently unmortgaged.

In view of the solid financial results, strong cash generation and confidence in the long-term fundamentals of the dry bulk market, the Board recommends a final basic dividend of HK1.6 cents per share and an additional final special dividend of HK4.1 cents per share which, combined with the HK6.5 cents per share interim dividend distributed in August 2023, represents 75% of our net profit for the full year. This will be the third consecutive year that the Board has returned dividends above 50% of annual net profits.

Strong Earnings Supported by Competitive Cost Base

Our large **core business** with substantially fixed costs generated a contribution of US$167.4 million before overheads, with average Handysize and Supramax daily TCE earnings of US$12,250 and US$13,830 net per day for the full year 2023, representing a decrease of 48% and 51% as compared to the same period in 2022 respectively. We outperformed average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$3,260 per day and US$3,150 per day respectively. Our core business with substantially fixed costs is the main driver of our profitability, with a P&L break-even level for Handysize and Supramax vessels of US$9,640 and US$11,210 per day respectively.

Our **operating activity** contributed US$25.6 million, that represented 13% of our Group's performance before overheads, generating a margin of US$1,090 net per day over 23,480 operating days. For our operating activity, short-term charter costs fluctuate with the freight market and therefore the important KPI is the margin per day (the net daily difference between TCE revenue and charter costs), not the TCE level itself. Our operating activity continues to grow with operating days increasing 18% as compared with the prior year.

Our overheads and vessel operating expenses remain well controlled and competitive, with expensive crew travel, quarantine and other pandemic-related manning costs now back to pre-Covid levels. We are reducing our debt following our amortisation profile and utilising interest rate swaps to limit our exposure to variable interest rate debt. This, along with our cash holdings, has helped us to mitigate any additional financing expenses caused by higher interest rates.

Dry Bulk Demand Benefitting from China Reopening

While dry bulk loadings were higher for the full year 2023 compared to the same period in 2022, Handysize and Supramax market freight rates decreased due to increased effective supply as congestion unwound and vessel deliveries increased. China's reopening policies supported demand for iron ore, coal and minor bulks through investments in infrastructure, industrial, energy and utilities construction, increased manufacturing in some sectors, energy security concerns and green transition initiatives.

Total minor bulk loadings were approximately 1% higher year on year due to increased loadings of bauxite, steel and ores and concentrates which increased by 9%, 11% and 8% respectively, while cement and clinker, forest products and alumina were the largest detractors falling by 6%, 5% and 15% respectively.

Full year global grain loadings decreased by 1% compared to the same period in 2022. This was largely due to unfavourable weather conditions for most of the year in both Argentina and United States, which reduced grain loadings by 42% and 19% year on year respectively. Despite the expiry of the Black Sea grain deal in July 2023, Ukraine continued the loading of grains throughout the year however, loadings were down 26% compared with 2022. Brazil loaded record grain volumes which were up by 23% as compared to the same period last year, while Russia continued to be a significant exporter of grains.

Dry Bulk Ordering Remains Restrained

Ordering of dry bulk vessels continues to remain limited, particularly in comparison to other shipping sectors. According to Clarksons Research, the total dry bulk orderbook stands at 8.5% of the existing fleet, with the combined Handysize and Supramax orderbook totalling 9.4%. Dry bulk newbuild ordering in 2023 was 42.8 m dwt, compared to 35.7 m dwt in 2022, representing an increase of 20% compared to the same period last year. Shipyard slots remain limited due to the large amount of newbuilding orders in other sectors, so a new order placed today is generally expected to be delivered in 2027. Restrained ordering of newbuildings will continue to support limited supply growth in the next few years.

Global dry bulk net fleet growth increased from 2.9% in 2022 to 3.1% in 2023 due to increased newbuilding deliveries. The global fleet of Handysize and Supramax vessels grew by 3.4% net.

We continue to believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage any significant new dry bulk vessel ordering. Newbuild prices are expected to remain historically high for the foreseeable future, driven by increased input costs, limited new shipbuilding capacity and high shipyard utilisation from other shipping segments.

The Energy Efficiency Existing Ship Index (EEXI) is resulting in a permanent reduction in maximum speeds for most vessels, which will limit the global fleet's ability to speed up to meet increases in demand. The Carbon Intensity Indicator (CII) will force progressively slower vessel speeds and eventually also accelerate scrapping when older and less efficient vessels can no longer achieve increasingly strict carbon intensity requirements. Based on current assumptions about the CII rules, we estimate that an increasing proportion of today's Handysize to Ultramax bulk carrier fleet will fail to comply.

Additional technical and operational initiatives available today may extend ships' CII compliance by only 1 to 2 more years, unless major retrofits are implemented that are currently prohibitively costly or unsuitable for our vessel types.

Sustainable biofuels blended with fuel oil or replacing fuel oil will also help to extend the compliance of many vessels, but supply will be limited and our industry will not be able to depend solely on biofuel to achieve its longer-term targets.

Carbon reduction rules will likely lead to lower speeds and increased scrapping in future years, which could create a shortage of vessels and provide long-term structural undersupply to the market. According to Clarksons Research, the scrapping of Handysize and Supramax vessels in 2023 was equivalent to 5.4m dwt, or 0.6% of net fleet as at 1 January 2023. Currently, Handysize and Supramax vessels over 20 years old represent 14% and 11% of the existing fleet respectively. Handysize and Supramax net fleet growth estimates in 2024 and 2025 are 3.7% and 2.4% respectively, with scrapping of 0.8% in 2024 and 1.5% in 2025.

Decarbonising our Fleet

The focus of our environmental programme is the gradual decarbonisation of our fleet. In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by around 2050, with indicative interim checkpoints. IMO's target is therefore now aligned with Pacific Basin's own net zero by 2050 target to which we committed in 2021. Regulation must lead, and IMO and EU rules have taken effect in 2023 and 2024 to start driving the transition. More regulations are to come from the IMO, EU, US and potentially elsewhere, which you can read about in our 2023 Sustainability Report.

Our decarbonisation team is firstly focused on technical and operational fuel-efficiency measures, and on collaborating with our commercial operations team to evaluate and implement new ways to optimise our voyages.

Some of our fuel-efficiency initiatives in 2023 included:

- switching to low-friction silicone antifouling hull coatings that result in less drag for longer periods between dry dockings and a significant fuel saving on application of about 8%. While expensive and less resilient to bumps and scrapes, these silicone coatings represent an effective and economically viable energy-efficiency measure for our type of vessels and trades;

- retrofitting pre-swirl vanes (PSVs) on a number of our vessels (in addition to the several fin, duct and other technologies we have implemented across our fleet over many years) to enhance propulsion efficiency for a fuel saving of about 2% or more;

- adopting strategic power weather routing services that combine continuous weather routing with RPM optimisation for constant power across all sea conditions for a fuel saving of about 3 to 4%;

- installation of smaller, more energy-efficient water pumps on our vessels to reduce fuel consumption of our generators;

- further trials of biofuels of different blends. Our findings again showed no adverse effects on our engines, boding well for the future when the gradual uptake of green fuels will be mandatory; and

- introducing an "Energy Saving at Sea" e-learning course for all our ships' officers and our ship management colleagues ashore, recognising that education and staff engagement will be critical to extracting gradually more energy savings in ship operations.

Initiatives like these are key to maximising the longevity of our conventionally-fuelled existing vessels in the face of increasingly stringent regulatory requirements.

Our carbon intensity in 2023 was 40% lower than in our 2008 baseline year, and we expect to have more than halved our carbon intensity by 2030 en route to our long-term target of net zero by 2050.

We will work hard to extract value from our conventionally-fuelled assets for as long as possible, optimising their deployment as best we can to comply with tightening decarbonisation rules, but we recognise that our growth and fleet renewal strategy must soon include investments in a new generation of LEVs that can run on sustainable e-fuels.

In December 2023, we successfully concluded our first sustainability-linked unsecured revolving credit facility of US$150 million that aligns with our commitments to sustainability, with interest margin adjustments tied carbon intensity and crew safety performance, which we prioritise among our most important ESG issues.

Fleet Growth Strategy

We remain committed to our long-term strategy to grow our owned fleet of Supramax vessels by acquiring high-quality, modern, second-hand vessels, and to renew our Handysize fleet by replacing our older and less-efficient Handysize vessels with younger and larger Handysize vessels. In 2023, we have sold eight vessels, consisting of seven Handysize vessels and one Supramax vessel with an average age of 20 years. Given increasingly strict existing and incoming decarbonisation regulations, such older, less-efficient vessels will become increasingly challenging to operate and we therefore consider it wise to gradually divest ourselves of our least efficient vessels.

We purchased eight modern second-hand vessels including one Handysize vessel, one Supramax vessel and six Ultramax vessels. To further support growth and renewal of our core fleet, we have signed agreements for the long-term inward charter of both Handysize and Ultramax vessels. We took delivery of three long-term time-chartered Japanese-built Handysize newbuildings, and we have signed additional long-term charter agreements for four Japanese-built 40,000 dwt Handysize newbuildings, all with scrubbers, scheduled to be delivered between the second quarter of 2024 and the first quarter of 2025, as well as long-term time charters for one 64,000 dwt Ultramax newbuilding due to be delivered in the fourth quarter of 2024, two 64,000 dwt Ultramax newbuildings to be delivered in 2025, and one 64,000 dwt Ultramax newbuilding to be delivered in 2026. Each of these time charters comes with an option to extend the charter agreement at the fixed rate. Additionally, we have the option to purchase the vessels at a fixed price, which further expands our optionality.

According to Clarksons Research, vessel values have remained elevated despite a more significant fall in freight rates. We believe asset prices for new and second-hand vessels will remain elevated due to increased input costs, limited new shipbuilding capacity and high shipyard utilisation.

Our Core fleet consists of 132 Handysize and Supramax vessels and, including chartered vessels in our Operating business, we currently have approximately 266 vessels on the water overall. Our total owned fleet deadweight carrying capacity increased 4% to 5.3 million deadweight tonnes.

Our collaboration with Nihon Shipyard Co. and Mitsui & Co. has progressed well in designing an efficient dual-fuel vessel capable of running on fuel oil or sustainable methanol. However, we remain cautious in our approach to investment in newbuildings due to current historically high newbuilding prices. We expect to be ready to build such a vessel, with delivery well ahead of our original 2030 target. We anticipate ordering activity for such dual-fuel mid-size dry bulk LEVs will be limited in 2024.

Responsibility to Our People

Notwithstanding the industry’s focus on decarbonisation, our first priority remains the security and safety of our employees, especially in times of heightened and more widespread threats to their security and wellbeing.

While piracy and hijacking have been on the decline since spiking in 2008 to 2012, hotspots remain, and increased incidents have been evident in recent months in the Middle East and Indian Ocean.

Attacks on vessels in the Red Sea and the Gulf of Aden have recently dominated maritime news and caused many shipping companies to avoid the key Red Sea and Suez Canal waterway, choosing the much longer route around Africa instead. Since the attacks began, our own policy has been to avoid the Red Sea, other than in a few cases where voyages were already in progress or transits were deemed safe. In all cases, risk assessments were made and protective actions taken.

Commercial shipping has become increasingly plagued by illicit drug smuggling operations, largely due to the continued expansion of the global narcotics market and because of Covid-related disruption to air and land transport that had been key modes of narcotics trafficking internationally.

On a very happy note, Captain Yu Yihai was finally cleared of involvement in an earlier drugs case and released in August 2023 after two years in a Honduran prison to be reunited with his family in China. We greatly appreciate the support we received from authorities in Hong Kong and China, and from the Hong Kong Shipowners Association, the International Chamber of Shipping, the IMO, ILO and others who helped raise attention to Captain Yu’s case to ultimately ensure due process and a fair trial. We have found ways to support Captain Yu and his family through their recovery from the trauma they endured, and we wish them well with their further recuperation.

In 2023, our crews registered 14 lost-time injuries in almost 21 million man hours, which translates to an LTIF injury rate of 0.67. Safely remains our top priority, with an ambition to reduce and eventually substantially eliminate injuries over the longer term.

Our people are our most important resources, and we continue to challenge ourselves on what it means and takes to cultivate an optimally equipped, competent, engaged and diverse workforce. At sea and on shore, we continue to uphold the highest health and safety standards and train our colleagues to enable them to tackle evolving business challenges while looking after their – and each other's – overall wellbeing. We want to encourage and support each individual's unique efforts to contribute to our business and to remove barriers to inclusion and equality of opportunity.

I encourage you to read our 2023 Sustainability Report for more discussion on the security, safety and wellbeing of our colleagues.

Market Outlook

We remain excited about the long-term prospects of dry bulk shipping given positive dry bulk demand drivers for the commodities we ship, which remain supported by favourable supply side fundamentals and ongoing implementation of existing and new decarbonisation rules. Although there has been a slowdown in economic growth in some countries, global minor bulk demand remains robust. The post-Covid economic recovery in China and demand for commodities linked to the green energy transition are driving higher demand globally, in particular coal, iron ore and minor bulks.

Reduced construction of new domestic housing in China is negatively impacting the country's economic growth and demand for some commodities. The Chinese government is taking proactive steps to improve economic growth and development by implementing new policies to encourage domestic property construction and investment in infrastructure.

Conflict in Ukraine is expected to continue to affect grain loadings from the Black Sea for the foreseeable future, while notable increases in grain loadings from countries including Brazil has helped to offset reduced global grain supply.

As we continue to monitor developments in the Red Sea and the Gulf of Aden, it is clear that the situation there remains complex. Additionally, we are also having to continuously adapt to the consequences of dry bulk vessels facing limited transits through the Panama Canal. This has led to a surge in tonne-mile demand, as vessels are being rerouted from these key transit routes. Unfortunately, until we can guarantee the safety of our seafarers and vessels through the Suez Canal, we will continue to take the much longer route around Africa. Meanwhile, the Panama Canal is expected to maintain restrictions on the transit of vessels until at least the second half of 2024. These issues will continue to reduce effective supply and provide support for rates.

We believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage significant new dry bulk vessel ordering. The low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping in the coming years, which could create a shortage of vessels and provide long-term structural undersupply to the market.

Leading the Way in Dry Bulk Shipping

In 2023, we merged our Auckland office into our Melbourne office, successfully combining our resources to enhance the effectiveness of our operations in Australia and New Zealand. We also celebrated the opening of our newest commercial office in Singapore, bringing the total to eleven commercial offices globally. This new office will enable us to offer enhanced assistance to our customers, especially those in Southeast Asia, while paving the way for further growth opportunities.

We are enthusiastic about the long-term potential of dry bulk shipping. We believe that the robust demand for dry bulk shipping will continue, and we look forward to playing our part in the growth of the industry.

I express my gratitude to all the stakeholders of Pacific Basin who have been supporting us throughout the last year. I also extend my appreciation to the dedicated seafarers and shore-based employees who have contributed to our on-going success. Our business has a promising future, and I eagerly anticipate the growth and progress of our Company and industry. As we embark on the journey to tackle various opportunities and challenges, we have the chance to distinguish ourselves in the transition of dry bulk shipping to a low-carbon economy and continue to be leading the way in dry bulk shipping.

Martin Fruergaard
Chief Executive Officer

Hong Kong, 29 February 2024

Increased Vessel Supply Negatively Impacted Dry Bulk Freight Rates

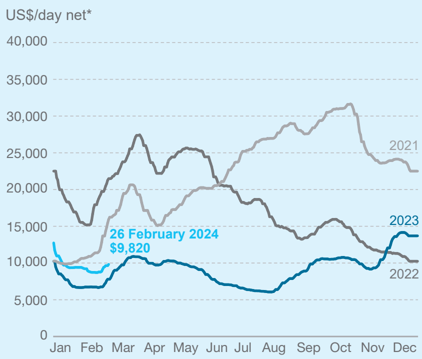
US$8,990 net ⬇ 51% YOY

BHSI 38K (tonnage adjusted) Handysize 2023 avg. market spot rate

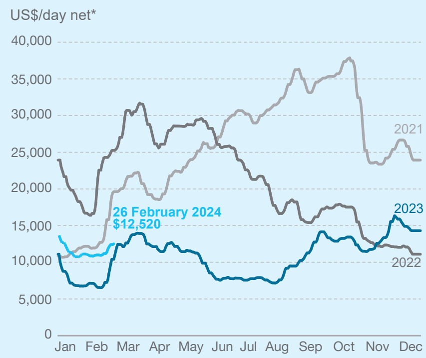
US$10,680 net ⬇ 49% YOY

BSI 58K Supramax 2023 avg. market spot rate

Handysize Market Spot Rates in 2021-2024



Supramax Market Spot Rates in 2021-2024



* Excludes 5% commission

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

During 2023, market freight rates declined due to decelerating global economic growth and higher interest rates, while supply increased due to newbuilding deliveries and limited congestion in China. Global minor bulk demand remained robust despite weaker global economic activities, as China's post-Covid economic recovery and demand for commodities supported higher demand. Average market spot freight rates for Handysize and Supramax were US$8,990 and US$10,680 net per day respectively.

In 2024, freight rates began higher than in 2023 and we started the year with good cover for the first quarter. We anticipate increased seasonal dry bulk demand after Lunar New Year, as well as ongoing benefit to supply from limited transit of dry bulk vessels through the Suez and Panama Canals, which should support freight rates.

Vessel Values Remain Elevated

US$31.0m ⬆ 9%

Second-hand Ultramax YOY

Second-hand vessel values increased despite a 51% and 49% reduction in Handysize and Supramax TCE rates. Clarksons Research currently values a benchmark five-year-old Ultramax vessel at US$31.0 million, up by 9% as compared to a year ago.

Newbuilding prices are still above second-hand prices, and shipyards have filled up with orders for non-dry bulk vessel types, which limits scope for new vessel ordering in our sector. We expect dry bulk vessel ordering will remain constrained in 2024.

Source: Clarksons Research, data as at January 2024

DEMAND: China Reopening Supported Dry Bulk Demand

Global dry bulk loading volumes grew by approximately 2% year on year, supported by China's reopening, marginally offset by reduced demand from North America and Europe. Minor bulk loading volumes were up by 1% due to increased loadings of bauxite, steel and ores and concentrates, which were up by 9%, 11% and 8% year on year respectively. Bauxite continues to be the main driver of increased minor bulk loadings primarily from Guinea and which are mainly carried in Capesize and Panamax vessels.

Grain loadings decreased by 1% due to limited export of grain from Argentina and United States due to drought, while Ukraine Black Sea exports remain affected due to the conflict. Brazil exported a record amount of grain in 2023 as a result of favourable weather conditions, improved agricultural practices and increased demand from China.

Reduced hydroelectric output in China, in combination with energy consumption security concerns despite their record domestic coal production, have resulted in the need for China to import 62% more coal during 2023 as compared to the prior year. This is in combination with India importing record coal as favourable economic growth drove electricity demand, contributing to an overall increase in global coal loading volumes of 4% as compared to the same time last year.

Iron ore loadings increased by 4% year on year due to increased production from major iron ore producing nations including Australia and Brazil. Additionally, there was a significant rise in exports from India which was predominately carried on Supramax vessels. China increased demand as economic activities increased post-Covid, with excess steel production supporting higher steel exports over the period.

2023 Global Cargo Loading Volumes#

Selected Minor Bulks*	⬆	+1%
Grain	⬇	–1%
Iron Ore	⬆	+4%
Coal	⬆	+4%

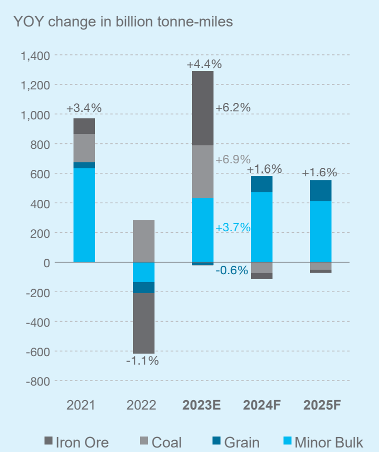
* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

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 3.1% world GDP growth forecast and continued stimulus in many countries, the forecast for minor bulk demand in 2024 is positive.

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).

Annual Change in Global Dry Bulk Tonne-mile Demand



Source: Clarksons Research, data as at January 2024

SUPPLY: Limited Fleet Growth due to Low Orderbook and Environmental Regulations

Global dry bulk net fleet growth increased from 2.9% in 2022 to 3.1% in 2023 due to increased newbuilding deliveries. Scrapping increased from 0.5% in 2022 to 0.6% in 2023. The global fleet of Handysize and Supramax vessels, in which we specialise, grew by a net rate of 3.4% as compared to a net rate of 3.2% in the same period last year.

Lower average TCE rates have been the main contributor to reduced speeds over the period. IMO's global EEXI and CII regulations came into effect in January 2023 and are expected in time to drive improvement in the carbon efficiency of the global fleet. EEXI (and specifically engine power limiters) is resulting in a one-time permanent reduction in maximum speeds, which will limit the global fleet's ability to speed up to meet increases in demand. CII will result in progressively slower vessel speeds and, over time, accelerated scrapping as older and less-efficient vessels become incapable of compliance.

Clarksons Research forecast scrapping of 0.7% and 1.3% of the global dry bulk fleet in 2024 and 2025 respectively.

Overall Dry Bulk Supply Development

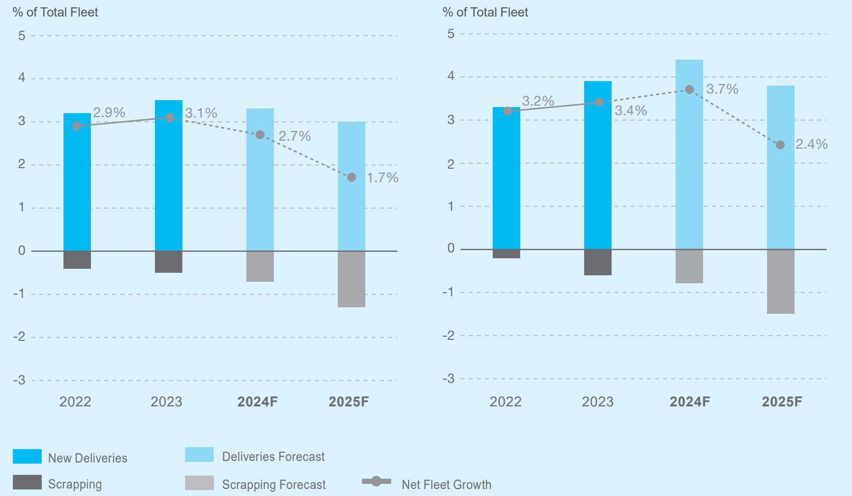
3.1%

Overall dry bulk capacity 2023

Handysize/Supramax Supply Development

3.4%

Global Handysize/Supramax capacity 2023



Source: Clarksons Research, data as at February 2024

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

ORDERBOOK: Dry Bulk to Benefit from Low Orderbook

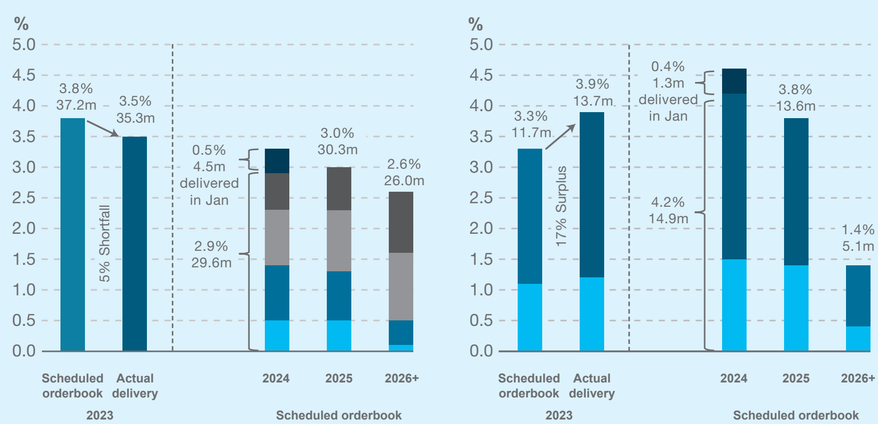
The total dry bulk orderbook stands at 8.5% of the existing fleet, with the combined Handysize and Supramax orderbook totalling 9.4%. Restrained ordering of newbuildings will continue to support limited supply growth in the next few years. Dry bulk newbuild ordering in 2023 was 42.8m dwt, compared to 35.7m dwt in 2022, an increase of 20% compared to the same period last year.

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

- uncertainty about coming decarbonisation regulations and the availability of sustainable fuels required to meet them
- the historically high cost of newbuildings, when lower priced second-hand vessels with prompt delivery represent more attractive investment with lower residual value risk
- limited yard capacity for newbuild orders until 2027, with limited new yard capacity coming online
- increased cost of capital further limits appetite for higher cost vessels, and large series of orders
- asset prices for new and second-hand vessels will remain elevated due to increased newbuilding input costs and limited yard capacity

Overall Dry Bulk Orderbook

Handysize & Supramax Combined Orderbook



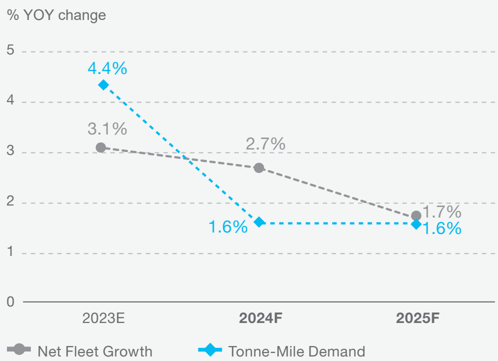
Source: Clarksons Research, data as at February 2024

	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	2023 Scrapping as % of 1 January 2023 Existing Fleet
Handysize (10,000–40,000 dwt)	9.6%	13	14%	0.4%
Supramax & Ultramax (40,000–70,000 dwt)	9.3%	12	11%	0.7%
Panamax & Post-Panamax (70,000–100,000 dwt)	11.7%	12	12%	0.9%
Capesize (100,000+ dwt)	5.7%	11	3%	0.3%
Total	8.5%	12	8%	0.6%

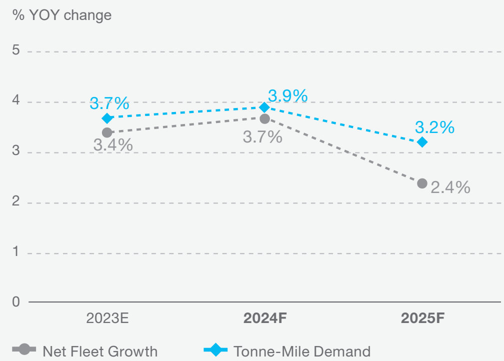
Source: Clarksons Research, data as at February 2024

MARKET BALANCE: Supportive Demand and Supply Balance Expected

Overall Dry Bulk Demand and Supply



Minor Bulk Demand and Handysize/Supramax Supply



Minor bulk demand growth is expected to outpace supply growth in both 2024 and 2025.

Source: Clarksons Research, data as at February 2024

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- 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 vessel 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 interest rates negatively impact global economic activities and demand in dry bulk commodities
- Excessive new vessel 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$119.2 million (2022: underlying profit of US$714.7 million). This decrease in underlying profit was primarily impacted by lower freight rates, which were influenced by an increase in newbuilding deliveries and a gradual unwinding of port congestion. Overall, dry bulk demand increased, supported by China's reopening, despite the global deceleration of growth. We generated daily earnings that outperformed the BHSI and BSI indices and continued to maintain good control of our vessel operating costs.

Operating Performance

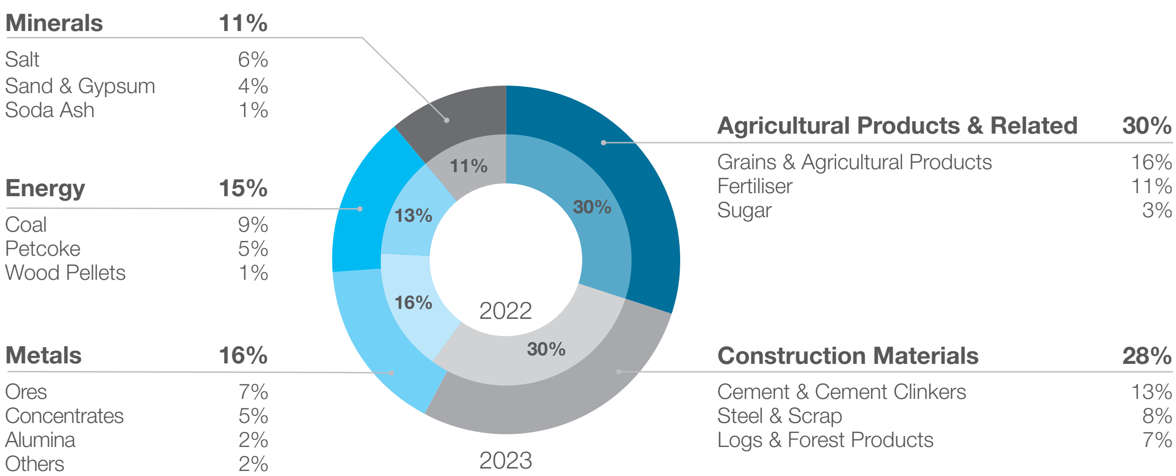
US$ Million	1H23	2H23	**2023**	2022	Change
Core business Handysize contribution	62.7	34.7	**97.4**	430.3	-77%
Core business Supramax contribution	33.4	36.6	**70.0**	316.3	-78%
Operating activity contribution	17.0	8.6	**25.6**	56.4	-55%
Capesize contribution[1]	0.8	0.9	**1.7**	1.6	+6%
Performance before overheads	113.9	80.8	**194.7**	804.6	-76%
Adjusted total G&A overheads	(37.3)	(38.7)	**(76.0)**	(89.9)	+15%
Taxation and others	(0.4)	0.9	**0.5**	–	+100%
Underlying profit	76.2	43.0	**119.2**	714.7	-83%
Vessel net book value (incl. assets held for sale)	1,901.3	1,795.2	**1,795.2**	1,790.3	+0%

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

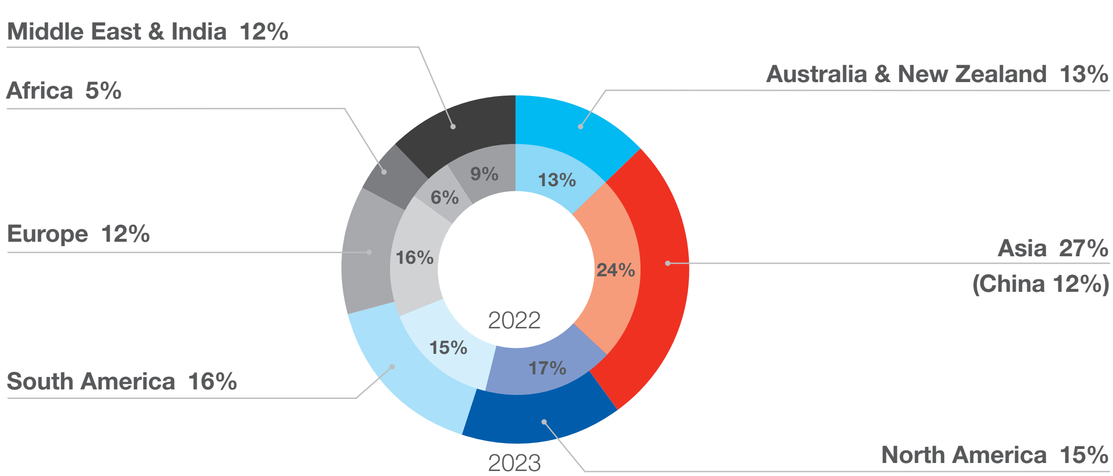
[1] Having redelivered a chartered 95,000 dwt Post-Panamax, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

OUR CARGO VOLUMES

84.7 million tonnes in 2023 (68.0 million tonnes in 2022)



Distribution of our Cargo Loading and Discharging Activity in 2023 and 2022 (by volume)

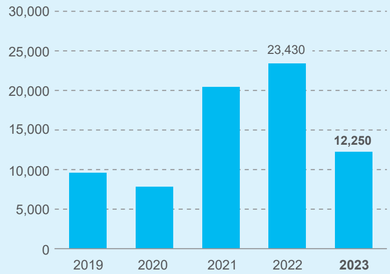


CORE BUSINESS

Handysize

TCE EARNINGS KPI

US$/day (net)

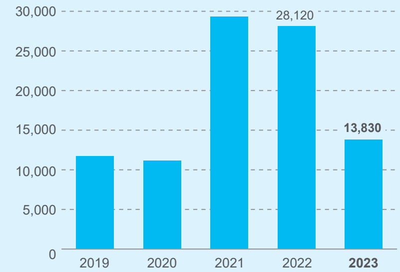


Note: Pre-2020 historical data has not been restated to split operating activity from core business

Supramax

TCE EARNINGS KPI

US$/day (net)



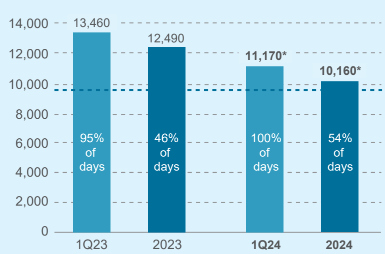
Note: Pre-2020 historical data has not been restated to split operating activity from core business

- Our core business generated:
  - Handysize daily earnings of US$12,250 on 28,420 revenue days
  - Supramax daily earnings of US$13,830 on 20,230 revenue days
- Our daily TCE earnings were substantially lower than the prior two years due to decelerating global economic growth, higher interest rates and effective supply increasing during the period through a gradual unwinding of port congestion
- In the year, we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$3,260 and US$3,150 per day, respectively. In the period, scrubbers fitted to our core Supramax vessels contributed US$850 per day to outperformance

Handysize

FORWARD CARGO COVER

US$/day (net)



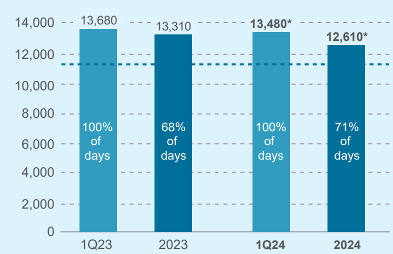
- - - Indicative core fleet P&L break-even level incl. G&A for 2023 = US$9,640

* As at late-February 2024, indicative TCE rates 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 rates will typically be higher

Supramax

FORWARD CARGO COVER

US$/day (net)



- - - Indicative core fleet P&L break-even level incl. G&A for 2023 = US$11,210

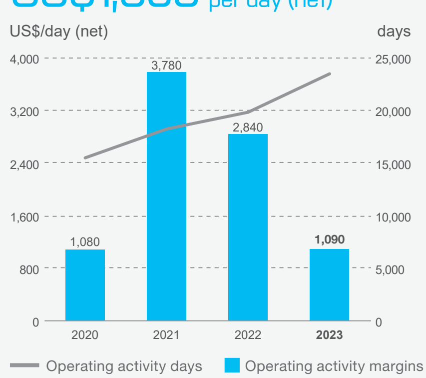
* As at late-February 2024, indicative TCE rates only as voyages are still in progress; Current value of Supramax scrubber benefits is approximately US$1,110 per day. When a Supramax vessel with a scrubber is assigned a cargo, its TCE rate may be higher due to the added benefit of the scrubber

- As a result of increased freight rates in the latter part of 2023 and concerns of usual seasonal weakness around Lunar New Year, we were proactive to take increased cover for the first quarter of 2024.
- We have covered 100% and 100% of our Handysize and Supramax vessel days for the first quarter of 2024 at US$11,170 and US$13,480 per day net respectively
- We have covered 54% and 71% of our 31,010 Handysize and 26,420 Supramax vessel days currently contracted for full year 2024 at US$10,160 and US$12,610 per day net respectively. (Cargo cover excludes operating activity)
- Our P&L break-even was US$9,640 and US$11,210 per day for Handysize and Supramax vessels respectively in 2023; our costs remain well controlled and competitive

OPERATING ACTIVITY

Margin KPI

US$1,090 per day (net)



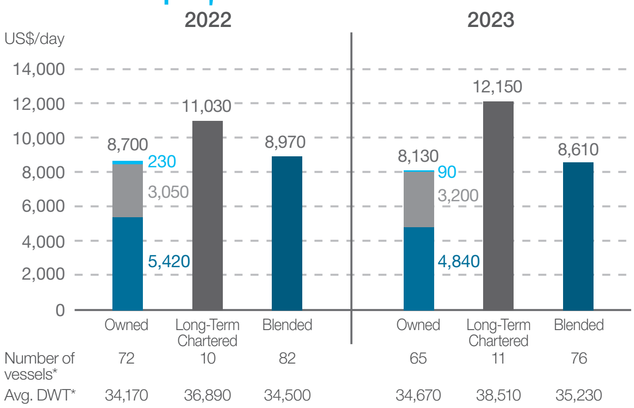
- Our operating activity generated a margin of US$1,090 net per day over 23,480 operating activity days in 2023 on short-term vessels that we chartered specifically to carry spot cargoes
- Our operating activity days increased by 18% in 2023, as compared with 2022
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels (when our core vessels 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

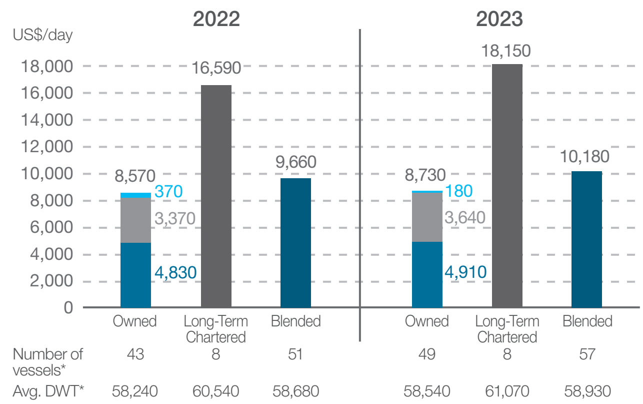
Handysize

Blended US$8,610



Supramax

Blended US$10,180



* Fleet as at 31 December

■ Opex ■ Depreciation ■ Finance Cost

Owned Vessel Costs

■ Operating expenses

Our average Handysize and Supramax daily operating expenses ("Opex") decreased by 7% to US$4,870 per day (2022: US$5,210), as the crew costs has reverted back to pre-Covid levels. However, our Opex remained at competitive levels in the industry through good cost control and scale benefits as well as efficient procurement.

During the year, our fleet of owned vessels experienced on average 0.8 days (2022: 1.7 days) of unplanned technical off-hire per vessel.

■ Depreciation

Our Handysize daily depreciation costs were substantially unchanged. Our Supramax daily depreciation costs increased by 8% mainly due to higher drydocking costs and investments in fuel-efficiency technology.

■ Finance costs

The decrease of our average Handysize and Supramax daily finance costs by 57% to US$120 per day (2022: US$280) was the combined effect of lower average borrowings, higher interest income and interest expenses as a result of increased interest rates.

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 10% to US$12,150 and 9% to US$18,150 for Handysize and Supramax vessels respectively, primarily due to higher charter costs of vessels that committed during strong market conditions in 2022.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels decreased to US$8,610 for Handysize vessels (2022: US$8,970) and increased to US$10,180 for Supramax vessels (2022: US$9,660).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads decreased to US$76.0 million (2022: US$89.9 million) primarily due to the reduction in staff costs during the year. Spread across our total vessel days, our daily G&A overheads remain competitive at US$760 (2022: US$990), comprising US$1,030 and US$560 (2022: US$1,290 and US$730) per day for owned and chartered vessels respectively.

Vessel Days

The following table shows an analysis of our vessel days in 2023 and 2022:

	Handysize		Supramax	
Days	2022	**2023**	2022	**2023**
Core business revenue days	30,310	**28,420**	17,340	**20,230**
– Owned revenue days	26,680	**24,960**	14,930	**17,070**
– Long-term chartered days	3,630	**3,460**	2,410	**3,160**
Short-term core days[1]	7,580	**7,730**	14,100	**18,660**
Operating activity days	5,720	**9,190**	14,110	**14,290**
Owned off-hire days	890	**710**	400	**400**
Total vessel days	44,500	**46,050**	45,950	**53,580**

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

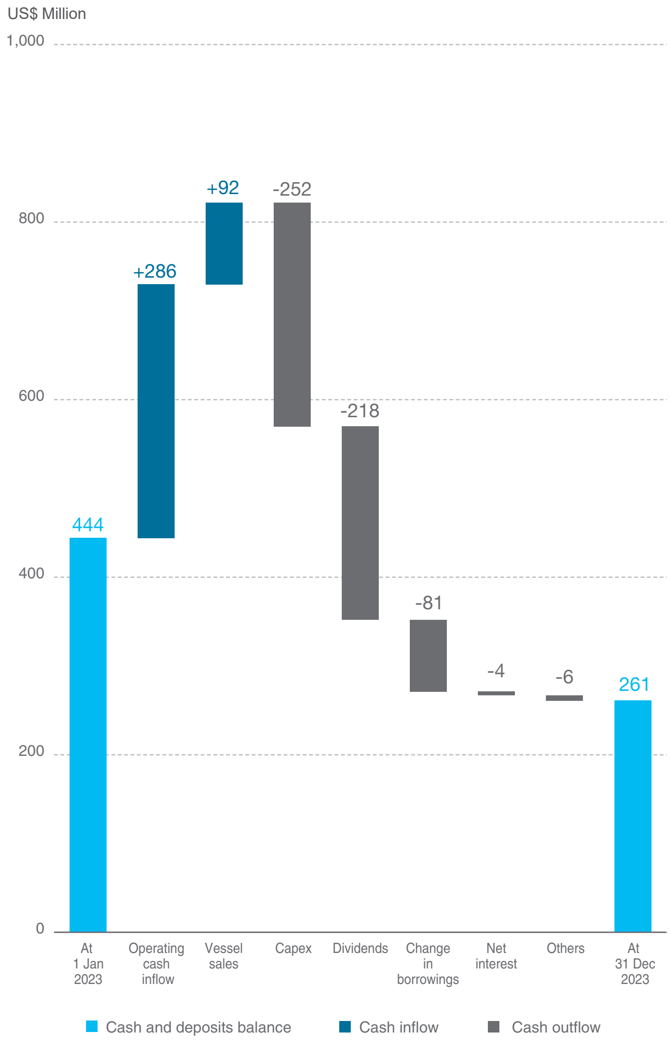
Future Long-term Chartered Vessel Costs

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$)	Vessel days	Average cost (US$)
2024	3,890	12,370	1,330	16,770
2025	2,930	13,080	610	14,830
2026	2,260	13,100	1,400	15,030
2027	1,830	12,860	1,460	14,660
2028+	2,560	12,340	4,080	13,960
Total	**13,470**		**8,880**	

CASH AND BORROWINGS

Cash Flow



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

Key Developments in 2023

- In December, we closed a new US$150.0 million syndicated 3-year sustainability-linked unsecured revolving credit facility
- During the year we realised US$91.7 million from the sale of 8 Handysize, 1 Supramax and 1 Ultramax vessels
- Our net cash outflow from borrowings was US$81.3 million in the year
- During the year we incurred capital expenditure of US$252.1 million, including:
  (a) US$190.2 million for 1 Handysize, 2 Supramax and 6 Ultramax vessels which delivered into our fleet in 2023; and 1 Ultramax vessel which delivered in February 2024
  (b) US$61.9 million for dry dockings and other additions
- As at 31 December 2023, we had 61 unmortgaged vessels

Liquidity and Borrowings

US$ Million	31 Dec 2023	31 Dec 2022	Change
Cash and deposits (a)	**261.5**	443.9	-41%
Available undrawn committed facilities	**287.7**	171.1	+68%
Available committed liquidity	**549.2**	615.0	-11%
Current portion of borrowings	**(46.3)**	(97.8)	
Non-current portion of borrowings	**(254.1)**	(280.8)	
Total borrowings (b)	**(300.4)**	(378.6)	+21%
Net (borrowings)/cash (a) + (b)	**(38.9)**	65.3	->100%
Net (borrowings)/cash to shareholders' equity	**(2)%**	3%	
Net (borrowings)/cash to net book value of owned vessels KPI	**(2)%**	4%	

Borrowings and Undrawn Committed Facilities

Borrowings and Undrawn Committed Facilities – US$555.4 million (31 December 2022: US$517.0 million)

Borrowings and undrawn committed facilities increased during the year due to the closing of a new US$150.0 million facility, partly net off by repayments and scheduled loan amortisation.

An increase in interest to US$16.5 million (2022: US$16.0 million) was mainly due to an increase in average interest rates.

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.

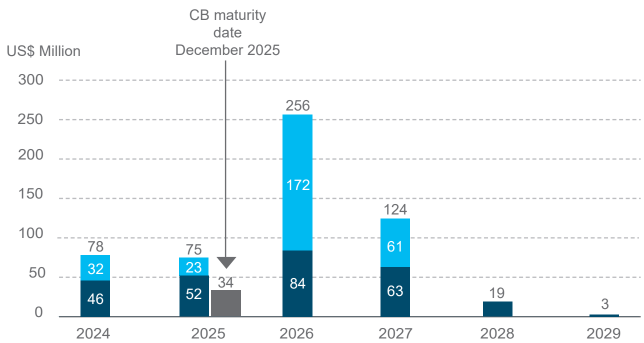
As at 31 December 2023:

- The Group's secured borrowings were secured by 54 vessels with a total net book value of US$952.4 million and by an assignment of earnings and insurances in respect of these vessels
- The Group was in compliance with all its loan-to-asset value requirements

Convertible Bonds Liability Component – US$32.7 million (31 December 2022: US$32.7 million)

As at 31 December 2023 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 December 2022 followed by a further bond holder conversion in May 2023, there remained the 3% coupon guaranteed convertible bonds due in 2025 with an outstanding principal amount of US$33.6 million and a prevailing conversion price of HK$1.45 per share.

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



We arrange financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. The aggregate borrowings and undrawn committed facilities of the Group at 31 December 2023, including the liability component of the convertible bonds, amounted to US$588.1 million (31 December 2022: US$549.7 million) and are denominated in United States Dollars.

- Undrawn committed facilities (US$287.7 million)
- Borrowings (US$267.7 million)
- Convertible bonds (face value US$33.6 million, book value US$32.7 million)

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 31 December 2023	Finance costs 2023	Finance costs 2022	Change
Borrowings (including realised interest rate swap contracts)	5.1%	5.1%	**267.7**	**16.5**	16.0	-3%
Convertible bonds (Note)	4.7%	3.0%	**32.7**	**1.5**	4.5	+67%
	5.1%	KPI 4.9%	**300.4**	**18.0**	20.5	+12%
Other finance charges				**1.5**	0.1	
Total finance costs				**19.5**	20.6	+5%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **17.8x**	45.3x	

Note: The convertible bonds have a P/L cost of US$1.5 million and a cash cost of US$1.0 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 2023, 75% (31 December 2022: 75%) of the Group's borrowings were on fixed interest rates.

FINANCIAL RESULTS

Group Performance Review

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

US$ Million	Note	2023	2022	Change*
Revenue		**2,296.6**	3,281.6	-30%
Bunker, port disbursement & other voyage costs		**(1,015.1)**	(1,064.9)	+5%
Time-charter equivalent ("TCE") earnings	1	**1,281.5**	2,216.7	-42%
Owned vessel costs				
Operating expenses	2	**(210.1)**	(223.5)	+6%
Depreciation	3	**(150.5)**	(140.6)	-7%
Net finance costs	4	**(5.4)**	(12.0)	+55%
Chartered vessel costs				
Non-capitalised charter costs	5	**(656.5)**	(978.6)	+33%
Capitalised charter costs	5	**(64.3)**	(57.4)	-12%
Operating performance before overheads		**194.7**	804.6	-76%
Adjusted total G&A overheads	6	**(76.0)**	(89.9)	+15%
Taxation and others		**0.5**	–	+100%
Underlying profit		**119.2**	714.7	-83%
Vessel impairment	7	**(16.0)**	–	
Net disposal gain of vessels	8	**10.8**	14.5	
Unrealised derivative expenses	9	**(4.6)**	(4.3)	
Incentives and fees for conversion of convertible bonds		**–**	(15.8)	
Provisions		**–**	(7.2)	
Profit attributable to shareholders		**109.4**	701.9	-84%
EBITDA		**347.2**	935.1	-63%
Net profit margin		**5%**	21%	-16%
Return on average equity		**6%**	38%	-32%

* 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 decreased mainly reflecting weaker market freight rates during the year.
2. Total operating expenses of our owned vessels decreased by 6% as the crew costs has reverted back to pre-Covid levels.
3. Depreciation of our owned vessels increased by 7% mainly due to the acquisition of Supramax vessels during the year.
4. The 55% decrease in net finance costs was the combined effect of lower average borrowings, and higher interest income and interest expenses as a result of increased interest rates.
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 decrease in overall charter costs aligns with the weaker market condition.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount decreased by 15% mainly due to reduced staff costs.
7. A one-off non-cash impairment on smaller Handysize vessels was provided. Their carrying values represents about 4% of our owned fleet.
8. The net disposal gain mainly relates to the disposal of our smaller and older Handysize vessels.
9. Unrealised derivative expenses mainly represent the negative mark-to-market on our regular forward freight agreements.

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

Consolidated Income Statement

	Note	For the year ended 31 December **2023** **US$'000**	 2022 US$'000
Revenue	3	**2,296,622**	3,281,626
Cost of services		**(2,165,671)**	(2,549,548)
Gross profit		**130,951**	732,078
Indirect general and administrative overheads		**(6,745)**	(8,129)
Other income and gains		**10,846**	18,586
Other expenses		**(17,489)**	(24,604)
Finance income		**14,187**	8,655
Finance costs		**(22,650)**	(24,089)
Profit before taxation	4	**109,100**	702,497
Tax credits/(charges)	5	**279**	(641)
Profit attributable to shareholders		**109,379**	701,856
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	7(a)	**2.10**	13.93
Diluted earnings per share	7(b)	**2.05**	13.19

Consolidated Statement of Comprehensive Income

	For the year ended 31 December **2023** **US$'000**	 2022 US$'000
Profit attributable to shareholders	**109,379**	701,856
Other comprehensive income Items that are and may be reclassified subsequently to income statement		
Cash flow hedges		
– fair value gains	**1,222**	5,879
– fair value (gains)/losses transferred to income statement	**(3,777)**	3,074
Currency translation differences	**28**	(1,465)
Total comprehensive income attributable to shareholders	**106,852**	709,344

Consolidated Balance Sheet

	Note	As at 31 December 2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,796,678**	1,772,168
Right-of-use assets		**63,190**	89,867
Goodwill		**25,256**	25,256
Derivative assets		**3,831**	6,120
Trade and other receivables	8	**4,292**	5,276
Restricted cash		**54**	52
		1,893,301	1,898,739
Current assets			
Inventories		**134,729**	124,461
Derivative assets		**2,043**	4,421
Trade and other receivables	8	**140,044**	157,355
Assets held for sale		**–**	19,884
Cash and deposits		**261,399**	443,825
Tax recoverable		**946**	–
		539,161	749,946
Total assets		**2,432,462**	2,648,685
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**52,638**	52,464
Retained profits		**597,075**	705,625
Other reserves		**1,148,216**	1,149,266
Total equity		**1,797,929**	1,907,355
LIABILITIES			
Non-current liabilities			
Borrowings		**254,139**	280,803
Lease liabilities		**26,603**	33,389
Derivative liabilities		**791**	292
		281,533	314,484
Current liabilities			
Borrowings		**46,261**	97,805
Lease liabilities		**39,249**	59,902
Derivative liabilities		**6,559**	7,268
Trade and other payables	9	**260,931**	261,870
Taxation payable		**–**	1
		353,000	426,846
Total liabilities		**634,533**	741,330

Notes:

1. General information and basis of preparation

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

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

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

2. Adoption of new or revised HKFRS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, except for the new or revised standards and amendments that became effective in this accounting period. These new or revised standards and amendments do not have any significant impact on the Group's accounting policies and do not require any adjustments. The new or revised standards and amendments that have been issued but are not yet effective will have no significant impact on the consolidated financial statements in the foreseeable future.

3. Revenue and segment information

US$'000	2023	2022
Freight	**1,964,167**	2,683,135
Charter-hire		
– lease component	**217,241**	476,079
– non-lease component	**115,214**	122,412
	2,296,622	3,281,626

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 our shipping services are international in nature, precluding a meaningful allocation of operating profit to specific geographical segments.

4. Profit before taxation

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

US$'000	2023	2022
Vessel charter costs	**656,498**	978,630
Bunkers consumed	**591,008**	644,301
Port disbursements and other voyage costs	**429,733**	448,512
Employee benefit expenses	**195,246**	225,444
Depreciation		
– owned vessels	**150,544**	140,616
– other property, plant and equipment	**961**	1,464
– right-of-use assets	**63,507**	56,475
Provision for vessel impairment	**15,997**	1,513
Net gains on disposal of vessels	**(10,786)**	(15,968)
Net gains on bunker swap contracts	**(3,478)**	(21,694)
Incentives and fees for conversion of convertible bonds	**–**	15,824
Provisions	**–**	7,187
Interest on borrowings		
– bank loans	**18,411**	13,972
– convertible bonds	**1,499**	4,497
– other borrowings	**1,304**	1,673
Interest on lease liabilities		
– vessels	**2,881**	3,135
– other property, plant and equipment	**313**	332

5. Taxation

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

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

US$'000	**2023**	2022
Hong Kong profits tax, provided at the rate of 0% (2022: 16.5%)	**–**	971
Overseas tax, provided at the rates of taxation prevailing in the jurisdictions	**866**	546
Adjustments in respect of prior year	**(1,145)**	(876)
Tax (credits)/charges	**(279)**	641

The tax exemption status of one subsidiary operating in Hong Kong has been concluded under Hong Kong's tax concession measure for the shipping business since the tax year 2022.

6. Dividends

	2023			2022		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Interim dividend	**6.5**	**0.8**	**43,636**	52.0	6.6	348,500
Proposed final basic dividend (a)	**1.6**	**0.2**	**11,034**	17.0	2.3	113,916
Proposed final special dividend (a)	**4.1**	**0.6**	**27,672**	9.0	1.1	60,309
Total dividends for the year	**12.2**	**1.6**	**82,342**	78.0	10.0	522,725
Dividends paid during the year (b)	**32.5**	**4.2**	**217,861**	112.0	14.3	716,196

(a) The proposed final basic dividend and final special dividend are subject to the approval of the shareholders at the Annual General Meeting on 19 April 2024 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 dividend of the reporting year.

7. Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme and 2023 Share Award Scheme (collectively "SASs") and unvested restricted shares.

		2023	2022
Profit attributable to shareholders	(US$'000)	**109,379**	701,856
Weighted average number of shares in issue	('000)	**5,202,704**	5,036,825
Basic earnings per share	(US cents)	**2.10**	13.93
Equivalent to	(HK cents)	**16.46**	109.12

(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 SASs and after adjusting for the dilutive effect of convertible bonds and unvested restricted shares.

		2023	2022
Profit attributable to shareholders	(US$'000)	**109,379**	701,856
Effect of interest on convertible bonds	(US$'000)	**1,499**	4,497
Effect of incentives and fees for conversion of convertible bonds	(US$'000)	**–**	15,824
Effect of a gain on repurchase and cancellation of convertible bonds	(US$'000)	**–**	(1,120)
Adjusted profit attributable to shareholders	(US$'000)	**110,878**	721,057
Weighted average number of shares in issue	('000)	**5,202,704**	5,036,825
Effect of convertible bonds	('000)	**174,530**	371,676
Effect of unvested restricted shares	('000)	**36,319**	59,719
Diluted weighted average number of shares	('000)	**5,413,553**	5,468,220
Diluted earnings per share	(US cents)	**2.05**	13.19
Equivalent to	(HK cents)	**16.03**	103.26

8. Trade and other receivables

Included in this item are trade receivables and their ageing based on invoice date is as follows:

US$'000	**2023**	2022
≤ 30 days	**64,148**	78,096
31-60 days	**7,607**	10,447
61-90 days	**4,307**	3,941
> 90 days	**16,024**	19,945
	92,086	112,429

9. Trade and other payables

Included in this item are trade payables and their ageing based on due date is as follows:

US$'000	**2023**	2022
≤ 30 days	**83,710**	73,432
31-60 days	**7,255**	286
61-90 days	**2,985**	574
> 90 days	**10,719**	6,501
	104,669	80,793

Purchase, Sale or Redemption of Securities

Other than for satisfying restricted awards granted under the Company's 2023 Share Award Scheme, neither the Company nor any of its subsidiaries has during the year purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

Directors' Securities Transactions

The Board has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules (the "Model Code").

The Board confirms that, having made specific enquiry of all Directors, the Directors have fully complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year.

Senior Management and Staff's Securities Transactions

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

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

Compliance with the Corporate Governance Code

Throughout the year, the Group has complied with all code provisions of the Corporate Governance Code as set out in Part 1 of Appendix C1 to the Listing Rules.

Review by Audit Committee and Auditors

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2023.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

Dividend

The Board has recommended the payment of a total final dividend of HK5.7 cents per share (comprising a basic dividend of HK1.6 cents per share and a special dividend of HK4.1 cents per share) for the year ended 31 December 2023. When this proposed final dividend is aggregated with the interim dividend of HK6.5 cents per share declared on 31 July 2023, the total of HK12.2 cents per share represents approximately 75% of the Group's net profits for the year ended 31 December 2023, which is in line with the distribution policy of paying out dividends of at least 50% of our annual net profits (excluding vessel disposal gains) and any additional distribution can be in the form of special dividends and/or share buyback, after taking into consideration factors such as the Group's financial position, business plans and strategies, future capital requirements and general economic and business conditions etc.

The recommended final dividend of HK5.7 cents per share will be payable on 9 May 2024, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 19 April 2024, to those shareholders whose names appear on the Company's register of members on 29 April 2024.

Closure of Register of Members

If the proposed final dividend is approved at the 2024 AGM, the register of members will be closed on 29 April 2024 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 2024. The ex-dividend date for the 2023 final dividend will be on 25 April 2024.

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

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(9) of Appendix D2 to the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2023 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 14 March 2024.

Directors

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

Executive Director:
Martin Fruergaard

Independent Non-executive Directors:
Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka, John Mackay McCulloch Williamson and Alexandre Frederic Akira Emery

Non-executive Directors:
Alexander Howarth Yat Kay Cheung and Mats Henrik Berglund

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