Pacific Basin

THRIVING IN A STRONG MARKET

#WithYouForTheLongHaul

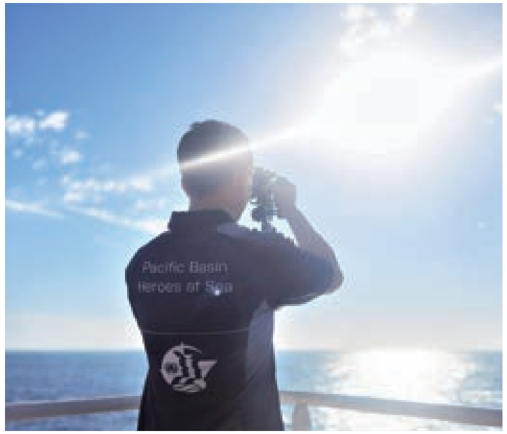
ANNUAL REPORT 2021

STOCK CODE: 2343

OUR HEROES AT SEA

Professionalism, Perseverance & Loyalty

From our seafaring heroes who enable uninterrupted service to customers during the pandemic, to our shore staff who support our ships and crews and manage our customer relationships, the perseverance and strength of the Pacific Basin team is key to our success



Seafarers around the world continue to be impacted by crew-change restrictions, long periods of quarantine and other complications arising from governments' measures to manage the pandemic. We recognise the toll these measures have on our seafarers and so our shore-based staff and management are doing their utmost to provide our seafarers with financial and other support, encouragement, leisure and sports equipment, increased internet and communications access, as well as free access to mental health support to help safeguard our crews' health, safety and wellbeing on board.

We are very grateful to our seagoing staff who throughout the pandemic have demonstrated patience and professionalism in maintaining safe operating practices and a reliable and substantially uninterrupted service to our customers.

Seamless Service Provided by Our Excellent Team

116 owned ships
trading at sea continuously through the pandemic in 2021

4,600+ crew
have served on our owned ships since the pandemic began

4,000 shipments
completed in 2021

Most of the photos in this report come from seafarers on board Pacific Basin ships. The stories they tell are varied, thoughtful, colourful and poignant. We proudly reproduce them here to honour our seafarers for their professionalism, loyalty, strength, compassion, team spirit and good humour at sea during the pandemic.

The Neptune Declaration on Seafarer Wellbeing and Crew Change

Seafarers International Relief Fund

p.40 Sustainability Highlights

CONTENTS

Key to navigation symbols

Linkage to related details within the Annual Report

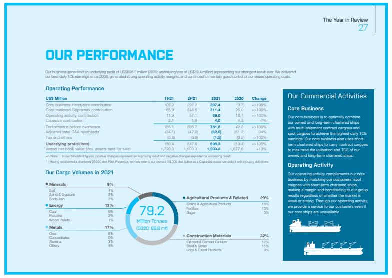
Linkage to related details on our website www.pacificbasin.com

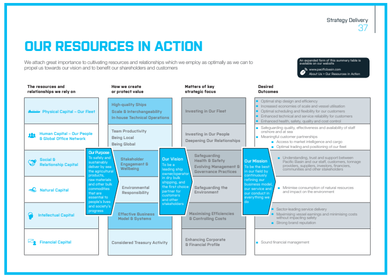
ESG Linkage to related details in our Sustainability Report 2021

KPI High-level KPIs (Key Performance Indicators)

A Audited Information

FEATURED IN THIS REPORT...





BUSINESS HIGHLIGHTS

Our Best Ever Financial Results

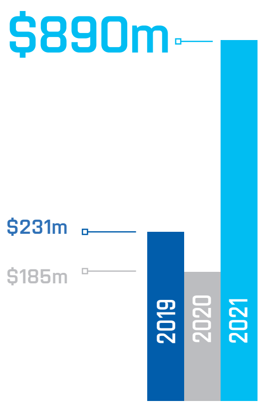
In 2021, we generated our best results in Pacific Basin's 34-year history, making an underlying profit of US$698 million, a net profit of US$845 million and EBITDA of US$890 million. This yielded an exceptionally strong return on equity of 58% and significantly strengthened our available committed liquidity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

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

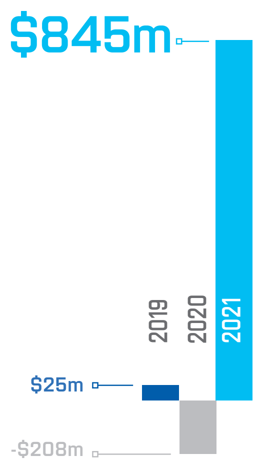
Thriving in a Strong Market

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

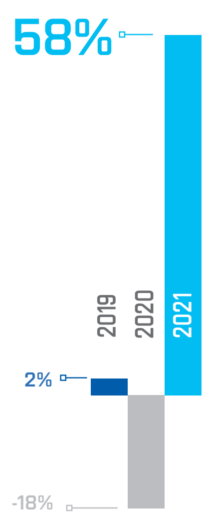
Despite facing significant Covid-related crewing challenges, we deployed our enlarged core fleet, and drew on our experienced teams to capitalise on the strong market while continuing to deliver class-leading service to our customers



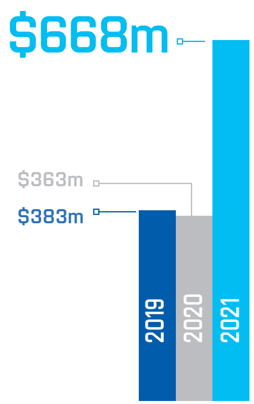
EBITDA (US$)



Net Profit/(Loss) (US$)



Return on Equity



Available Committed Liquidity (US$)
as at 31 December

Delivering an Excellent Performance

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

Renewing our Fleet for the Future

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

Find out more in our Chief Executive's Review on p.16

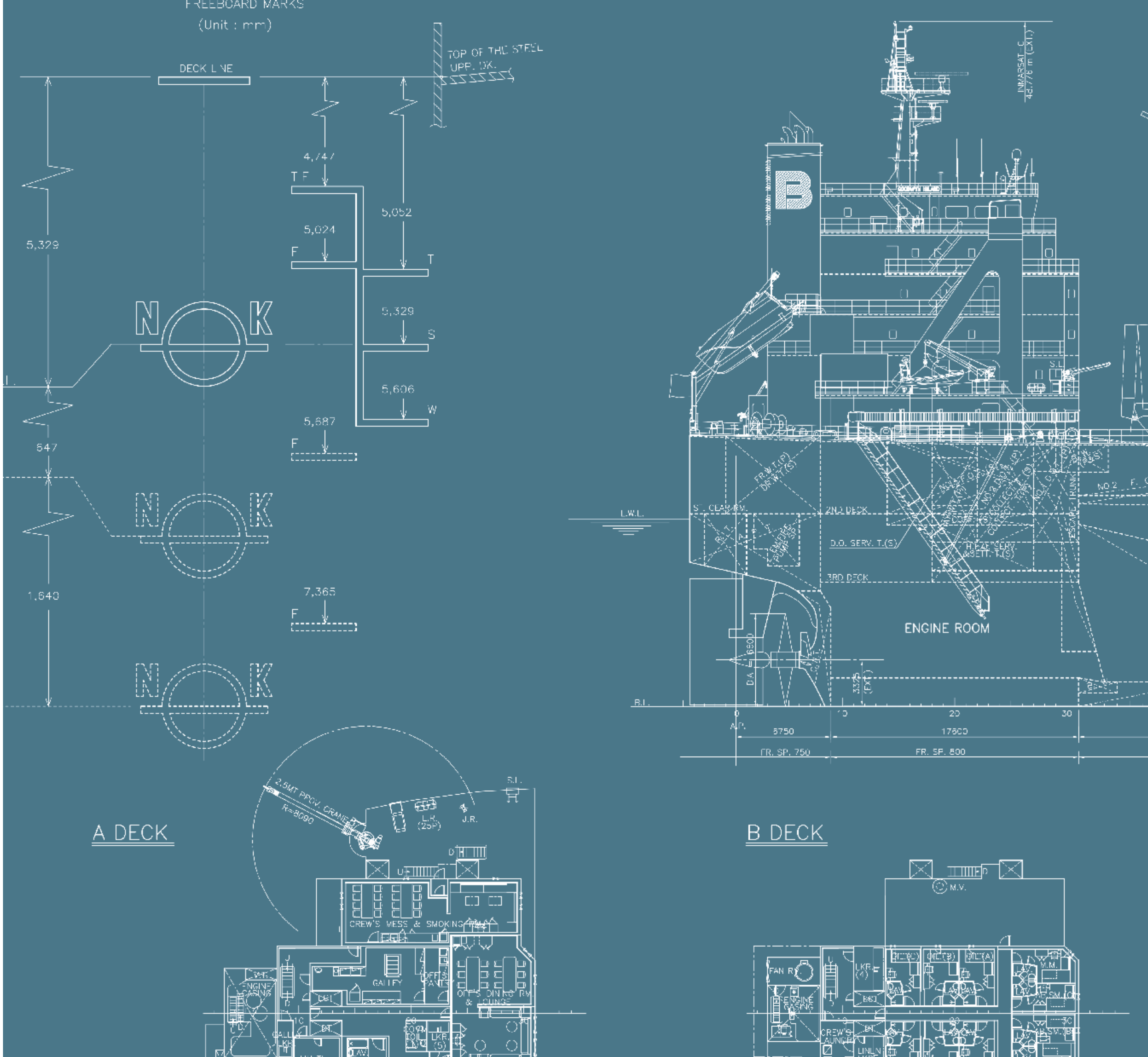
FINANCIAL HIGHLIGHTS

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

	2021 US$ Million	2020 US$ Million
Results		
Revenue	**2,972.5**	1,470.9
Time-Charter Equivalent ("TCE") Earnings	**2,091.4**	768.3
EBITDA [1]	**889.9**	184.7
Underlying profit/(loss) KPI	**698.3**	(19.4)
Profit/(loss) attributable to shareholders	**844.8**	(208.2)
Balance Sheet		
Total assets	**2,745.4**	2,189.5
Total cash and deposits	**459.7**	234.8
Available committed liquidity	**668.4**	362.5
Net borrowings	**128.4**	629.1
Shareholders' equity	**1,831.2**	1,064.5
Capital commitments	**16.8**	71.3
Cash Flows		
Operating	**850.4**	219.6
Investing	**(334.0)**	(92.1)
Financing	**(433.0)**	(101.6)
Net change in cash and cash equivalents excluding term deposits	**83.4**	25.9
Per Share Data	**HK cents**	HK cents
Basic EPS	**139.1**	(34.5)
Dividends (including HK18 cents special dividend) KPI	**74.0**	–
Operating cash flows	**140.0**	36.4
Shareholders' equity	**296**	172
Share price at year end	**HK$2.86**	HK$1.46
Market capitalisation at year end	**HK$13.8bn**	HK$7.0bn
Ratios		
Net profit margin	**28%**	(14%)
Return on average equity	**58%**	(18%)
Total shareholders' return	**105%**	(10%)
Net borrowings to net book value of owned vessels KPI	**7%**	37%
Net borrowings to shareholders' equity	**7%**	59%
Interest cover KPI	**30.1x**	5.1x

[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; closed-out gains on fuel price hedges and unrealised derivative income and expenses

OUR BUSINESS



WHO WE ARE

We own and operate dry bulk cargo ships

Our business is customer focused, providing over 550 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. Our team comprises about 4,600 seafarers and 365 shore staff in 13 key locations around the world

250
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

Find out more on p.6

13
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

Find out more on p.11

550+
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

Find out more on p.37

OUR FLEET

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

Handysize
25,000 – 40,000 dwt

Supramax
40,000 – 70,000 dwt

Vessels over 60,000 dwt are commonly called "Ultramax"

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

90%
Non-fossil fuel cargoes

90%
Laden

We continued to grow our owned fleet in 2021

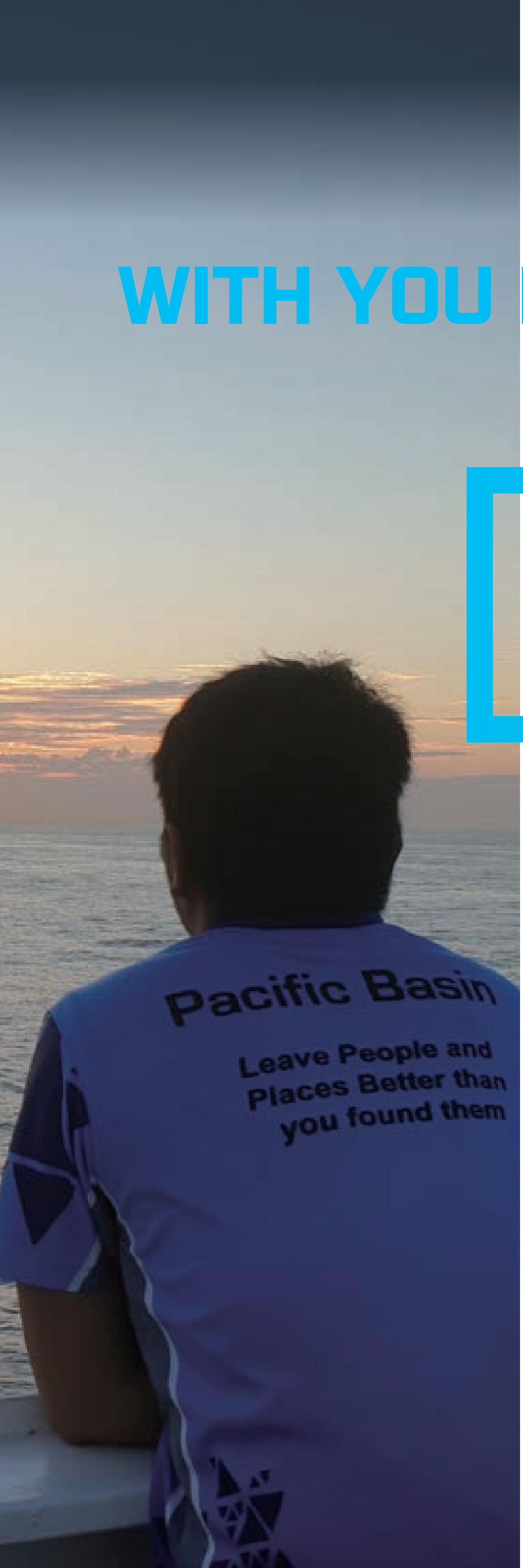
	Vessels in operation Owned[1]	Long-term Chartered	Short-term Chartered[2]	Total	Total Capacity (million DWT) Owned	Average Age Owned
Handysize	79	11	33	123	2.7	13
Supramax	42	4	79	125	2.4	10
Capesize[3]	1	–	–	1	0.1	11
Total	122	15	112	249	5.2	12

As at 31 January 2022

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

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

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



WITH YOU FOR THE LONG HAUL

The promise of our Pacific Basin brand, our values, our objectives and our actions in good times and bad, are shaped by our tagline: **With You for the Long Haul**

Our Purpose

To safely and sustainably deliver by sea the agricultural products, raw materials and other bulk commodities that are essential to people's lives and society's progress

Our Mission

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

Our Vision

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

Our areas of strategic focus

- Investing in our high-quality fleet
- Investing in our people
- Deepening our relationships
- Safeguarding health & safety
- Safeguarding the environment
- Evolving management & governance practices
- Maximising efficiencies & controlling costs
- Enhancing corporate & financial profile

p.37-39 Strategy Delivery

Our sustainability focus areas

- Environmental stewardship & decarbonisation
- Safety, workplace and business practices
- Community engagement
- Corporate governance

p.40 Sustainability Highlights

WHAT WE STAND FOR

Our business is people driven, and our success hinges on the strength and quality of our relationship with customers, suppliers and other business partners. We blend an effective cargo and customer-focused business model with talented, team-focused people who share sensible values and a passion for delivering excellent service

"You understand our business well, you are very interested, you listen and you come with solutions."

– Customer survey feedback in 2021

p.124 What Our Customers Say

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 target excellence and success through dedication and teamwork, and we see all our colleagues as corporate ambassadors
- We take a sustainable business approach and promote high standards of safety and environmental stewardship
- We are caring, good humoured and fair, treat everyone with dignity and respect, and encourage diversity of opinions and cultures

Our stakeholders

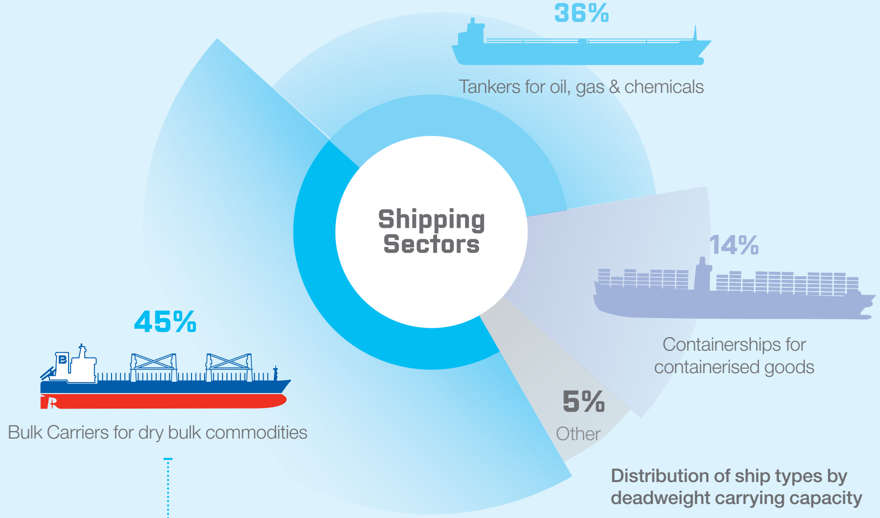
Building and sustaining strong relationships with and generating long-term, sustainable value for:

- Customers
- Suppliers
- Employees
- Investors
- Banks & financiers
- Industry associations
- Regulators & authorities
- Community

p.43 Stakeholder Engagement

OUR INDUSTRY

The dry bulk industry carries dry commodities and other non-containerised cargo. Large Capesize and Panamax vessels 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.



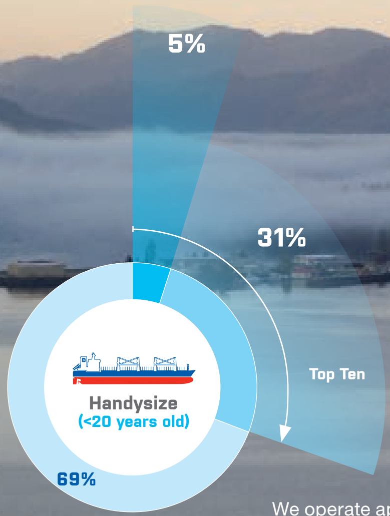
Distribution of ship types by deadweight carrying capacity
(Source: Clarksons Research)

Our Focus

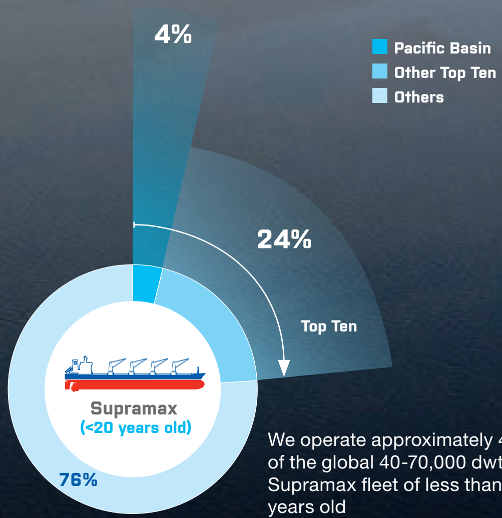
	Bulk Carrier Ship Types	Percentage of Global Dry Bulk Capacity	Versatility	Main Commodities Carried
Minor Bulks with cranes	**Handysize** 10,000–40,000 dwt	12%	More Versatile	**Minor Bulks**: Grains, Ores, Logs/Forest Products, Bauxite, Sugar, Concentrates, Cement & Clinker, Coal/Coke, Fertiliser, Alumina, Steel, Petcoke, Salt, Sand & Gypsum, Scrap
Minor Bulks with cranes	**Supramax** incl. Ultramax 40,000–70,000 dwt	23%	More Versatile	
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%	Less Versatile	

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

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



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



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

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	550+ customers globally	Our largest customer represents only 3% of our volumes	Our top 25 customers represent 30% 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.

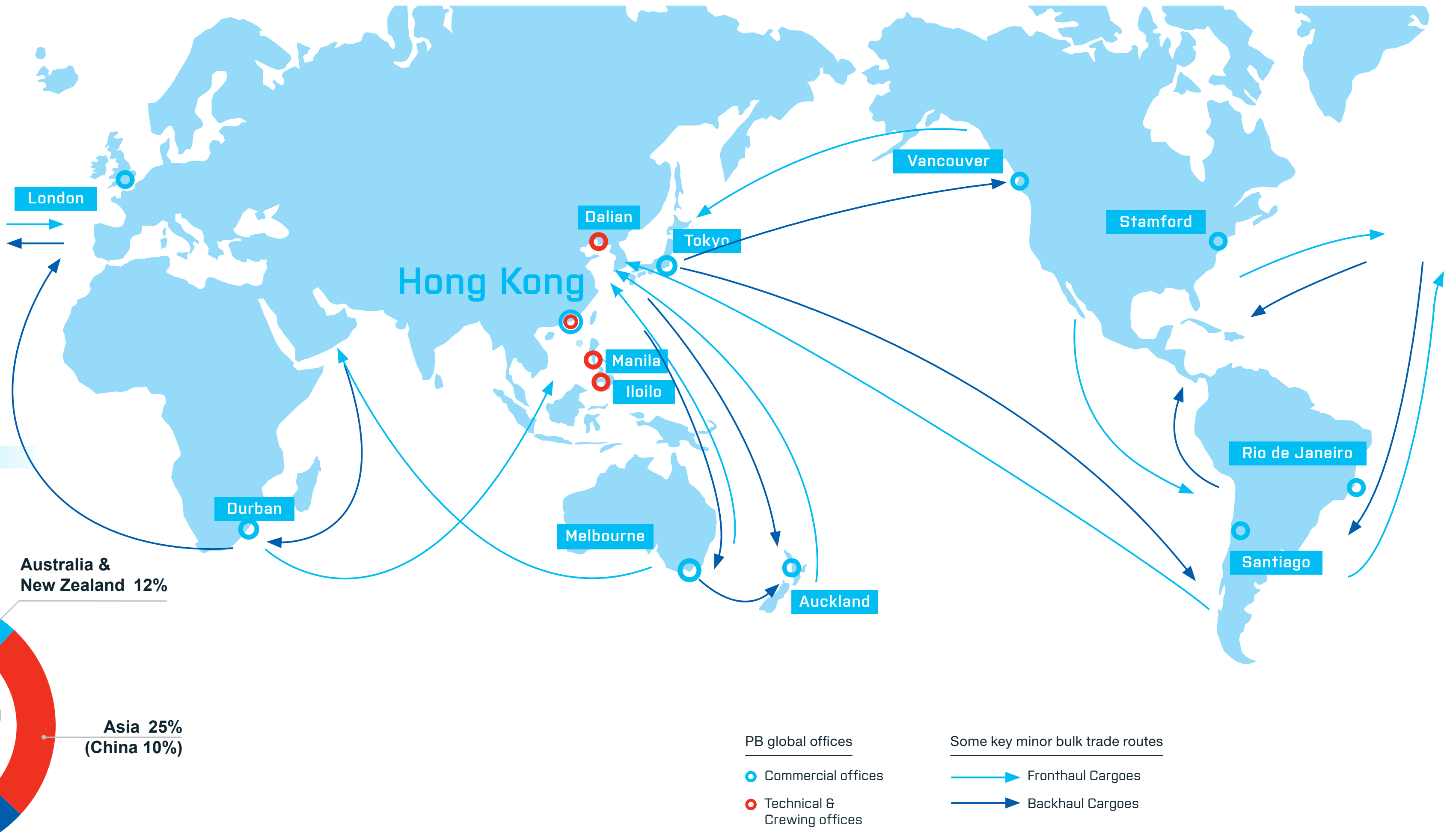
Our earnings reliability is further enhanced by the fact that global Handysize capacity has experienced only relatively modest growth in the past decade compared to the much larger expansion of the major bulk fleets.

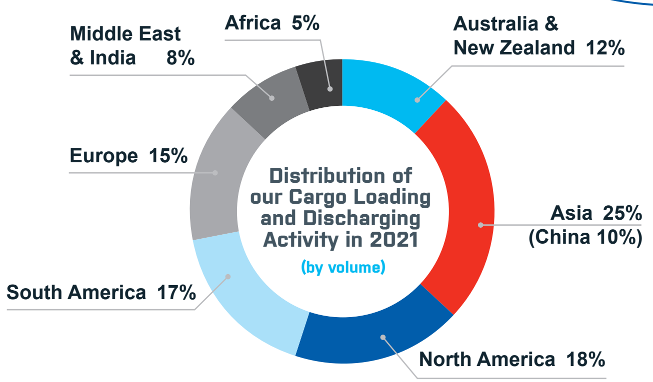
OUR GLOBAL REACH

13 office locations

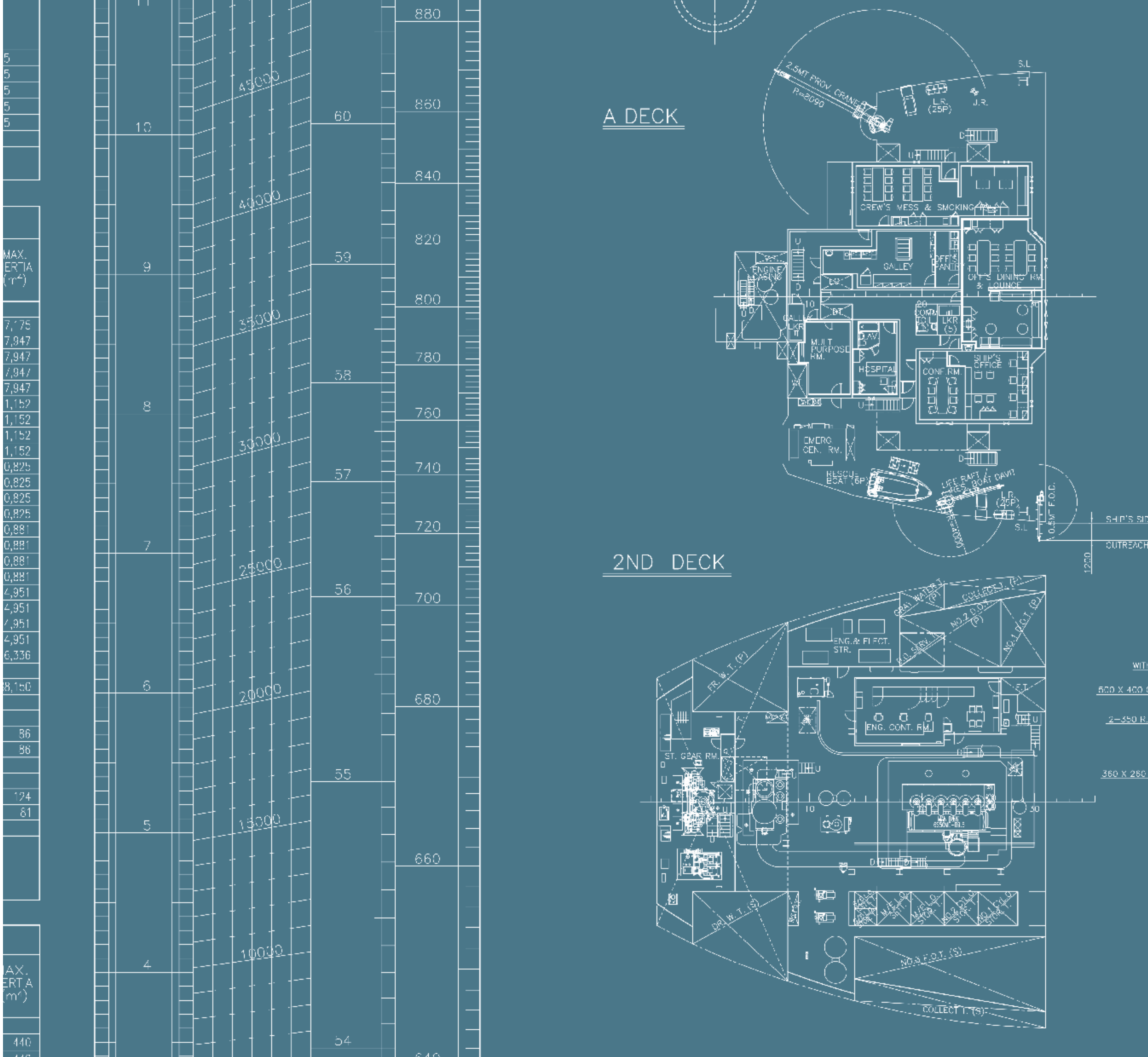
- 10 commercial offices
- 4 technical & crewing offices

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's robust platform has proven its effectiveness through some challenging years and is now enabling us to deliver especially attractive returns to our shareholders in the current strong dry bulk market while also supporting high-quality service to our customers. We have the excellent people, assets, business model, strategies and financial health that position us well for the future

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

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

In light of the extraordinary cash flow of the last year and our robust balance sheet and positive outlook, the Board is pleased to be able to recommend rewarding shareholders with a final basic dividend and an additional special dividend totalling HK60 cents per share. Combined with the HK14 cents per share interim dividend distributed in August, this implies a 2021 dividend yield of 51% based on the share price at the beginning of that year. Please refer to Martin's Chief Executive's Review on page 16 for a more detailed analysis of our results, dividend and overall performance and developments.

Effective Platform for a Sustainable Business

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

Experienced Board, Robust Governance and a Strong Senior Management Team

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

p.45 Corporate Governance

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

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

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

p.64 Our Directors

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

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

p.20 Q&A with Our New CEO

Sustainability Focus Reinforces our World-Class Industry Reputation

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

p.50 Sustainability Management

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

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

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

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

p.40 Sustainability Highlights

Decarbonisation

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

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

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

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

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

ESG Sustainability Report 2021
www.pacificbasin.com/sr2021

Safety and Wellbeing

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

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

p.41 Safety & Workplace

Robust Strategy and Well Positioned for the Future

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

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

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

David Turnbull
Chairman
Hong Kong, 24 February 2022

CHIEF EXECUTIVE'S REVIEW

Martin Fruergaard

Chief Executive Officer
appointed July 2021

2021 saw the strongest dry bulk freight market since 2008, and we generated our best results in our Company's history. Having delivered excellent returns for 2021, we have entered 2022 with a larger owned fleet, strong earnings and solid cargo cover for the first quarter, and the market outlook remains positive for 2022 and beyond

Our Best Ever Results Merit a Strong Dividend

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

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

p.81 Group Performance Review

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

p.32 Cash and Borrowings

The Board recommends a final basic dividend of HK42 cents per share which, combined with the HK14 cents per share interim dividend distributed in August, represents 50% of our net profit for the full year, excluding the reversal of the vessel impairment provision, consistent with our dividend policy of paying out at least 50% of net profits.

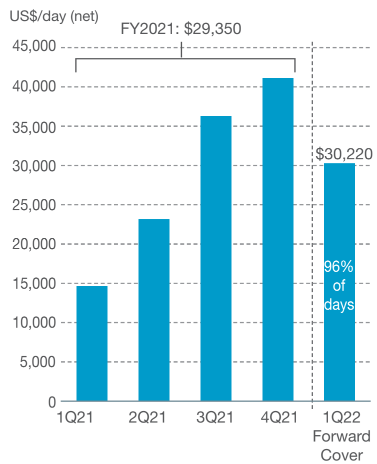
In light of the extraordinary cash flow of the last year and our robust balance sheet and positive outlook, the Board also recommends an additional special dividend of HK18 cents per share representing 16% of our net profit excluding the reversal of the vessel impairment provision. The proposed final basic dividend and the proposed special dividend together amount to a total final dividend of HK60 cents per share.

p.70 Report of the Directors

Excellent Performance Driven by Strong Revenue Generation and Competitive Cost Base

Our large **core business** with substantially fixed costs generated a contribution of US$709 million representing 91% of our Group performance before overheads. Our core fleet that we grew significantly over

PB Supramax Performance



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

the past nine years generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$20,460 and US$29,350 net per day in 2021, which is about 160% more than in 2020 and well above our P&L break-even level of US$9,030 and US$10,290 per day respectively. Over 40% of our core business contribution was generated by our Supramax activity which is the area we have grown most aggressively in recent years.

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

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

p.27 Our Performance

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

p.30 Core Business Vessel Costs

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

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

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

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

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

p.22 Market Review

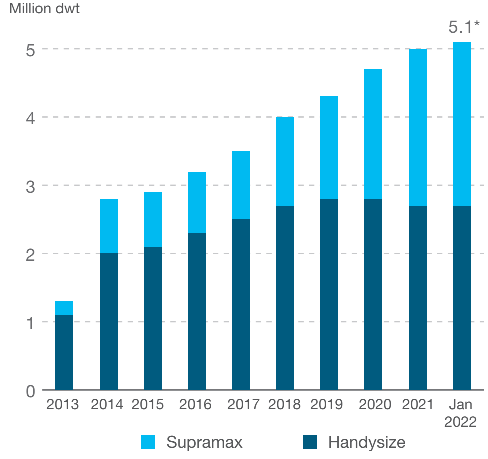
Benefiting from the Growth and Renewal of our Owned Fleet

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

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

We continued our strategy of growing our Supramax fleet and renewing our Handysize fleet, and our 2021 results evidence our successful execution of that strategy

Significant Growth of Our Owned Fleet and Supramax Proportion



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

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

Well Prepared to Comply with IMO Carbon Intensity Reduction Rules

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

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

ESG Sustainability Report p.26
How We are Decarbonising

Targeting Net Zero by 2050

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

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

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

p.40 Sustainability Highlights

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

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

Crew Wellbeing and Other Pandemic Impacts on our Operations

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

The Company is very grateful for the flexibility, dedication and cooperation that all our staff, both at sea and ashore, continue to show during the ongoing pandemic.

We are especially grateful to our seagoing staff who throughout the pandemic have shown continued professionalism in maintaining safe operating practices while Covid restrictions sometimes keep them at sea for longer than expected

Maintaining our Customer Focus Through the Pandemic

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

p.43 Stakeholder Engagement

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

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

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

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

Positive Outlook for 2022

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

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

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

p.25-26 Orderbook & Market Balance

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

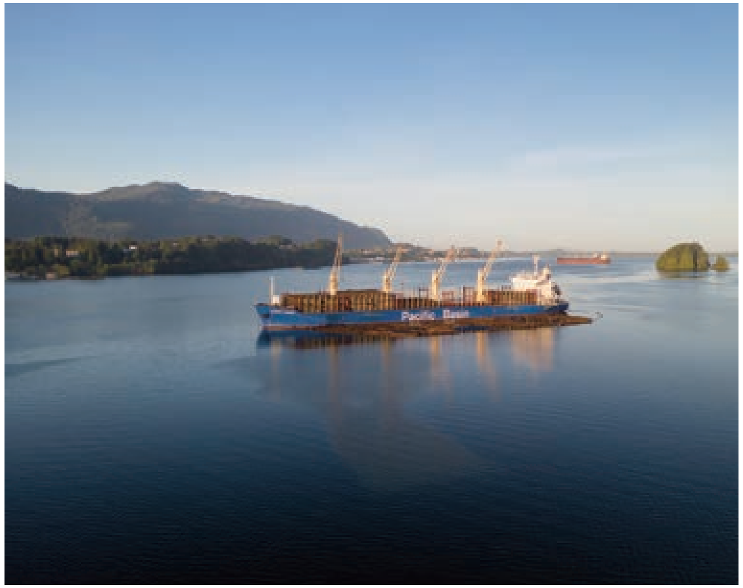
Well Positioned for the Future

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

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

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

Martin Fruergaard
Chief Executive Officer
Hong Kong, 24 February 2022



Q&A WITH OUR NEW CEO

Martin joined Pacific Basin as an Executive Director and Chief Executive Officer 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.

Q.

Since you joined Pacific Basin, what has been your main focus and how do you feel about the Company?

My first priority was to listen, learn and fully familiarise myself with my new colleagues and Pacific Basin's business, including reviewing the Company's strategies and assessing our strengths and weaknesses. Since I joined, I have felt very welcomed by the many Pacific Basin colleagues that I have interacted with, and I have been impressed by the quality and engagement that I see at all levels of the organisation and in our teams right across the Company and our fleet. The Company's positive and caring culture and strong and sensible values have been plain to see.

Q.

Given your experience in other shipping segments, should we expect diversification or any other change of course strategically?

No, we will continue to focus on what we do best, which means not diversifying into areas outside of dry bulk. We want to remain a large owner of vessels, stay specialised in minor bulk and the ship types that we know so well, and stick to our customer and cargo focused business model. While primarily an asset-heavy ship owner, we will continue to complement our core business with our operating activity and optimise our earnings by leveraging our scale and our market insight.

Considering the market outlook, stakeholder feedback, coming environmental regulations, developing technologies and other factors, I am satisfied that our established strategies should remain substantially unchanged for 2022, although with some adjustment in how we execute them in the current strong market and for greater effectiveness.

We will also enhance our already established capabilities in the areas of sustainability and decarbonisation, digitalisation, and research, all of which are becoming even more essential for Pacific Basin.

Q.

What does an increased focus on Sustainability mean for the Company?

We are a large shipping business that relies on and impacts resources and relationships, and we recognise our responsibilities to these resources and relationships. The responsible actions we take make us competitively stronger, an attractive employer and a preferred partner for our stakeholders, and enhance our reputation, our financial performance and the long-term sustainability and value of our business.

Our sustainability initiatives address ESG matters that are most material to our Company

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

and stakeholders. We have excellent teams championing safety, workplace, environmental, risk management and governance programmes, but we want to see how much further we can go beyond mere compliance to make a real difference. We are also levelling up our decarbonisation programme and will look for more ways to elevate the wellbeing, respect and recognition of seafarers as essential workers.

Q.

What keeps you up at night?

The safety and wellbeing of our ships' crews concerns me the most. Seafarers have a hard enough job to do at the best of times, and I sympathise with them for the often extreme extra challenges they face, such as Covid-related disembarkation, immigration, travel and quarantine restrictions that continue to keep them at sea and away from their families for longer than usual.

Piracy should not have to be a risk in this modern age, and now there is also the increased risk of becoming innocent casualties of drug smuggling via commercial shipping.

We must always remember and be grateful for our seafarers' dedication, loyalty and professionalism despite the hardships, which enables global seaborne trade to continue in good times and bad – even during the ongoing pandemic. We should find new ways to improve seafarers' lives, and such initiatives will also be important in the wider effort necessary to attract talent to a career at sea.

Q.

How do you see the dry bulk market developing in the next 3-5 years?

I am optimistic for our sector – and our segment in particular – due to stable demand with healthy minor bulk growth, as well as low net fleet growth and tighter supply due to the small orderbook. The global economy, conflicts and shocks are difficult to predict, so, as always, we will be monitoring all such demand drivers closely, ready to respond to changes. However, I see the world continuing to grow in the long term, with increasing need for the essential commodities that we carry, and I foresee insufficient shipping capacity to meet this growth as IMO energy-efficiency rules will force ships to slow down and the great decarbonisation challenge will discourage new ship ordering until zero-emission-ready ships become available and viable in our segment.

Q.

What sort of opportunities and challenges does Pacific Basin face?

Our industry is challenged by a short supply of seafarers – and shore-based talent too – but the strength of our employer brand, industry network and personnel function allows us to attract and retain the staff we need.

Capturing, analysing and utilising data from internal and external sources is becoming increasingly important to stay competitive. Our digitalisation programme gives us the extra operational and market intelligence to support better decision-making at all levels.

Decarbonisation is a huge undertaking for our industry. Meeting new regulations to gradually reduce the carbon intensity of existing conventionally-fuelled ships will become increasingly difficult and need a collaborative approach with customers and other stakeholders. Committing to order zero-emission ships will need clarity on what new fuels will be available to us and regulation to drive the transition on a level playing field. Our in-house technical, optimisation, commercial and sustainability teams have embraced these challenges and are engaging and collaborating with relevant stakeholders to ensure we, at a minimum, meet all regulatory requirements and our targets, including full decarbonisation latest by 2050.

MARKET REVIEW

Strongest Dry Bulk Freight Market in 13 Years

US$21,760 net **224%**

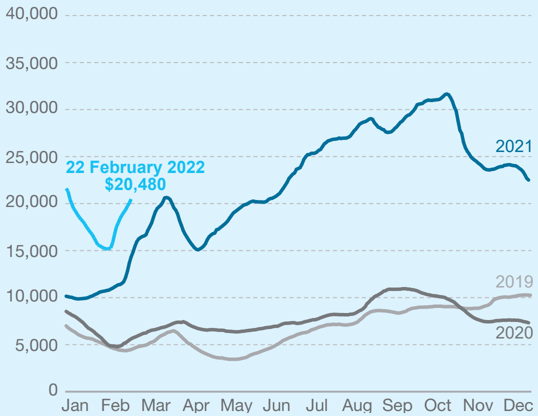
BHSI 38K (tonnage adjusted) Handysize 2021 avg. market spot rate

US$25,430 net **227%**

BSI 58K Supramax 2021 avg. market spot rate

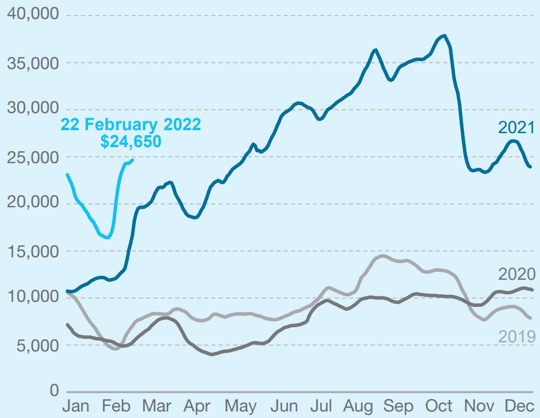
Handysize Market Spot Rates in 2019–2022

US$/day net*



Supramax Market Spot Rates in 2019–2022

US$/day net*



* Excludes 5% commission

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

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

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

Ship Values have Rebounded

US$27.5m **+69%**

Second-hand Handysize YOY

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

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

Source: Clarksons Research

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

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

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

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

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

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

2021 Global Cargo Loading Volumes#

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

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

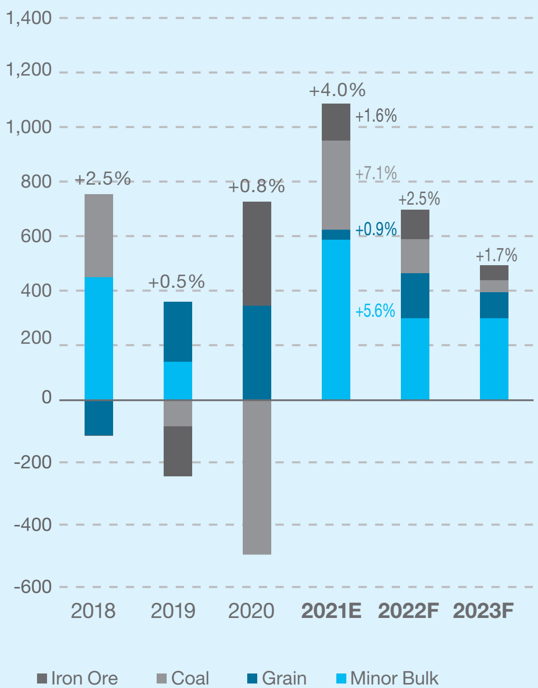
Source: Oceanbolt

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

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

Annual Change in Global Dry Bulk Tonne-mile Demand

YOY change in billion tonne-miles



Source: Clarksons Research data as at February 2022

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

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

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

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

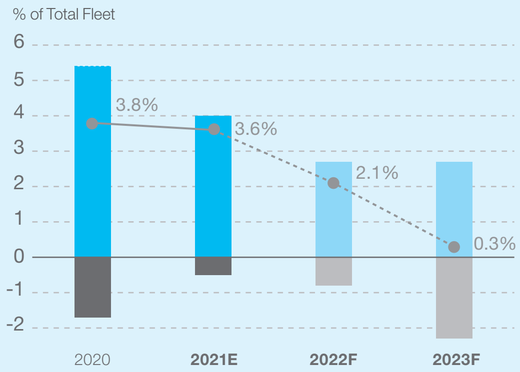
In addition, the strain of increased cargo throughput combined with Covid-related protocols in ports resulted in congestion in many ports around the world, particularly in China, which further constrained the availability of tonnage to meet global demand for dry bulk shipping.

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

Overall Dry Bulk Supply Development

+3.6%

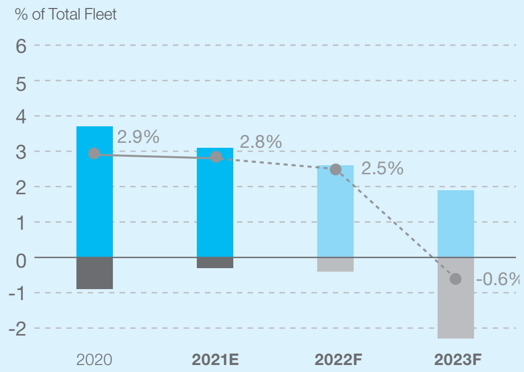
Overall dry bulk capacity 2021



Handysize/Supramax Supply Development

+2.8%

Global Handysize/Supramax capacity 2021



New Deliveries (dwt) Scheduled Orderbook
Scrapping (dwt) Scrapping Forecast Net Fleet Growth

Source: Clarksons Research, data as at February 2022

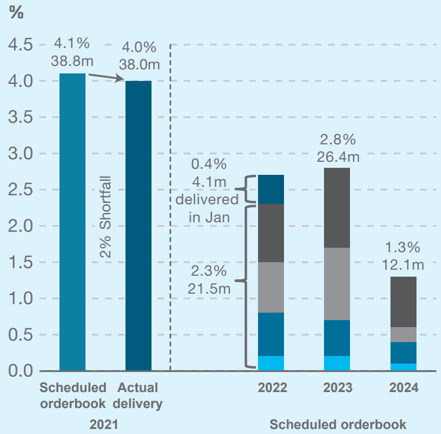
ORDERBOOK: Record Low Orderbook Bodes Well for the Future

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

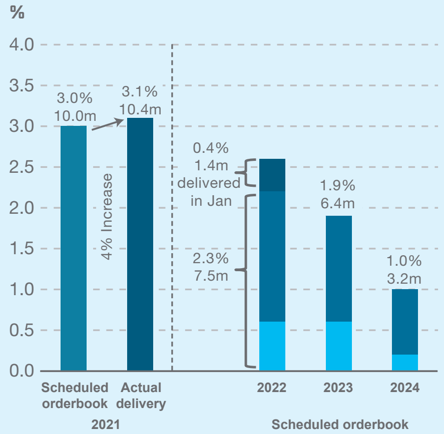
Despite the ongoing strong freight market and a slight recent uptick in newbuilding ordering, we expect that new ship ordering will remain restrained, discouraged by:

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

Overall Dry Bulk Orderbook



Handysize & Supramax Combined Orderbook



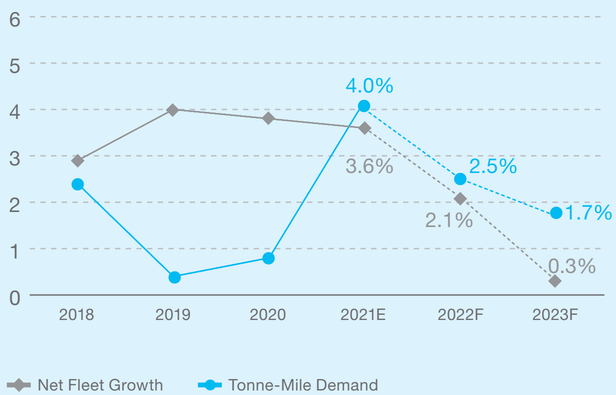
Source: Clarksons Research, data as at February 2022; 2022 orderbook excludes YTD deliveries

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

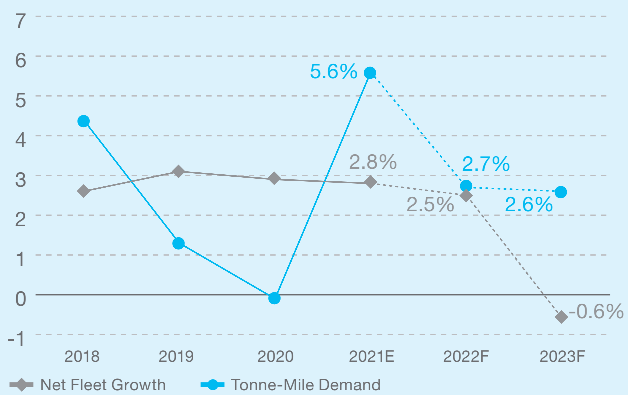
Source: Clarksons Research, data as at February 2022

MARKET BALANCE: Positive Demand and Supply Balance Expected Ahead

Overall Dry Bulk Demand and Supply
% YOY change



Minor Bulk Demand and Handysize/Supramax Supply
% YOY change



Source: Clarksons Research

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

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

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

THREATS

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

OUR PERFORMANCE

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

Operating Performance

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

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

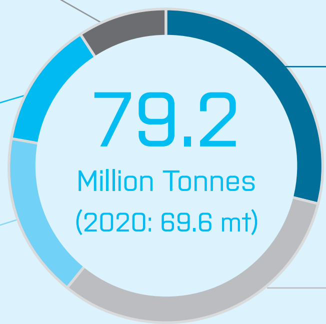
[1] Having redelivered a chartered 95,000 dwt Post-Panamax, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

Our Cargo Volumes in 2021

Minerals	**9%**
Salt	4%
Sand & Gypsum	3%
Soda Ash	2%

Energy	**13%**
Coal	9%
Petcoke	3%
Wood Pellets	1%

Metals	**17%**
Ores	8%
Concentrates	5%
Alumina	3%
Others	1%



Agricultural Products & Related	**29%**
Grains & Agricultural Products	16%
Fertiliser	10%
Sugar	3%

Construction Materials	**32%**
Cement & Cement Clinkers	12%
Steel & Scrap	11%
Logs & Forest Products	9%

Our Commercial Activities

Core Business

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

Operating Activity

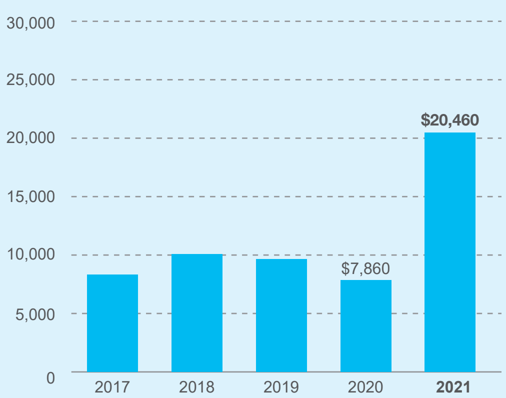
Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships, making a margin and contributing to our group results regardless of whether the market is weak or strong. Through our operating activity, we provide a service to our customers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

CORE BUSINESS

Handysize

TCE EARNINGS KPI

US$/day (net)

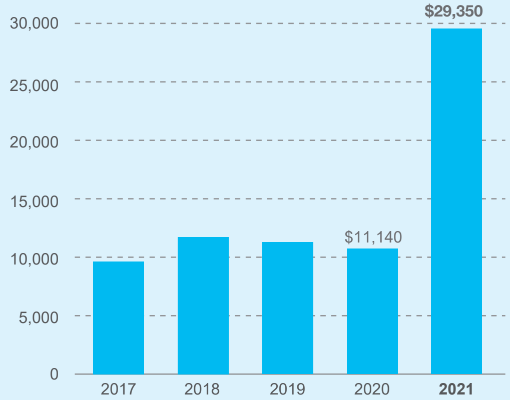


Note: Pre-2020 historical data has not been restated to split operating activity from core business

Supramax

TCE EARNINGS KPI

US$/day (net)



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

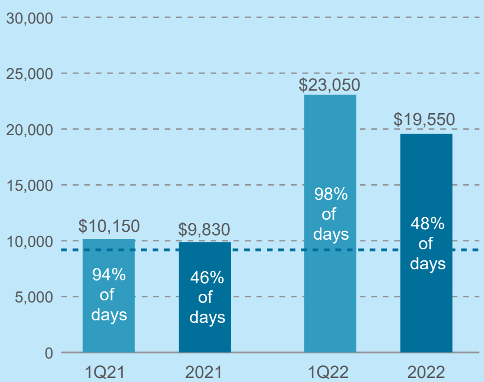
TCE EARNINGS KPI

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

Handysize

FORWARD CARGO COVER

US$/day (net)



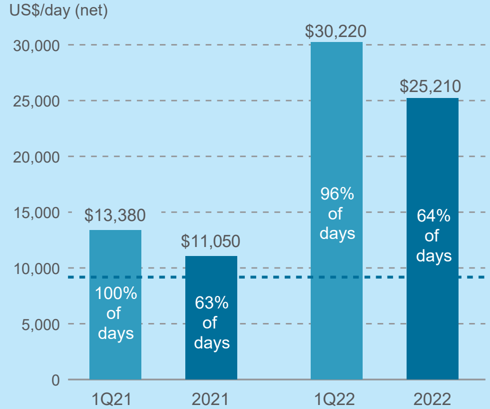
As at mid-February, indicative TCE only as voyages are still in progress.

--- Indicative core fleet P&L break-even level incl. G&A for 2021 = US$9,030

Supramax

FORWARD CARGO COVER

US$/day (net)



As at mid-February, indicative TCE only as voyages are still in progress, and excludes any scrubber benefit (currently about US$1,200 per day)

--- Indicative core fleet P&L break-even level incl. G&A for 2021 = US$10,290

FORWARD CARGO COVER

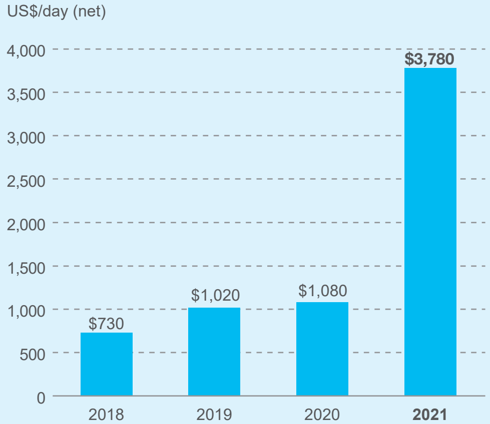
- There has been the usual seasonal weakness between November and the Lunar New Year, but we commenced 2022 with a good level of cover for the first quarter and market activity has since resumed
- We have covered 98% and 96% of our Handysize and Supramax vessel days for the first quarter of 2022 at US$23,050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

p.30 Core Business Vessel Costs

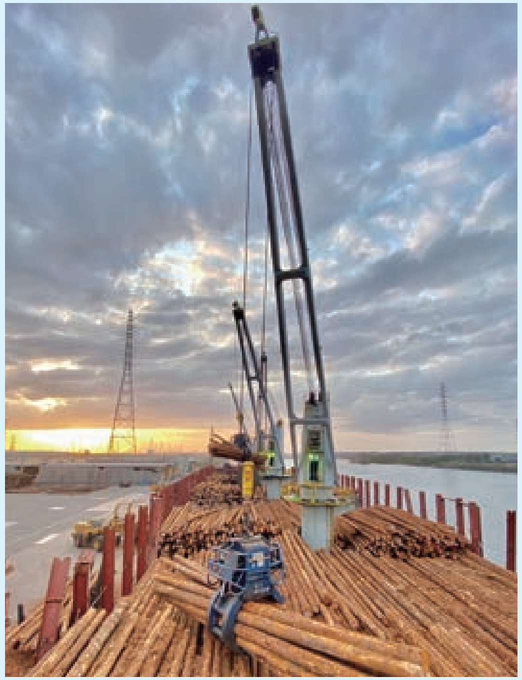
OPERATING ACTIVITY

Margin KPI

US$3,780 per day (net)



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

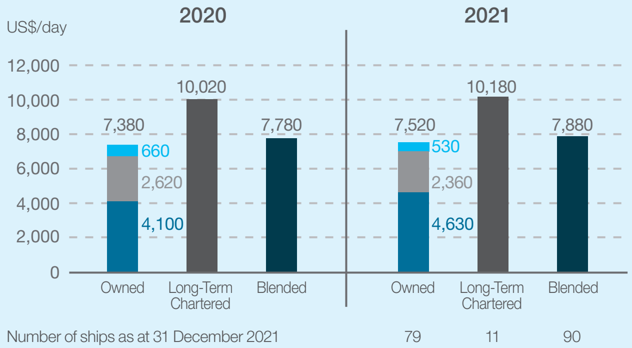


CORE BUSINESS VESSEL COSTS

Daily Vessel Costs

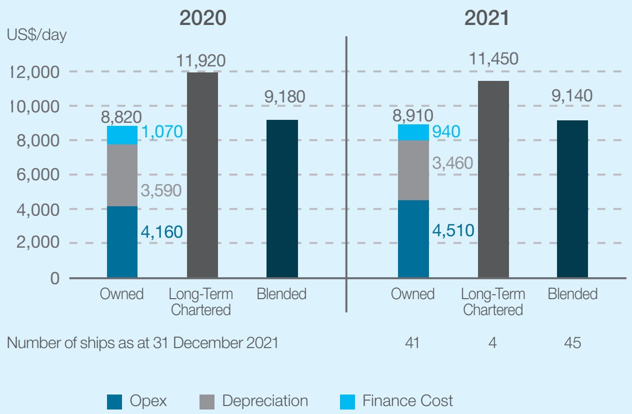
Handysize

US$7,880 per day (blended)



Supramax

US$9,140 per day (blended)



Owned Vessel Costs

- **Operating expenses**

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

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

- **Depreciation**

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

- **Finance costs**

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

Long-term Chartered Vessel Costs

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

Blended Costs

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

General and Administrative ("G&A") Overheads

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

Vessel Days

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

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

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

Future Long-term Chartered Vessel Costs

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

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

CASH AND BORROWINGS

Operating Cash Inflow

US$813.1m

Available Committed Liquidity

US$668.4m

Net Borrowings to Net Book Value of Owned Vessels

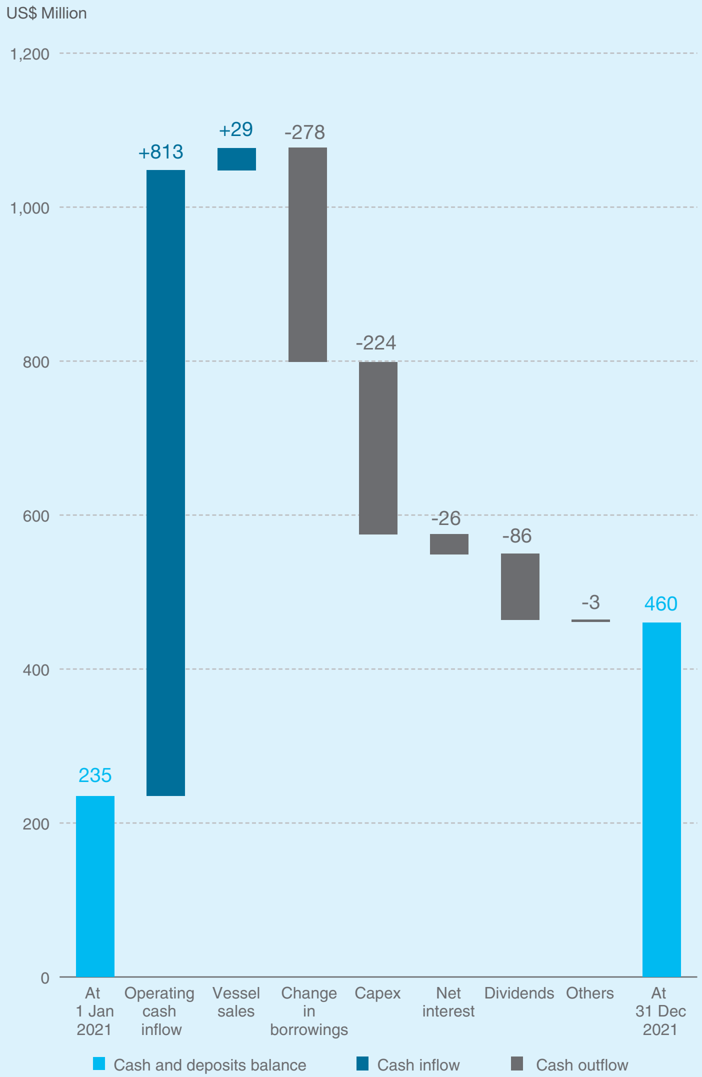
7%

Average Interest Rate (P/L)

3.6%

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 2021

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

Liquidity and Borrowings A

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

p.104 Financial Statements Note 18 Cash and deposits (including how we invest our cash)

Borrowings and Undrawn Committed Facilities

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

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

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

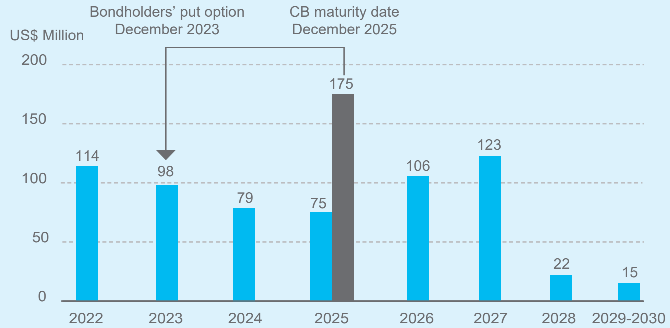
The Group monitors the loan-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

As at 31 December 2021:

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

p.92 Financial Statements Note 8
Finance costs

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



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

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

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

As at 31 December 2021, there remained the 3.0% p.a. coupon December 2025 convertible bonds with an outstanding principal of US$175.0 million and a prevailing conversion price of HK$2.24 per share. Details of the use of net proceeds is set out in the Report of the Directors of this Annual Report.

p.70 Report of the Directors
Convertible Bonds –
Use of net proceeds

Finance Costs

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

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

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

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

TIMELINE

JAN

- Signed the Neptune Declaration on Seafarer Wellbeing and Crew Change

The Neptune Declaration on Seafarer Wellbeing and Crew Change

p.41 Safety & Workplace

FEB

- Delivery of "Noble Island", a 61,100 dwt, NACKS 2015-built Ultramax

MAR

- Delivery of "Nootka Island", a 61,600 dwt, NACKS 2015-built Ultramax

APR

- Delivery of "Nightingale Island", a 61,600 dwt, NACKS 2015-built Ultramax
- Delivery of "Ipswich Bay", a 38,190 dwt, Imabari 2014-built Handysize

MAY

- Opening of a new crewing office in Iloilo City in the Philippines, expanding our network to 13 offices globally
- Delivery of "North Island", a 61,100 dwt, NACKS 2015-built Ultramax
- Delivery of "Ultra Wollongong", a 61,700 dwt, Oshima 2011-built Ultramax
- Commenced Covid-19 vaccination roll-out for our fleet
- At 16 years of age, "Port Alfred" achieved zero defects in an inspection by Transport Canada and received positive comments on cleanliness and safety
- Signed the Gulf of Guinea Declaration on the Suppression of Piracy
- Contributed to the Seafarers International Relief Fund

JUNE

- Pacific Basin sponsored an open day at the Hong Kong Maritime Museum to mark the International Day of the Seafarer
- Received Port of Vancouver's EcoAction Program 2020 Blue Circle Award which recognises companies that voluntarily invest in emissions reduction and other environmental measures
- Joined the Sailors' Society's Wellness at Sea awareness campaign and coaching programme
- Facilitated WISTA membership for all female PB seafarers

JULY

- Our CEO Mats Berglund retired from Pacific Basin
- Delivery of "Gullholmen Island", a 38,300 dwt, Imabari 2011-built Handysize, named after Mats' home island in Sweden
- Martin Fruergaard joined Pacific Basin as CEO and an Executive Director

AUG

- Pacific Basin signed the *Call to Action for Shipping Decarbonisation*
- Pacific Basin Hong Kong office signed up to the Energy Saving and 4T Charters

SEP

- Extension of the loan tenor of an existing US$325m syndicated secured revolving credit facility to 2027
- Received a Vessel Speed Reduction Program (VSPR) certificate from the Port of Los Angeles recognising our efforts to reduce our ships' emissions in San Pedro Bay
- HKIRA 7th Investor Relations Awards - Certificate of Excellence
- Delivery of "Irvine Bay", a 37,900 dwt, Imabari 2014-built Handysize
- Delivery of "Neptune Island", a 38,200 dwt, Naikai 2012-built Handysize

OCT

- Won top awards at Hong Kong ESG Reporting Awards (HERA):
  - Grand Award in Best ESG Report (Mid-cap)
  - Grand Award in Excellence in Environmental Positive Impact
- Delivery of "Iona Island", a 38,200 dwt, Imabari 2013-built Handysize

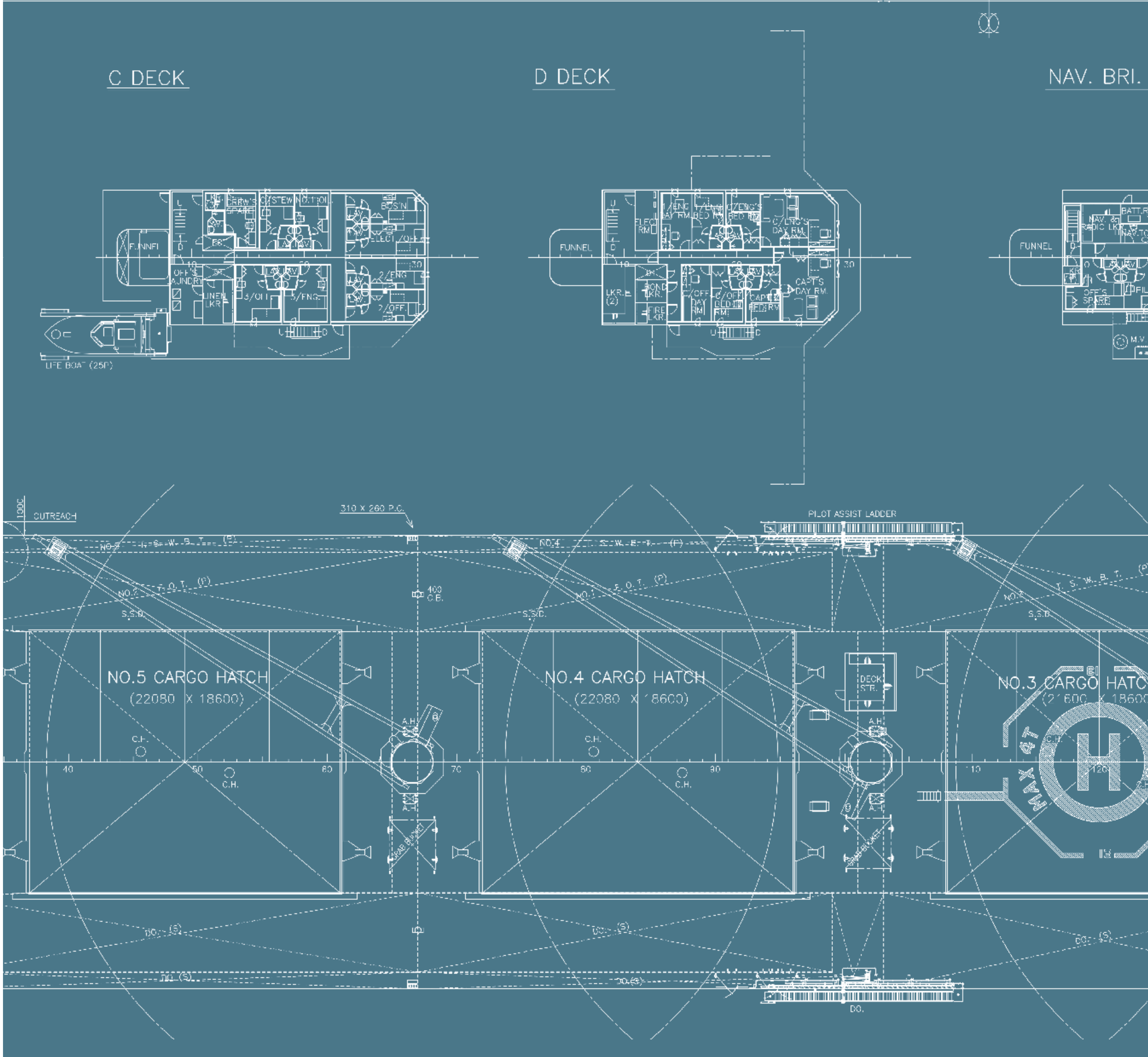
NOV

- Launch of *PB Carbon Neutral Voyage Programme*
- Received four awards from the Hong Kong Marine Department:
  - PB was awarded "Outstanding performance in Port State Control Inspection" for the 13th time in 14 years
  - Captain and crew of "Gharapuri Island" won the Bravery Award for rescuing a distressed person at sea from a sinking boat off Morocco in July 2020
  - Two PB seafarers received the "Award for Seafarers Combating Covid-19" which acknowledges excellent performance and contributions during the pandemic
- Delivery of "Fortune Island", a 61,500 dwt, Imabari 2010-built Ultramax

DEC

- Alex Cheung was appointed Non-executive Director, effective 3 January 2022
- Received a Special Mention for the Most Sustainable Companies Awards 2021 in the Non-Hang Seng Index (Medium Market Capitalization) category at the Hong Kong Institute of Certified Public Accountants Best Corporate Governance and ESG Awards 2021
- Won the Sector Award (Industrial) at the IR Magazine Greater China Awards 2021
- Supported the Mission to Seafarers' *Family Support Network*
- Gold Sponsor of the Captain's Table 2021, a global maritime innovation startup competition

STRATEGY DELIVERY



OUR RESOURCES IN ACTION

We attach great importance to cultivating resources and relationships which we employ as optimally as we can to propel us towards our vision and to benefit our shareholders and customers

An expanded form of this summary table is available on our website

www.pacificbasin.com
About Us > Our Resources in Action

The resources and relationships we rely on	How we create or protect value	Matters of key strategic focus	Desired Outcomes
Physical Capital – Our Fleet	High-quality Ships Scale & Interchangeability In-house Technical Operations	Investing in Our Fleet	■ 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
Human Capital – Our People & Global Office Network	Team Productivity Being Local Being Global	Investing in Our People Deepening Our Relationships	■ Safeguarding quality, effectiveness and availability of staff onshore and at sea ■ Meaningful customer partnerships ■ Access to market intelligence and cargo ■ Optimal trading and positioning of our fleet
Social & Relationship Capital	Stakeholder Engagement & Wellbeing	Safeguarding Health & Safety Evolving Management & Governance Practices	■ Understanding, trust and support between Pacific Basin and our staff, customers, tonnage providers, suppliers, investors, financiers, communities and other stakeholders
Natural Capital	Environmental Responsibility	Safeguarding the Environment	■ Minimise consumption of natural resources and impact on the environment
Intellectual Capital	Effective Business Model & Systems	Maximising Efficiencies & Controlling Costs	■ Sector-leading service delivery ■ Maximising vessel earnings and minimising costs without impacting safety ■ Strong brand reputation
Financial Capital	Considered Treasury Activity	Enhancing Corporate & Financial Profile	■ Sound financial management

Our Purpose
To safely and sustainably deliver by sea the agricultural products, raw materials and other bulk commodities that are essential to people's lives and society's progress

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

DELIVERING ON OUR STRATEGY

Strategic Focus	Strategy Delivery and Performance	2022 Objectives
Investing in Our Fleet	Over several years, we have continued our strategy of growing our Supramax fleet and renewing our Handysize fleet, and our 2021 results evidence our successful execution of that strategy. We added 11 modern second-hand ships to our fleet during the year, including six Ultramax and five large Handysize vessels, and we sold five of our smallest and oldest Handysize vessels. Our vessel purchasing has slowed in recent months as asset prices approached historical highs, but we remain committed to further growing and renewing our fleet in the long term. We currently own 121 quality Handysize and Supramax ships that are very well suited for our customers and trades and are generating very attractive returns. Including chartered ships, we currently have around 250 ships on the water.	We are managing our business for what we believe will be continued strong markets, and will always prioritise safety and efficiency in the way we operate our fleet. Our strategy is to renew and grow our owned fleet with larger, high-quality modern second-hand acquisitions, focusing especially on adding more Supramax ships and renewing our Handysize fleet with newer vessels with larger carrying capacity and longer life. The ships we sell will be our smaller, older Handysize ships, thereby crystallising value and further optimising our fleet to more easily meet tightening environmental regulations.
Investing in Our People	The Covid-related global crew change crisis dominated our people agenda in 2021. We pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on our crews' health, safety and wellbeing on board during this stressful time for seafarers. We provided comprehensive support (including mental health support) so our seafarers felt appreciated, motivated and healthy while governments' restrictions kept them at sea. Despite this extra stress on our crews, we recorded improved safety performance indicators in 2021 (including our lowest ever injury KPIs) as well as high retention figures both at sea and ashore, reflecting the effectiveness of our investment in our employees and their engagement and fulfilment.	We will continue every effort to get our seafarers home and to provide all necessary support to our seafarers while unable to disembark due to countries' measures to contain the pandemic, and 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/operator in dry bulk shipping and the first choice partner for staff and all our stakeholders.
Deepening Our Relationships	In 2021, we carried 79 million tonnes (2020: 70 million tonnes) for over 550 customers, generating full-time employment for our 94,520 vessel days (2020: 83,430 vessel days). Through our global network of 13 regional offices and an expansive customer engagement programme, we continue to connect with a large number of customers at a local level, despite Covid-19-related travel restrictions, thanks to our widespread use of video and other digital communications.	We seek to further improve the customer experience through regular customer engagement and close partnership at a local level (using video communications technology where necessary), 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	Despite the stresses of the pandemic-related global crew change crisis, we improved our Lost Time Injury Frequency ("LTIF") to 0.25, our lowest injury KPI ever, and our external Port State Control inspection deficiency rate was 0.60. 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	2022 Objectives
Evolving Management & Governance Practices	Our risk management team continued to raise emerging risk and control awareness among staff in 2021. Initiatives included refining counterparty due diligence policies, including the roll out of a new counterparty Code of Conduct, anti-bribery training for both shore staff and seafarers, and refining a company-wide Business Continuity Plan ("BCP") to enhance our preparation for severe business and systems disruption. We were named among a short list of the Most Sustainable Companies at the HKICPA's Best Corporate Governance and ESG Awards 2021. 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 International Integrated Reporting Council's International <IR> Framework, the Global Reporting Initiative ("GRI") Standards, and the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations.	We will reassess 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 2021, we progressed our preparations to meet IMO's 2023 rules and we committed to achieving net zero emissions by 2050, targetting that our Pacific Basin fleet will comprise only zero-emission vessels by 2050. We will not contract newbuildings until zero-emission-ready ships are available and commercially viable in our segments and the appropriate refuelling infrastructure is being built out globally.	Through continued investment in training, systems, procedures, technology and collaboration, we will strive to substantially reduce our fleet's greenhouse gas and other emissions and environmental impacts. We will be collaborating with partners in initiatives to design and order zero-emission-ready vessels when they are viable for our sector.
Maximising Efficiencies & Controlling Costs	We maintained competitive daily vessel operating expenses of US$4,590 in 2021 without impacting maintenance or safety primarily through scale benefits and other efficiencies. Our total G&A overheads increased year on year due primarily to an increase in staff costs during the year.	Especially in the expectation of continued freight market volatility, we will continue careful cost control, 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. The valuable access we have to diverse sources of external funding at the most competitive cost in our industry gives comfort to customers and shareholders alike which contributes to the strong corporate profile that makes Pacific Basin a preferred partner for many stakeholders. In 2021, we extended and renewed revolving credit facilities and committed borrowings and made net repayments of US$323 million, further enhancing our balance sheet and liquidity position. At year end, our gearing ratio was 7% (net borrowings to net book value of our owned fleet) 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 enhances our financial performance, reputation and the longevity and future value of our business

Our Sustainability Strategy and Focus Areas

Our sustainability initiatives and reporting are guided by broad strategic objectives and responsibilities that are core to our culture, strategy and long-term vision, and make a difference within and outside our Group:

Environmental stewardship

Reducing our fleet's consumption of fuel and other inputs and the resulting impacts of emissions, use of resources and climate change.

Community engagement

Maintaining mutually beneficial partnerships with our customers, suppliers and other stakeholders in our communities, while always demonstrating responsible business practices.

Safety, workplace and business practices

Rewarding the skills, experience, behaviour and loyalty of our staff and enhancing engagement with fair remuneration and a commitment to health and safety, development and training, equal opportunity and a comfortable and fulfilling workplace.

Corporate governance

Evolving management and governance practices for best-in-class risk management, transparency and stakeholder confidence.

As well as serving key players across the grain, minor bulk and other industries, Pacific Basin serves the biggest names in sustainable forestry in New Zealand, Australia, Canada and the United States

Please see our Sustainability Report 2021
www.pacificbasin.com/sr2021

ENVIRONMENTAL STEWARDSHIP

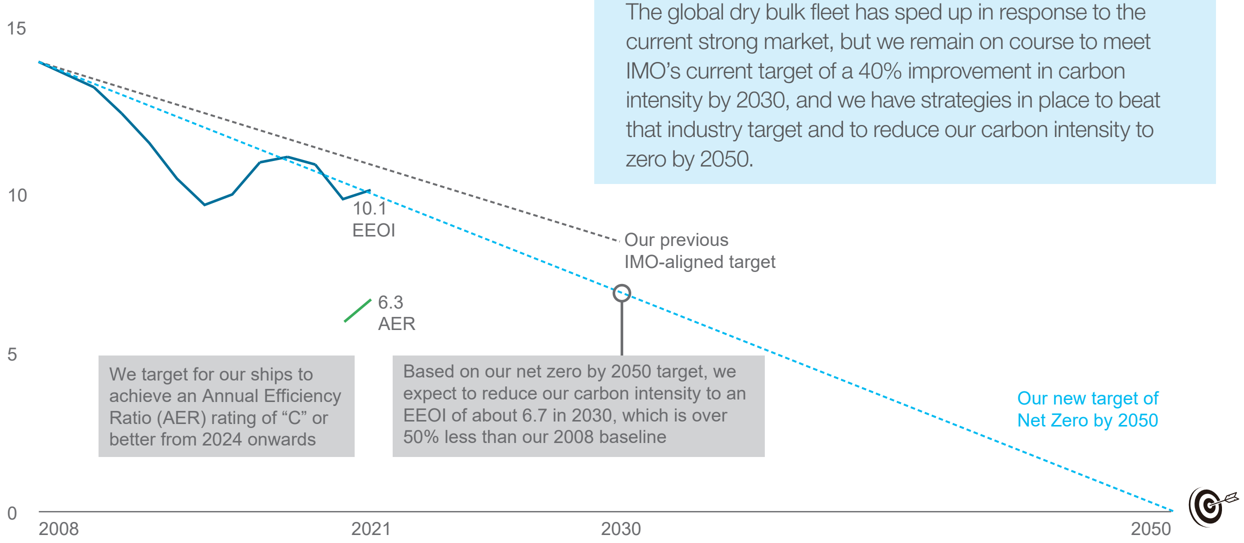
Our owned fleet's carbon intensity continues to reduce long term

KPI

Carbon Intensity (EEOI)
Grams of CO_2 per tonne-mile

In July 2021, we set a new target of Net Zero Emissions by 2050

The global dry bulk fleet has sped up in response to the current strong market, but we remain on course to meet IMO's current target of a 40% improvement in carbon intensity by 2030, and we have strategies in place to beat that industry target and to reduce our carbon intensity to zero by 2050.



IMO adopts global fuel-efficiency regulations

IMO adopted global regulations in June 2021 to drive technical and operational measures to ensure annual improvements in the carbon efficiency of existing ships over the course of this decade with effect from January 2023. We have been adopting such fuel efficiency enhancements and practices for many years and will build further on these initiatives to ensure that our conventionally-fuelled existing ships are well positioned to comply and continue to trade for the foreseeable future.

In parallel, we are collaborating and making preparations to achieve the longer-term goal of complete decarbonisation by transitioning to entirely new zero-emission-ready ships and fuels.

We are a signatory to the *Call to Action for Shipping Decarbonisation*

We are active members of the

Getting to Zero Coalition

SAFETY & WORKPLACE

We enhanced our safety culture in 2021 with a more bottom-up approach which supported a further improved safety performance, including our lowest ever crew injury KPIs

KPI

Lost Time Injury Frequency

0.25 ↓ **58%**

injuries per million man hours

Total Recordable Case Frequency

0.55 ↓ **50%**

injuries per million man hours

External Inspection Deficiency Rate

0.60 ↓ **13%**

deficiencies per PSC inspection

Gulf of Guinea Declaration

We signed the Gulf of Guinea Declaration on the Suppression of Piracy in support of initiatives to address the rising number of piracy attacks in the Gulf of Guinea.

The Gulf of Guinea Declaration on the Suppression of Piracy

Pacific Basin signs Neptune Declaration on Seafarer Wellbeing and Crew Change

We have urged governments and authorities for solutions to enable the safe repatriation of seafarers and, in January 2021, we signed the Neptune Declaration which defines actions to facilitate crew changes and keep global supply chains functioning.

The Neptune Declaration on Seafarer Wellbeing and Crew Change

COMMUNITY ENGAGEMENT

Sponsoring The Captain's Table 2021

We are a Gold Sponsor of the Captain's Table innovation start-up competition, which in 2021 showcased four decarbonisation solutions ranging from hardware to emissions monitoring and initiatives. We assess these projects among the many other innovative decarbonisation solutions and we explore for our own decarbonisation programme.

Contributing to the Mission to Seafarers' Family Support Network (FSN)

We contribute to this FSN industry initiative that supports over 5,000 seafarers and their families living in vulnerable communities at risk of social and economic insecurity in the Philippines.

Wellness at Sea Awareness Campaign

We joined the Sailors' Society's *Wellness at Sea Awareness Campaign*, which is an industry-wide initiative to actively contribute to, celebrate and enhance the wellbeing of seafarers, their families and shore staff. The programme lasts for 27 weeks and will be conducted virtually through e-mail communications, videos, and podcast.

WISTA Membership for Pacific Basin's Female Seafarers

We encourage and facilitate our female Pacific Basin seafarers' membership of the Women's International Shipping & Trading Association (WISTA International), a global organisation connecting female professionals from all sectors of the maritime industry and a leader in diversity and inclusion in shipping.

GOVERNANCE

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

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

88% **ESG Governance Score by Refinitiv**

indicating excellent corporate governance performance and a high degree of transparency.

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

A+ **Sustainability rating by HKQAA**

We disclose our comprehensive ESG policies, practices and performance data to Hong Kong Quality Assurance Agency who, on behalf of Hang Seng Indexes, assesses the ESG performance of Hong Kong-listed companies.

0 **Corrupt practice or whistleblowing incidents**

We are active members of the Maritime Anti-Corruption Network

AWARDS

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

Hong Kong Marine Department Awards 2021

Outstanding Performance in 2020 Port State Inspections

Hong Kong Investor Relations Association Awards

Certificate of Excellence

Hong Kong ESG Reporting Awards 2021

Grand Award in Best ESG Report (Mid-cap)

Grand Award in Excellence in Environmental Positive Impact

IR Magazine Awards

Sector Award (Industrial)

HKICPA Best CG and ESG Awards 2021

Special Mention in Most Sustainable Companies Awards (Medium Market Cap)

Other awards & memberships

- Blue Circle Awards – Port of Vancouver
- Vessel Speed Reduction Certificate – Port of Los Angeles
- Certificate of Corporate Responsibility – NOAA US
- Signatory to Energy Saving and 4T Charters – HKSAR EPD

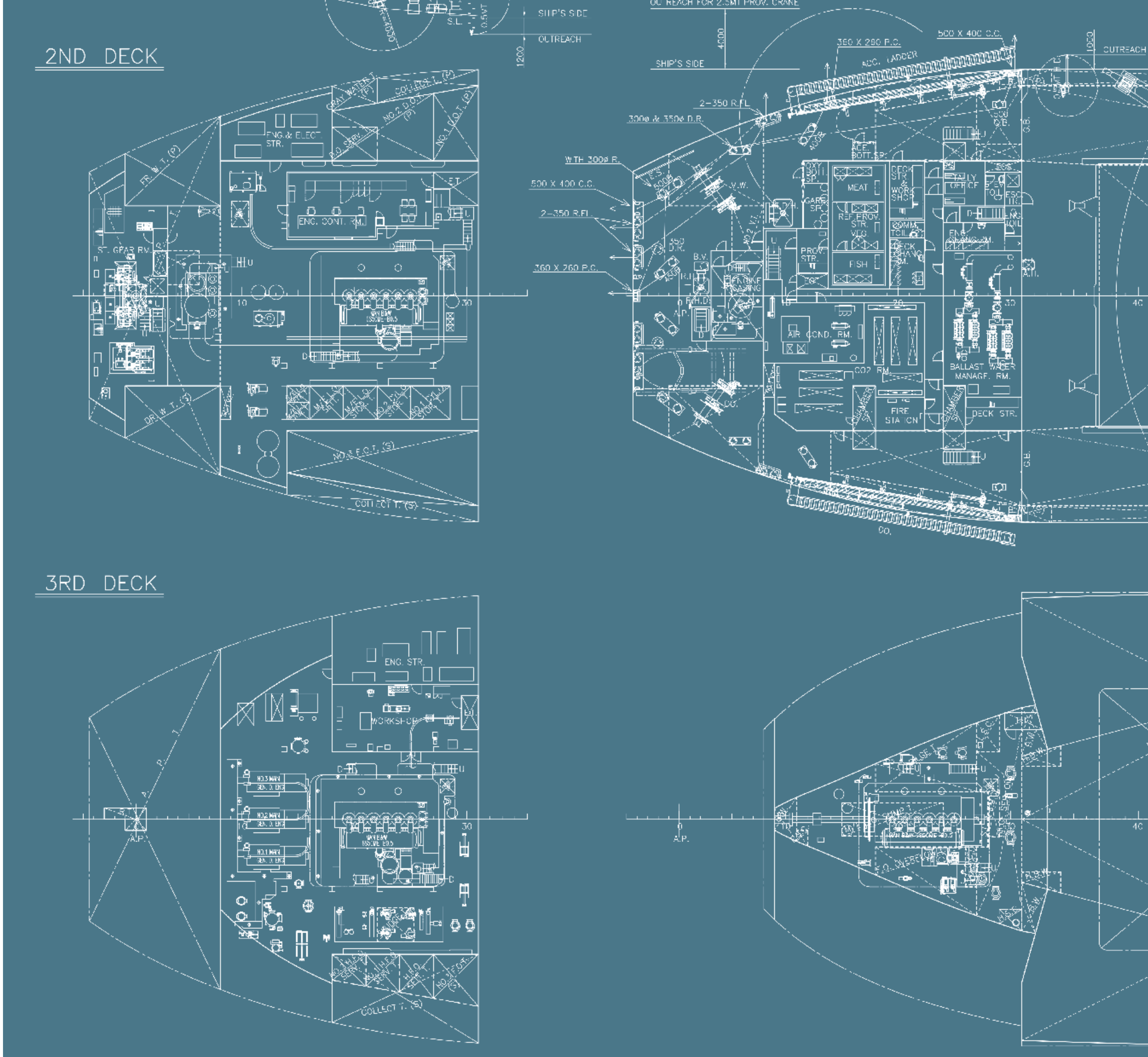
STAKEHOLDER ENGAGEMENT

Stimulating transparency through engagement

Pacific Basin listens to and engages in active two-way dialogue with our stakeholders. We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances value to our customers and shareholders

STAKEHOLDER GROUP	WHY WE ENGAGE	HOW WE ENGAGE	OUTCOMES AND ACTIONS IN 2021
Customers	We strive to be the partner of choice for customers in our segment. We are passionate about service and delivering best-in-class performance, and customer focus lies at the heart of everything we do.	■ Day-to-day chartering enquiries and fixing ■ Customer events ■ Service feedback ■ Customer survey calls ■ Website & publications	We constantly seek to improve our service quality to deliver sustainable and value-adding services to our customers. In 2021, we conducted customer survey calls with dry bulk customers accounting for over 60% of our cargo volumes, feedback from which helps us to find ways to enhance the customer experience.
Suppliers	We are committed to managing our supply chain in a socially and environmentally responsible manner, sourcing from approved suppliers who meet our sustainability requirements.	■ Supplier evaluations ■ Purchasing activity ■ Website & publications	We regularly evaluate the performance of our suppliers and integrate ESG considerations in the evaluation process. In 2021, we rolled out a new Counterparty Form which covers our latest Code of Conduct including ESG expectations and requirements.
Employees	We strive to be the employer of choice for our existing staff and for talented potential employees in our industry. We are a caring employer and seek to provide full and productive employment and decent work for all our seafarers and shore-based staff.	■ Training programs ■ Town hall meetings ■ Open-door policy ■ Performance feedback ■ Intranet	We put health and safety first at all times. We foster an open and inclusive work environment both on board and ashore. We fairly reward and offer career development opportunities to our people. The focus we place on employee wellbeing and fulfilment translates into increased productivity, loyalty and relation.
Investors and financiers	We are dedicated to creating long-term value for our shareholders over the shipping cycle. Transparency stimulated by active investor engagement builds recognition of our brand and enhances shareholder value. We maintain good relationship with our financiers to ensure access to funding sources, thereby building up our financial strength for future development.	■ Annual, Interim & Quarterly reporting ■ Annual General Meetings ■ Investor perception studies ■ Vessel and cargo terminal tours ■ Investor meetings and conferences ■ Investor, analyst, bankers days	We regularly engage with our shareholders and financiers about the Company's development and strategy. We provide transparent and timely information about our performance, strategy and outlook, which facilitates our shareholders and financiers to make more informed investment and lending decisions.
Community	We recognise our obligations as a responsible corporate citizen and strive to create positive social impact to the port, seafarer and other communities in which we operate.	■ Seafarer philanthropy ■ Being respectful visitors ■ Maintaining good relations	We continue to sponsor and be actively involved in good causes, the majority of which relate to seafarer causes and other staff-driven initiatives. While doing good, these initiatives enhance our reputation and employer brand.
Shipping Industry	We contribute to the shipping community and have a voice in the international dialogue with legislators and other parties on topical issues and future legislation.	■ Industry organisations ■ Partnerships & coalitions ■ Formal & casual meetings ■ Our website & publications	We actively participate in and engage with industry organisations, associations, committees, conferences and seafarers regarding different aspects of our business, resulting in enhanced networks, knowledge and preparation for industry challenges.
Regulators and authorities	We actively engagement with local and international regulators and authorities to ensure full compliance with all applicable laws and regulations.	■ Public forums ■ Formal meetings ■ Audits	We continue to comply with all applicable laws and regulations. In 2021, we had no cases of non-compliance.

GOVERNANCE



2ND DECK
3RD DECK
ENG. CONT. RM.
ENG. & ELECT. STR.
AIR COND. RM.
CO2 RM.
FIRE STATION
DECK STR.
MEAT
FISH
ENG. STR.
WORKSHOP
SHIP'S SIDE
OUTREACH

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 sustainable value for our shareholders and other stakeholders

In setting our standards, the Board considers the needs and requirements of the business, its stakeholders and the Corporate Governance Code (the "Code") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year ended 31 December 2021, the Group has complied with all code provisions of the Code as set out in 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.

The Board of Directors

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises eleven Directors (two of whom are female): the Chairman, two Executive Directors, seven Independent Non-executive Directors ("INEDs"), and one Non-executive Director ("NED") (appointed in January 2022). The number of INEDs exceeds 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 2021, 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 11 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.

  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. External advice from independent recruitment consultants in the selection and identification of candidates will be sought if considered appropriate.

ESG Sustainability Report **p.58**
Diversity & Equal Opportunity

  In January 2022, Mr. Alexander Cheung was appointed as a Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee as part of the succession plan. Mr. Cheung brings with him strong professional background in the legal, regulatory, commercial, governance and compliance fields.

- **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 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 seven 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.

  During the period to end of July 2021 before Mr. Berglund retired, he and Dr. Tikka held cross-directorship since they were both serving on the Board of the Company and as non-executive directors at Ardmore Shipping Corporation. However, given that Dr. Tikka occupied a non-executive role in both companies and she and Mr. Berglund each held less than 1% of the number of issued shares in both companies, the Board considered that such cross-directorship did not undermine the independence of Dr. Tikka with respect to her directorship at the Company.

  Mr. Williamson served Hong Kong Exchanges and Clearing Limited ("HKEX") for 13 years since 2008 until April 2021 as an independent non-executive director. During his tenure in HKEX, in order to properly address any potential conflict of interest that might arise, Mr. Williamson was not involved in any way in any communications with the Stock Exchange or the Securities and Future Commission in relation to any listing compliance matter of the Company.

  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 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. With the assistance of the Company Secretary, all Directors received updates on legal, compliance and regulatory issues of Hong Kong, updates on the industries and the markets in which the Group operates as well as updates on significant changes in financial accounting standards. Relevant reading materials were also identified by the Company Secretary during the year and records of training of all Directors have been provided to the Company Secretary.

All new Directors receive an 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 the Chairman of the Board and the Chairman of the Audit Committee by way of interview with individual Director to evaluate its own performance during the year with an aim of ensuring continuous improvement in its functioning which in turn would influence and impact the business. Directors' feedback was analysed and discussed in meetings. The evaluation concluded that the Board operated effectively during the year.

The Board considers that 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 continues to receive close monitoring and the Board will undertake appropriate recruitment having regard to the retirement plan 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

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.

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.

www.pacificbasin.com
Sustainability > Board & Board Committees

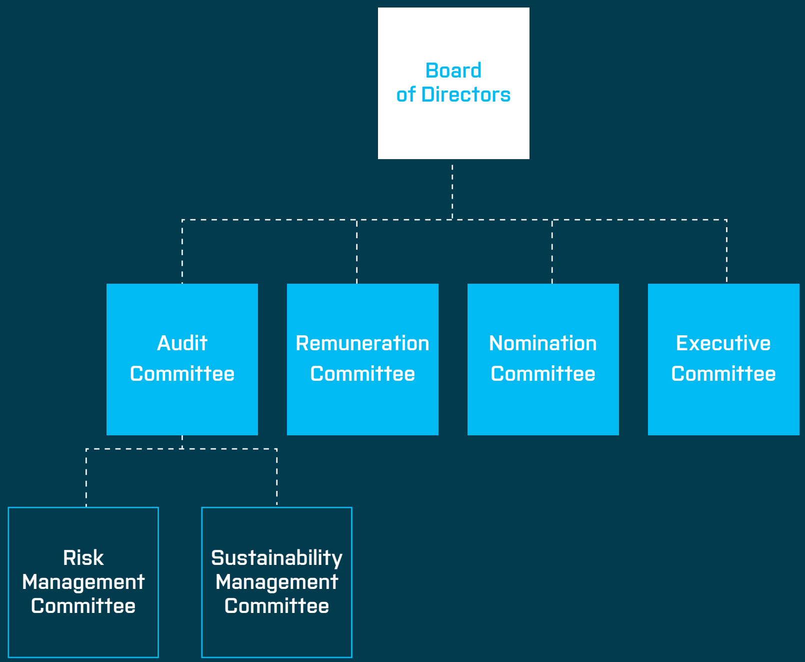
Decisions made by the Board and the Board Committees are based on detailed analyses prepared by the management which include:

(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 2021

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 five times during the year. The attendance of each Director at Board meetings, Committee meetings and general meeting in 2021 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	Board	Audit[1] Committee	Remuneration Committee	Nomination Committee
Executive Directors					
David M. Turnbull (Chairman)	1	5/5			
Martin Fruergaard (Chief Executive Officer) (appointed in July 2021)		3/3			
Peter Schulz (Chief Financial Officer)	1	5/5			
Mats H. Berglund (Chief Executive Officer) (retired in July 2021)	1	3/3			
Independent Non-executive Directors					
Patrick B. Paul	1	5/5	4/4	1/1	1/1
Robert C. Nicholson	0	5/5	4/4	1/1	1/1
Alasdair G. Morrison[2]	1	4/5	4/4		
Irene Waage Basili	0	5/5		1/1	1/1
Stanley H. Ryan	0	5/5		1/1	1/1
Kirsi K. Tikka	0	5/5	4/4		
John M.M. Williamson	1	5/5	4/4		
Total number of meetings held in 2021	**1**	**5**	**4**	**1**	**1**

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

[2] Mr. Morrison recused himself from one Board meeting as he held an interest in the transaction being discussed at that meeting

The Audit Committee

Membership

Chairman: John M.M. Williamson

Members: Patrick B. Paul, Robert C. Nicholson, Alasdair G. Morrison, Kirsi K. Tikka and Alexander H.Y.K. Cheung (effective from 3 January 2022)

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 and make recommendations to the Board.
7. Review the independent audit process and the effectiveness of the risk management and internal audit function.

Work Done in 2021

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 2020 full year audit and the 2021 interim review and the audit strategy memorandum;
- review of the 2020 Annual Report, Sustainability Report and accounts and the 2021 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 2021 and the internal controls testing results and the effectiveness of the risk management and internal control systems 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 the external auditor once without the presence of management.

The Remuneration Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili, Stanley H. Ryan and Alexander H.Y.K. Cheung (effective from 3 January 2022)

Main Responsibilities

1. Make recommendation to the Board on the Company's policy and structure for Directors' remuneration 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.
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.

Work Done in 2021

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

- approval of the payment and awards for the former CEO upon his retirement in July 2021
- approval of the 2021 year-end bonuses, salary review for 2022 and restricted share awards for the Executive Directors and certain higher paid employees; and
- approval of the grant of restricted share awards to certain staff members.

The Nomination Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili, Stanley H. Ryan and Alexander H.Y.K. Cheung (effective from 3 January 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. Identify individuals suitably qualified to become Board members and make recommendation to the Board on the selection of individuals nominated for directorship.
4. Assess the independence of the Company's Independent Non-executive Directors.
5. 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.

Work Done in 2021

The Nomination Committee met once 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 succession plan and update on the strategy of INED renewal program;
- make recommendation to the Board of the appointment of Alexander Cheung as new NED; 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 two senior executives

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 2021

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;
- extension of a major loan facility by two years and early repayment and termination of another loan facility;
- acquisition of five second-hand Handysize vessels and three second-hand Ultramax vessels and charter in of two large Handysize vessels for a period of three years for delivery in second half of 2023;
- disposal of three smaller and older Handysize vessels;
- appointment of the new CEO as an authorised representative of the Company and signatory for all existing loan facilities; and
- the conversion price adjustment of the Group's convertible bonds due in 2025 and the related announcement in August 2021.

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 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 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.

The Sustainability Management Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer, Director of Chartering, Director of Operations, Director of Fleet, 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 2021

In 2021, the SMC met three times and reported to the Audit Committee on the Group's sustainability programme, performance and work done. The work undertaken included:

- review and discussion about the materiality assessment of ESG topics and risks with reference to the Company's strategy and industry relevance;
- review of the ESG KPI performance and progress made against the approved targets with reporting to the Board;
- set new targets including net zero emissions by 2050;
- review and assessment of incoming energy-efficiency and decarbonisation regulations and measures in the shipping industry;
- study of climate-related risks and opportunities and their possible impacts on the Group;
- implementation of enhanced supply chain ESG management initiatives; and
- amendment of 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.

We Have Set More Ambitious Carbon Intensity and Net Zero Targets

In 2020, we set environmental KPI targets to comply early with new requirements of the ESG Guide. In 2021, we increased our decarbonisation ambition level with a revised target of net zero emissions by 2050. We also set ourselves the target of achieving an AER carbon intensity rating of C or higher on our vessels from 2024 onwards to ensure we easily comply with IMO's carbon intensity rules that come into force in 2023. Setting these and related targets is key to improving the Group's decarbonisation performance and the overall sustainability of our business. SMC has implemented climate and environmental KPI targets endorsed by the Board, details of which can be found in the Company's Sustainability Report 2021.

ESG Sustainability Report **p.26**
How We Are Decarbonising

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. 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 2021

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 and review 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 management of contracts of affreightment;
- 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.5 Who We Are

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 fulfillment 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 2021, 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. 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.37 Our Resources in Action

1. Investing in Our Fleet

p.38-39 Strategy Delivery

Risk/Impact	Mitigating Measures
Market Risk A Adverse financial impacts include: ■ freight rate volatility; ■ cost volatility including fuel prices and other operating expenses; 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:** →	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. Volatile 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. The Group constantly reviews optimal vessel operating speed to maximise voyage contribution. p.99 Financial Statements Note 16 Derivative Assets and Liabilities for our use of derivative financial instruments
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 vessels. Inadequate vessel maintenance could jeopardise crew safety and lead to vessel down-time and service disruptions. **Change from last year:** ↑	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 second-hand 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 assure safety and service reliability. ESG Sustainability Report p.44-45 Pacific Basin Management System

2. Investing in Our People

p.38-39 Strategy Delivery

Risk/Impact	Mitigating Measures
Succession Risk Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the business, and undermine stakeholder 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 transition of the role of CEO to Mr Martin Fruergaard in July 2021 has been smooth and successful and he has settled in well in that role. 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 Covid-19 pandemic, many of our seafarers continue to be impacted by crew-change restrictions, long periods of quarantine and other complications arising from governments' measures to manage the pandemic. Many of our shore-based staff are separated from their families due to quarantine and travel restrictions in some parts of the world. Staff morale, health and wellbeing of crew as well as operational safety may be impacted. **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 to attract and retain the best talent; ■ offering regular training for staff ashore and at sea not only to ensure they are able to perform their duties but also to help improve professional fulfillment; ■ implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff; ■ pursuing every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods during the Covid-19-related global crew change crisis, enhancing our focus on their health, safety and wellbeing on board during this stressful time, and providing comprehensive support including mental health support; ■ extending flexibility to staff who are separated from their families due to strict quarantine and travel restrictions due to Covid-19; and ■ launching an Employee Assistant Program on a global basis offering counselling services and wellness workshops to all employees. ESG Sustainability Report p.52 Workplace & Business Practices Training & Development

3. Deepening Our Relationships

p.38-39 Strategy Delivery

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; ■ performing sanction checks on all counterparties, deploying our self-developed platform 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.103 Financial Statements Note 17 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 close to our customers enabling direct and frequent customer engagement, a clear 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 treasury function develops and maintains relationship with a diverse group of reputable banks worldwide through regular senior management contact.

4. Safeguarding Health and Safety

p.38-39 Strategy Delivery

Risk/Impact	Mitigating Measures
Health and Safety Risk Inadequate safety and operational standards, piracy or other causes of accidents may lead to loss of life, severe damage to our property or vessels, and impact the Group's reputation among seafarers, customers and other stakeholders. Covid-19 pandemic has restricted our ability to change crew that may lead to possible strike and deterioration in safety and quality. **Change from last year:**	Our commitment to the safe operation of our ships is manifested through a proactive system ashore and at sea – the Pacific Basin Management System – enhanced by comprehensive risk assessment, as well as well-conceived training and maintenance programmes and 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. During the Covid-19-related global crew change crisis, we pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on their health, safety and wellbeing on board during this stressful time for seafarers, providing comprehensive support including mental health support. ESG Sustainability Report p.46 Workplace & Business Practices Health & Safety
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.38-39 Strategy Delivery

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 breach of security could result in communications breakdown, business disruption and financial loss. 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 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 stakeholder 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. Internal procedures are in place to 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.45 Corporate Governance
Investor Relations Risk Lack of transparency or adequacy in our external communications could undermine stakeholder confidence in our Group. **Change from last year:** →	The Group has a dedicated investor relations function as well as 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.76 Investor Relations

6. Safeguarding the Environment

p.38-39 Strategy Delivery

Risk/Impact

Environment Risk

Any deficiency in compliance with emissions and other environmental legislation 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 will take effect from 2023.

The EU's intention to include shipping in the European Union Emissions Trading System (EU ETS), charge tax on bunker fuel and implement carbon intensity reduction requirements may also take effect from 2023.

The target of net-zero emission shipping by 2050 promoted by the UN Climate Change Conference of the Parties (COP26) presents for the shipping industry the significant challenges of constantly reducing the carbon intensity of existing conventional ships and replacing these with zero-emission ships that are not yet available and viable for our sector.

Change from last year: ↑

ESG Sustainability Report p.21
Environment

Mitigating Measures

Our Sustainability Management Committee chaired by our CEO oversees and executes the Group's sustainability strategy and making meaningful sustainability recommendations. It also ensures our strict compliance with all applicable laws and regulations, adequate board engagement, and KPI targets are set to drive performance.

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 new ships with increasingly fuel-efficient design and latest innovations and technical enhancements to reduce atmospheric emissions.

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* this year by partnering with CLP Holdings Limited (CLP) to offset carbon emissions from our global onshore operations, and extending the service to our customers.

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 CO_2 MRV regulations, etc. We continue to take a proactive approach to explore viable technological advancement and alternative fuels to achieve 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.

We will not order newbuildings until zero-emission bulk carriers are available and commercially viable. We will be collaborating with partners in initiatives to design and order such vessels.

7. Maximising Efficiencies & Controlling Costs

p. 38-39 Strategy Delivery

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 enhance efficiency include:

- regular review and upgrade of IT systems, evaluation and procurement of new software, 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 resource 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 stakeholder 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 performance of the Group. Variances from resource planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

8. Enhancing Corporate & Financial Profile

p.38-39 Strategy Delivery

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 Treasury 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.113 Financial Statements Note 28 Financial Liabilities Summary p.32 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.55 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.99 Financial Statements Note 16 Derivative Assets and Liabilities for our use of derivative financial instruments

OTHER INFORMATION

Handling Inside Information

The Group adopts 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 except that a Director traded in the Company's securities prior to obtaining written approval from the Company during a period when no trading restrictions were in place. The Board has given formal reminder to the said Director that the Model Code stipulates written approval must be received before any securities transactions can proceed.

Senior Management and Staff's Securities Transactions

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

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

Auditor's Remuneration

Remuneration paid to the Group's external auditor, for services provided for the year ended 31 December 2021 is as follows:

		US$'000
Audit	Non-audit	Total
908	187	1,095

Our Shareholders

Details of shareholder type and shareholding can be found on page 79 of this Annual Report.

p.74 Report of the Directors
Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

p.79 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. The Board has the responsibility to review the Policy regularly to ensure its effectiveness. Details of the Shareholders Communication Policy can be found on the Company's website.

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 15 April 2021 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 2020;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditor for the year ended 31 December 2021 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

Public Float

At the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, approximately 84.89% of the Company's total issued share capital is held by the public.

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.123 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.123** Corporate Information
including the Company's registered office and principal office addresses

Planned Financial Calendar in 2022

24 February	2021 annual results announcement
11 March	2021 Annual Report
13 April	First quarter 2022 trading update
12-19 April	Book closure for determining entitlement to attend and vote at the AGM
19 April	Annual General Meeting
Applicable if 2021 final dividend is payable:	
20 April	Last day of dealings in shares with entitlement to 2021 final dividend
21 April	Ex-dividend date
22 April by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2021 final dividend
25 April	2021 Final dividend record date and book closure of the share register
5 May	2021 Final dividend payment date
28 July	2022 interim results announcement
Applicable if 2022 interim dividend is payable:	
9 August	Last day of dealings in shares with entitlement to 2022 interim dividend
10 August	Ex-dividend date
11 August by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2022 interim dividend
12 August	2022 Interim dividend record date and book closure of the share register
24 August	2022 interim dividend payment date
13 October	Third quarter 2022 trading update

OUR DIRECTORS

Our Board comprises 11 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 66)

Mr. Turnbull joined the 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 chairman of Swire's Hong Kong-listed companies Swire Pacific, Cathay Pacific Airways and Hong Kong Aircraft Engineering Company and was 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

Current term expires 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 54)

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, subject to re-election 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 49)

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

Current term expires at the 2022 AGM

External appointments:
None

Committee membership:
Executive Committee

Independent Non-executive Directors and Non-executive Director

Patrick Blackwell Paul

Independent Non-executive Director

(age 74)

Mr. Paul served with PricewaterhouseCoopers for 33 years, during which time he held a number of senior management positions in Hong Kong, including chairman and senior partner of the firm for seven years.

Education & qualifications:
Oxford University: Master of Arts degree

Fellow of the Institute of Chartered Accountants in England and Wales

Term of office:
Appointed as INED in March 2004

Retiring at the 2022 AGM

External appointments:
INED of Hong Kong-listed Johnson Electric Holdings and The Hongkong and Shanghai Hotels, Limited

Committee membership:
Audit, Remuneration and Nomination Committees

Robert Charles Nicholson

Independent Non-executive Director

(age 66)

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

Current term expires at the 2022 AGM

External appointments:
None

Committee membership:
Chairman of Remuneration and Nomination Committees

Audit Committee

Alasdair George Morrison

Independent Non-executive Director

(age 73)

Mr. Morrison served with the Jardine Matheson Group for 28 years holding various senior positions including that of group managing director. He then moved to Morgan Stanley where he was a managing director and then chairman of Morgan Stanley Dean Witter Asia, and chairman and chief executive officer of Morgan Stanley Asia. He spent five years as senior advisor to Citigroup Asia Pacific until January 2015 and was an independent non-executive director of the Hong Kong-listed MTR Corporation from July 2010 to May 2018 and chairman and director of Trans Maldivian Airways from January 2018 to September 2020.

Education & qualifications:
Cambridge University: Master of Arts degree

Program for Management Development at Harvard Business School

Term of office:
Appointed as INED in January 2008

Retiring at the 2022 AGM

External appointments:
Senior advisor of Bain Capital Asia

Committee membership:
Audit Committee

Irene Waage Basili

Independent Non-executive Director

(age 54)

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 and Nomination Committees

Stanley Hutter Ryan

Independent Non-executive Director

(age 60)

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.

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

External appointments:
Chief executive officer and president of Seattle-based Darigold, Inc.

Senior advisor of McKinsey & Company

Committee membership:
Remuneration and Nomination Committees

Kirsi Kyllikki Tikka

Independent Non-executive Director

(age 65)

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 in September 2022

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

Committee membership:
Audit Committee

John Mackay McCulloch Williamson

Independent Non-executive Director

(age 63)

Mr. Williamson served as independent non-executive director on the board 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 (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); and managing director at NatWest Investment Services, London (1992 to 1994).

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:
INED of Nasdaq-listed Provident Acquisition Corp.

Non-executive chairman of UK Tote Group Limited

Committee membership:
Chairman of Audit Committee

Alexander Howarth Yat Kay Cheung

Non-executive Director

(age 50)

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, subject to re-election 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 68 to 69 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 365 shore-based staff at 31 December 2021 (2020: 343) and about 4,600 seafarers during the year (2020: 4,100).

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	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 2021 and 2020 A

31 December 2021	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension[6] US$'000	Total payable US$'000	Share-based compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	395	262	2	659	257	916
Martin Fruergaard[1]	–	472	376	1	849	660	1,509
Peter Schulz	–	533	530	2	1,065	329	1,394
Mats H. Berglund[2]	–	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[3]	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
31 December 2020							
Executive Directors							
David M. Turnbull	–	395	33	2	430	260	690
Mats H. Berglund	–	1,096	115	2	1,213	606	1,819
Peter Schulz	–	533	66	2	601	311	912
	–	2,024	214	6	2,244	1,177	3,421
Independent Non-executive Directors							
Patrick B. Paul	116	–	–	–	116	–	116
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[3]	17				17		17
Daniel R. Bradshaw[4]	28	–	–	–	28	–	28
	682	–	–	–	682	–	682
Total Directors' remuneration	682	2,024	214	6	2,926	1,177	4,103
Other Employees	–	143,143[5]	5,293	3,158	151,594	4,404	155,998
Total remuneration	682	145,167	5,507	3,164	154,520	5,581	160,101

Note:

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

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

(3) Mr. Williamson was appointed as an Independent Non-executive Director on 2 November 2020.

(4) Mr. Bradshaw retired as an Independent Non-executive Director on 8 April 2020.

(5) Salaries of Other Employees includes crew wages and other related costs of US$128.9 million (2020: US$109.5 million), which are classified as cost of services in the income statement.

(6) During the year, a total of approximately 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.

For the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group were three Executive Directors and two employees (2020: 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.

	2021 US$'000	2020 US$'000
Salaries	**760**	732
Bonuses	**843**	171
Pension	**244**	133
Total Payable	**1,847**	1,036
Share-based compensation	**355**	350
Total payable and charged	**2,202**	1,386

Emolument bands	2021	2020
HK$5,000,001 to HK$5,500,000	**0**	1
HK$5,500,001 to HK$6,000,000	**0**	1
HK$7,500,001 to HK$8,000,000	**1**	0
HK$9,000,001 to HK$9,500,000	**1**	0

During the year, the Group did not pay any of the five highest paid individuals (including three Directors) 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 2021.

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 2021 is set out on pages 4 to 35 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 2021 is set out in the "Sustainability Highlights" section of this Annual Report and a comprehensive Sustainability Report 2021 is available on our website.

Results

The results of the Group for the year are set out in the consolidated income statement on page 82.

Dividend

The Board has recommended the payment of a total final dividend of HK60 cents per share (comprising a basic dividend of HK42 cents per share and a special dividend of HK18 cents per share) for the year ended 31 December 2021. When this proposed final dividend is aggregated with the interim dividend of HK14 cents per share declared on 29 July 2021, the total of HK74 cents per share represents approximately 66% of the Group's net profits, excluding the reversal of the vessel impairment, for the year ended 31 December 2021, which is in line with the dividend policy of paying out at least 50% of net profits.

The recommended final dividend of HK60 cents per share will be considered at the 2022 AGM to be held on 19 April 2022.

p.16 Chief Executive's Review

Distributable Reserves

Distributable reserves of the Company at 31 December 2021, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US$649.9 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$365,000.

Share Capital and Pre-emptive Rights

Movements in the share capital of the Company are set out in Note 24 to the financial statements.

During the reporting year, a total of 23,820,000 ordinary shares were issued in March 2021 to fulfill the granting of the Company's restricted awards under the Company's 2013 Share Award Scheme.

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 2021, there remained the 3.0% p.a. coupon guaranteed convertible bonds issued in December 2019 and maturing in December 2025 with an outstanding principal of US$175.0 million. The bonds are convertible into ordinary shares of the Company at a current conversion price of HK$2.24 per share.

The convertible bonds proceeds have been fully utilised according to the intentions previously disclosed. US$49.4 million has been used for the purchase of vessels pursuant to the four-ship acquisition transaction as announced on 17 September 2019, US$16.8 million has been used to purchase a second-hand Supramax vessel in 2019; US$67.0 million has been used to purchase the four second-hand Ultramax vessels as announced on 27 November 2020; US$13.5 million has been used to purchase one second-hand Ultramax vessel in February 2021 and the balance of US$26.7 million has been used for general corporate purposes including but not limited to vessel operating expenses, vessel charter- hire, the service of the Group's financial obligations, office administrative expenses and vessel and non-vessel equipment expenditures.

More details are set out in Note 22(b) to the financial statements.

Purchase, Sale or Redemption of Securities

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

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.

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 481,269,127 shares as at 1 January 2022). There were 78,811,000 unvested restricted awards under the SAS which represents 1.64% of the issued share capital of the Company as at 24 February 2022.

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 2021 are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 31 Dec 2021	Unvested at 1 Jan 2021	Granted during the year[1]	Vested and/or lapsed[2]	Vesting in 2022	Vesting in 2023	Vesting in 2024
Directors										
David M. Turnbull	5-Aug-08	12,710	(8,704)	4,006	3,707	1,479	(1,180)	1,278	1,249	1,479
Martin Fruergaard[3]	2-Aug-21	4,116	(484)	3,632	–	4,116	(484)	1,210	1,210	1,212
Peter Schulz	21-Aug-17	9,974	(4,611)	5,363	4,539	1,992	(1,168)	1,688	1,683	1,992
Mats H. Berglund[4]	1-Jun-12	24,322	(24,322)	–	8,699	–	(8,699)	–	–	–
		51,122	(38,121)	13,001	16,945	7,587	(11,531)	4,176	4,142	4,683
Other Employees				65,810	60,264	25,677	(20,131)	20,119	20,503	25,188
				78,811	77,209	33,264	(31,662)	24,295	24,645	29,871

Notes:

(1) The closing price of the shares of the Company immediately before the grant of 29,148,000 shares on 2 March 2021 and 4,116,000 shares on 2 August 2021 were HK$2.08 and HK$3.46 respectively.

(2) Other than vesting of shares of Mr. Fruergaard and Mr. Berglund as described in notes (3) and (4) below, 20,989,000 shares vested in July 2021 according to the annual vesting schedule, 1,364,000 shares lapsed due to resignation of four employees and 126,000 shares vested due to early retirement of one employee.

(3) Mr. Fruergaard was granted 4,116,000 shares on 2 August 2021 and 484,000 shares vested on 4 August 2021 in accordance with his service contract.

(4) 2,768,000 shares vested to Mr. Berglund on 14 July 2021 as scheduled and the balance of 5,931,000 shares vested upon his retirement at the end of July 2021.

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	3 years until 2023 AGM
Martin Fruergaard, CEO	2-Jul-21	3 years until July 2024, subject to re-election at the 2022 AGM
Peter Schulz, CFO	30-Jul-18	3 years until 2022 AGM
Independent Non-executive Directors		
Patrick B. Paul	25-Mar-04	retiring at 2022 AGM
Robert C. Nicholson	25-Mar-04	3 years until 2022 AGM
Alasdair G. Morrison	1-Jan-08	retiring at 2022 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 Sep 2022
John M.M. Williamson	2-Nov-20	3 years until Nov 2023
Non-executive Director		
Alexander H.Y.K. Cheung	3-Jan-22	3 years until 2 January 2025, subject to re-election at the 2022 AGM

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.

In accordance with the Company's Bye-law 86(2), Mr. Martin Fruergaard and Mr. Alexander Cheung, appointed by the Board in July 2021 and January 2022 respectively, shall retire at the 2022 AGM. In addition, Messrs. Peter Schulz, Patrick Paul, Robert Nicholson, Alasdair Morrison and Kirsi Tikka shall retire at the 2022 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (2). Apart from Mr. Paul and Mr. Morrison who are retiring at the conclusion of the 2022 AGM, all retiring directors, being eligible, offer themselves for re-election. Mr. Nicholson has indicated his intention to retire at the conclusion of the 2023 AGM, subject to being re-elected at the 2022 AGM.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2022 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 of the Company 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 2021, 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 21	31 Dec 20
David M. Turnbull[1]	10,205,000	568,000[2]	Long	10,773,000	0.22%	0.26%
Martin Fruergaard[1]	4,116,000	–	Long	4,116,000	0.09%	–
Peter Schulz[1]	8,474,000	129,000[3]	Long	8,603,000	0.18%	0.17%
Patrick B. Paul	420,000	0	Long	420,000	less than 0.01%	less than 0.01%
Robert C. Nicholson	250,000	0	Long	250,000	less than 0.01%	–
Alasdair G. Morrison	0	1,674,380[4]	Long	1,674,380	0.03%	0.03%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	–

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 71 of this Report.

(2) 568,000 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.

(4) 1,674,380 shares in the form of convertible bonds due 2025 at nominal value of US$500,000 are held by Mr. Morrison 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 2021.

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.

Biographical Details of Directors

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

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 2021, 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 2021	31 Dec 2020
HSBC Holdings plc[1]	Trustee/Custodian/ Interest of corporation controlled	Long	634,049,583	13.17%	not applicable
Aggregated of Aberdeen Plc affiliated investment management entities	Investment manager	Long	337,212,500	7.01%	5.10%
Pzena Investment Management, LLC[2]	Investment manager/ Beneficial owner	Long	322,879,435	6.71%	6.83%
M&G Plc	Interest of corporation controlled	Long	334,962,000	6.96%	7.26%
		Short	4,528,000	0.09%	not applicable
Citigroup Inc.[3]	Interest of corporation controlled/ Approved lending agent	Long	305,970,195	6.36%	5.98%
		Short	32,161,587	0.67%	0.11%
Morgan Stanley	Interest of corporation controlled	Long	305,588,488	6.35%	not applicable
		Short	102,702,008	2.13%	not applicable
Brown Brothers Harriman & Co.	Approved lending agent	Long	264,346,019	5.49%	not applicable

Notes:

(1) The long position in shares held by HSBC plc is held in the capacities of Trustee (612,195,312 shares), Custodian (other than an exempt custodian interest) (7,875,000 shares) and Interest of corporation controlled (13,979,271 shares).

(2) 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.

(3) The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (31,094,991 shares) and Approved lending agent (274,875,204 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2021, 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 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 2022 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, the Company has complied with the Listing Rules requirement that at least 25% of the Company's total issued share capital must be held by the public.

By Order of the Board

Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 24 February 2022

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

We continue to abide by strict Covid-19 social distancing measures while maintaining our continued high level of investor and stakeholder engagement. 2021 saw the strongest dry bulk freight market since 2008, and we generated our best results in our Company's history. This has resulted in increased interest in Pacific Basin and the dry bulk shipping sector, and we took this opportunity to engage with investors through non-deal roadshows, virtual conferences, investor meetings and an increased social media presence. We conducted online earnings calls and actively participated in numerous virtual conferences and investor events hosted by investment banks as virtual events have grown in popularity as a way to connect with investors around the world.

During the year, we received three awards for investor relations and corporate governance including Sector Award (Industrial) at IR Magazine Greater China Award 2021. 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
- Online Annual Report
- Quarterly Trading Updates
- Presentations and press releases on business activities

www.pacificbasin.com/ar2021
Interactive Online Annual Report and Feedback Form

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:

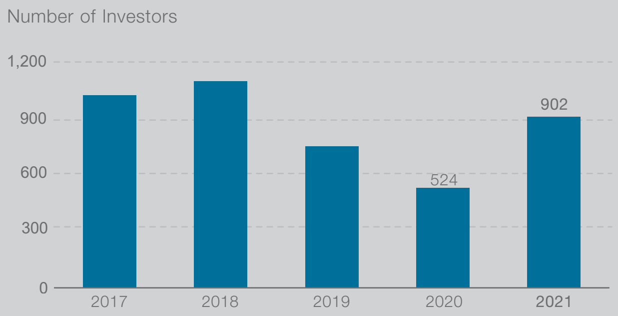
- Group profile
- Fleet profile
- Strategic and business models
- Service highlights for customers
- Board of Director's biographical data
- Board Committees' Terms of Reference
- Corporate Governance, Risk Management and CSR
- Financial reports and company news
- Financial information excel downloads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

Our Activities in 2021

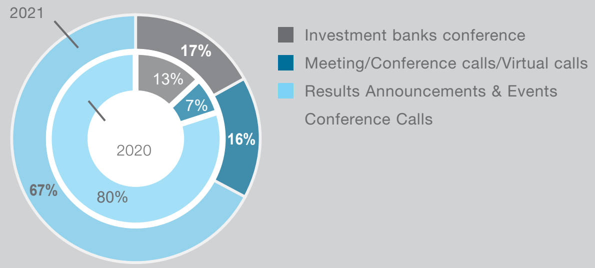
Investor Meetings

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 2021, we talked to 902 (2020: 524) 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.

8 analysts covered Pacific Basin in 2021 (2020: 10)

55 research reports covered Pacific Basin in 2021 (2020: 43)

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 2021 investor interest in the Company and sector increased as the dry bulk sector saw the strongest freight market since 2008. Investors were interested to discuss how Covid-19 and the much improved demand and supply fundamentals were impacting freights rates, while also eager to comprehend IMO's new greenhouse gas emission reduction goals, our fleet and ESG strategies, and how our capital allocation strategy would develop with the changing market environment.

Key Investor Concerns in 2021

- Covid-19 impact on dry bulk market and crew repatriation
- IMO's new greenhouse gas emission reduction goals and the impact this will have on shipping, and our strategy to address them
- Demand and supply fundamentals
- Freight rate seasonality and sustainability
- Impact of trade dispute on dry bulk trade
- Capital allocation strategy
- Our fleet expansion plan
- ESG development

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue at 31 December 2021:

- 4,812,691,272 ordinary shares, each with a par value of US$0.01
- US$175 million of 3.0% coupon Convertible Bonds due 2025

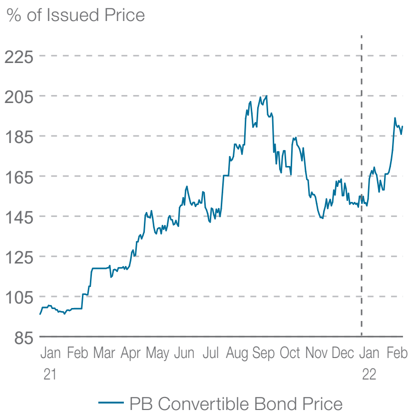
Our stock is a constituent member of the Hang Seng sub index series and the MSCI Index series, and it is eligible for Southbound Trading under the Shenzhen-Hong Kong Stock Connect programme.

p.108 Share Capital

PB Share Price Performance vs Hang Seng Index

Source: Bloomberg, data as at 21 February 2022

Convertible Bonds Price Performance



Source: Bloomberg, data as at 21 February 2022

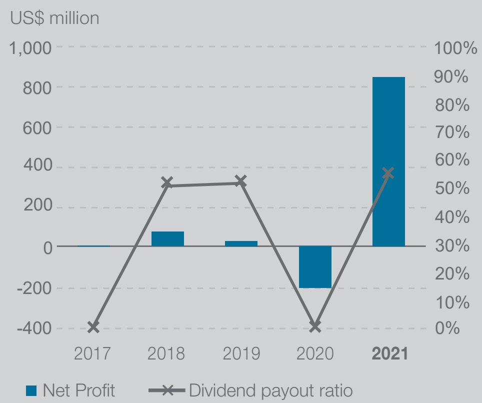
Shareholder Return and Dividend

We return value to our shareholders by way of both appreciation in share price and dividends. In 2021, our total shareholders' return was 105%.

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



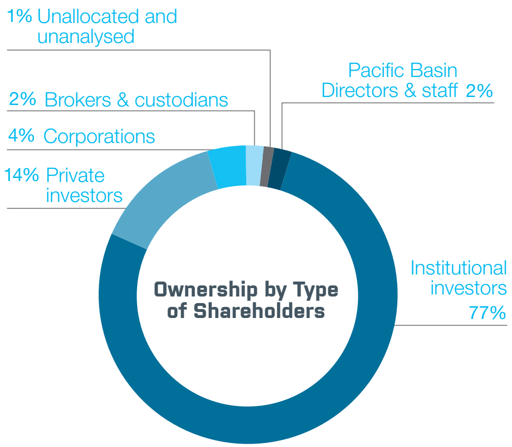
Our Shareholders

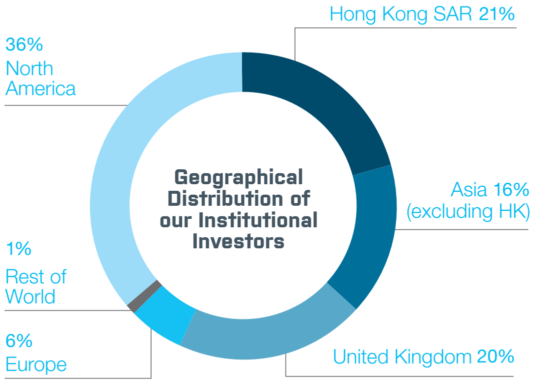
As at 31 December 2021, Orient Capital was able to analyse the ownership of approximately 89% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning nearly 3.7 billion shares or 77% of our share capital.

We were able to identify 337 shareholders as at 31 December 2021. 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.

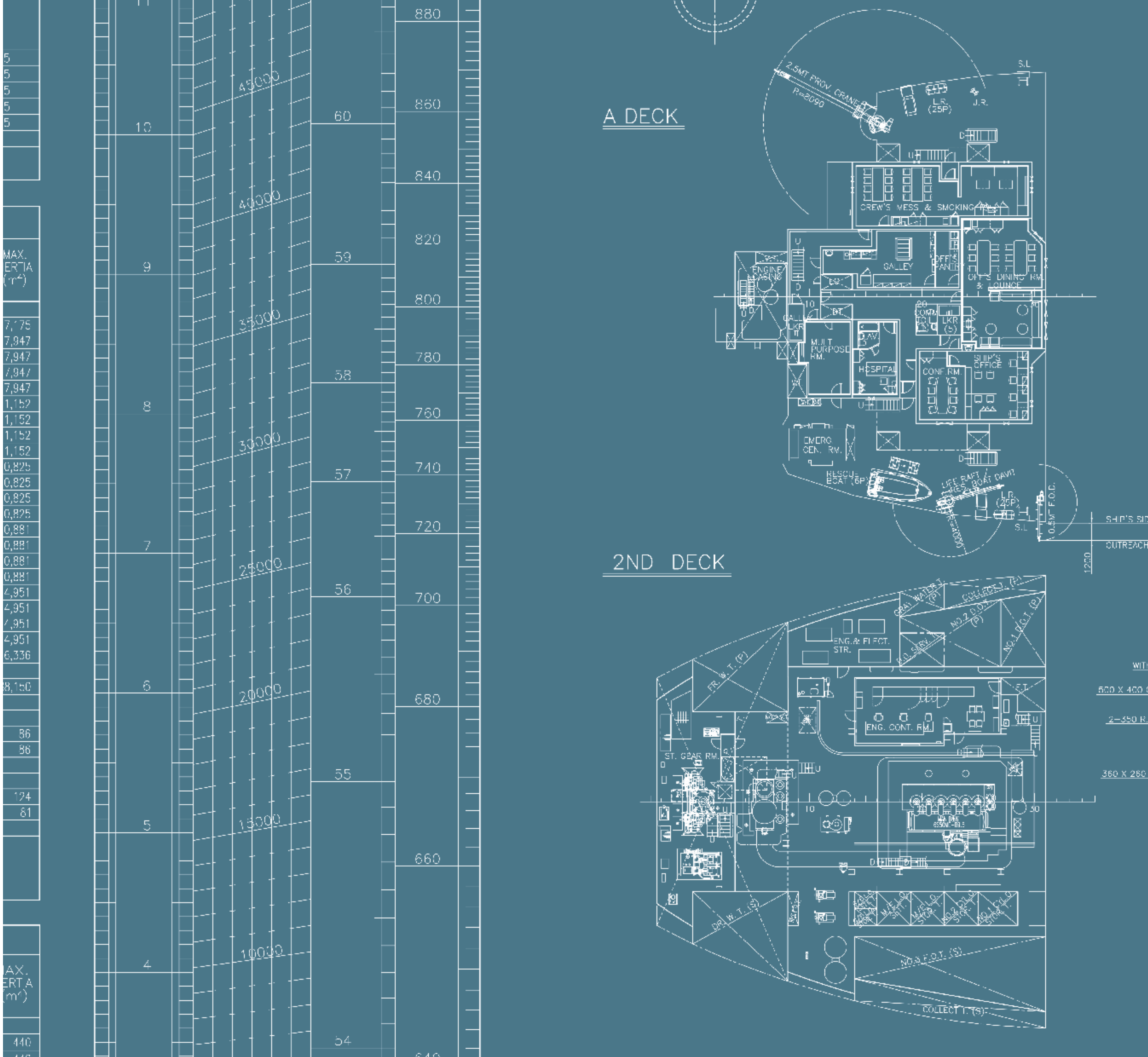
Shareholding*	No. of Shareholders	% of Shareholders	Total Holding	% of IC
1-1,000,000	94	28%	37,351,274	1%
1,000,001-10,000,000	172	51%	609,937,032	14%
>=10,000,001	71	21%	3,641,237,134	85%
Total	337	100%	4,288,525,440	100%

* Number of shareholders discovered and analysed





FINANCIAL STATEMENTS



GROUP PERFORMANCE REVIEW

In 2021, we generated our highest ever total TCE earnings and continued to maintain good control of our vessel operating costs. We delivered an underlying profit of US$698.3 million, a net profit of US$844.8 million and EBITDA of US$889.9 million, representing the best result in Pacific Basin's 34-year history and yielding an exceptionally strong return on equity of 58%

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

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

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

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

Notes

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

Pages 82 to 117 comprise the audited financial statements A

FINANCIAL STATEMENTS

Consolidated Income Statement

	Note	For the year ended 31 December 2021 US$'000	2020 US$'000
Revenue	4, 15	**2,972,514**	1,470,932
Cost of services	5, 15	**(2,233,171)**	(1,434,059)
Gross profit		**739,343**	36,873
Reversal of/(provision for) vessel impairment	6	**151,658**	(199,604)
Indirect general and administrative overheads	5	**(8,462)**	(6,112)
Other income and gains	7	**336**	1,427
Other expenses	5	**(4,815)**	(2,100)
Finance income	8	**722**	2,979
Finance costs	8	**(32,434)**	(39,657)
Profit/(loss) before taxation		**846,348**	(206,194)
Tax charges	9	**(1,538)**	(2,034)
Profit/(loss) attributable to shareholders		**844,810**	(208,228)
Earnings per share for profit/(loss) attributable to shareholders (in US cents)			
Basic earnings per share	11(a)	**17.90**	(4.45)
Diluted earnings per share	11(b)	**15.73**	(4.45)

Consolidated Statement of Comprehensive Income

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

Consolidated Balance Sheet

	Note	As at 31 December 2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,906,019**	1,665,242
Right-of-use assets	13	**55,302**	65,778
Goodwill	14	**25,256**	25,256
Derivative assets	16	**496**	4,026
Trade and other receivables	17	**8,499**	4,947
Restricted bank deposits	18	**51**	51
		1,995,623	1,765,300
Current assets			
Inventories	19	**103,590**	78,095
Derivative assets	16	**14,710**	15,410
Trade and other receivables	17	**171,839**	77,898
Subleasing receivables		**–**	1,915
Assets held for sale	20	**–**	16,136
Cash and deposits	18	**459,670**	234,773
		749,809	424,227
Total assets		**2,745,432**	2,189,527

	Note	As at 31 December 2021 US$'000	2020 US$'000
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	24	**47,858**	47,490
Retained profits/(accumulated losses)	25	**744,553**	(11,330)
Other reserves	25	**1,038,815**	1,028,349
Total equity		**1,831,226**	1,064,509
LIABILITIES			
Non-current liabilities			
Borrowings	22	**521,363**	775,149
Lease liabilities	23	**29,270**	50,089
Derivative liabilities	16	**6,540**	13,564
Trade and other payables	21	**17**	895
		557,190	839,697
Current liabilities			
Borrowings	22	**66,793**	88,736
Lease liabilities	23	**31,159**	26,744
Derivative liabilities	16	**10,232**	7,667
Trade and other payables	21	**247,554**	161,366
Taxation payable		**1,278**	808
		357,016	285,321
Total liabilities		**914,206**	1,125,018

Approved by the Board of Directors on 24 February 2022.

Martin Fruergaard
Director

Peter Schulz
Director

Consolidated Statement of Changes in Equity

	Note	2021 US$'000	2020 US$'000
		For the year ended 31 December	
At 1 January		**1,064,509**	1,275,932
Total comprehensive income/(loss) attributable to shareholders		**849,876**	(215,097)
Transactions with owners in their capacity as owners			
Dividends paid	10	**(86,473)**	(12,894)
Share-based compensation		**6,161**	5,581
Shares purchased by trustee of the SAS	24(a)	**(2,847)**	(930)
Shares issued as Vessel Consideration Shares, net of issuing expenses	24(b)	**–**	11,917
At 31 December		**1,831,226**	1,064,509

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2021 US$'000	2020 US$'000
Operating activities			
Cash generated from operations	26(a)	**851,468**	221,985
Taxation paid		**(1,046)**	(2,372)
Net cash generated from operating activities		**850,422**	219,613
Investing activities			
Purchase of property, plant and equipment		**(224,483)**	(102,031)
Disposal of property, plant and equipment		**21,575**	3,426
Additions of assets held for sale		**–**	(1,397)
Disposal of assets held for sale		**7,806**	6,717
Receipt of subleasing receivables – principal element		**1,915**	6,692
Subleasing receivables interest received	8	**7**	116
Increase in term deposits		**(141,536)**	(8,500)
Bank interest received	8	**715**	2,863
Net cash used in investing activities		**(334,001)**	(92,114)

	Note	For the year ended 31 December 2021 US$'000	2020 US$'000
Financing activities			
Drawdown of bank loans and other borrowings	26(b)	**70,000**	245,852
Repayment of bank loans and other borrowings	26(b)	**(348,290)**	(257,396)
Interest on borrowings and other finance charges paid		**(26,213)**	(31,259)
Repayment of lease liabilities – principal element	23	**(36,381)**	(41,549)
Interest on lease liabilities paid	8	**(2,823)**	(3,396)
Dividends paid	10	**(86,473)**	(12,894)
Payment for shares purchased by trustee of the SAS	24(a)	**(2,847)**	(930)
Net cash used in financing activities		**(433,027)**	(101,572)
Net increase in cash and cash equivalents		**83,394**	25,927
Cash and cash equivalent			
At 1 January		**226,273**	200,193
Net increase in cash and cash equivalents		**83,394**	25,927
Exchange (losses)/gains		**(33)**	153
At 31 December	18	**309,634**	226,273
Term deposits			
At 1 January		**8,500**	–
Increase in term deposits		**141,536**	8,500
At 31 December	18	**150,036**	8,500
Cash and deposits at 31 December	18	**459,670**	234,773

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 24 February 2022.

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Market Review &
Our Performance

p.123 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 53
  - Credit and Counterparty Risk – Page 55
  - Liquidity Risk – Page 60
  - Capital Management Risk – Page 60
- Employee benefits in Remuneration Report – Pages 68-69

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 2021 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 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 20
Borrowings	Note 22
Cash and cash equivalents	Note 18
Consolidation	
Joint operation	Note 15
Subsidiaries	Note 2.4
Contingent liabilities and contingent assets	Note 31
Convertible bonds	Note 22(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 16
Dividends	Note 10
Employee benefits	Remuneration Report (p.69)
Financial assets at fair value through profit or loss	Note 16
Financial guarantee contracts	Note 30
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 19
Leases	
Lease liabilities	Note 23
Non-lease component of leases	Note 5
Right-of-use assets	Note 13
Operating leases where the Group is the lessor	Note 27(b)(ii)
Offsetting financial instruments	Note 16
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 and other revenue	Note 4
Segment reporting	Note 4
Share capital	Note 24
Trade receivables	Note 17
Trade payables	Note 21

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

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

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

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.

(i) 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.

(ii) Other revenue

Maritime management services income is recognised when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

5 Expenses by nature

US$'000	2021	2020
Vessel – related expenses		
Vessel charter costs (a)	**934,744**	358,807
Bunker consumed	**462,497**	336,285
Port disbursements and other voyage costs	**440,498**	352,724
Vessel depreciation		
– owned vessels	**117,800**	125,314
– right-of-use assets	**30,436**	30,931
Employee benefit expenses – crew wages and other related costs (c)	**128,884**	109,470
Vessel operating expenses	**55,764**	54,478
Lubricating oil consumed	**10,517**	10,659
Net (gains)/losses on bunker swap contracts	**(21,174)**	692
	2,159,966	1,379,360
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments (c)	**71,464**	50,631
Other PP&E depreciation		
– right-of-use assets	**2,324**	2,284
– owned other PP&E	**1,635**	1,551
Net foreign exchange (gains)/losses	**(56)**	1,228
Auditor's remuneration		
– audit	**908**	762
– non-audit	**187**	61
Office lease expenses	**674**	668
Other general and administrative expenses	**4,531**	3,626
	81,667	60,811

US$'000	2021	2020
Other expenses		
Provisions	**4,279**	–
Losses on disposal of PP&E	**448**	571
Net losses on forward freight agreements	**88**	18
Losses on disposal of assets held for sale	**–**	1,247
Net losses on forward foreign exchange contracts	**–**	264
	4,815	2,100
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	**2,246,448**	1,442,271

(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$20.5 million (2020: US$3.7 million).

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

US$'000	2021	2020
Direct G&A overheads included in cost of services	**73,205**	54,699
Indirect G&A overheads	**8,462**	6,112
Total G&A overheads	**81,667**	60,811

(c) Employee benefit expenses

Total employee benefit expenses amounted to US$200.3 million (2020: US$160.1 million). Please refer to Remuneration Report p.68 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. A reversal of impairment provision is recognised if, and only if, there has been a change in the estimates used to determine the recoverable amount since impairment loss for the assets was lastly recognised and the recoverable amount exceeds the carrying value. The increased carrying value attributable to a reversal of an impairment loss shall not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(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 Reversal of/(provision for) vessel impairment

US$'000	2021	2020
Reversal of/(provision for) impairment		
– owned vessels	**150,283**	(194,557)
– right-of-use assets	**2,214**	(4,113)
– assets held for sale	**(839)**	(934)
	151,658	(199,604)

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

7 Other income and gains

US$'000	2021	2020
Net gain on forward foreign exchange contracts	**251**	–
Gain on disposals of assets held for sale	**85**	–
Government subsidies	**–**	1,407
Gain on termination of office lease	**–**	20
	336	1,427

8 Finance income and finance costs

US$'000	2021	2020
Finance income		
Bank interest income	**(715)**	(2,863)
Subleasing receivables interest income	**(7)**	(116)
	(722)	(2,979)
Finance costs		
Interest on borrowings		
– bank loans	**15,671**	22,907
– convertible bonds	**7,540**	7,438
– other borrowings	**2,168**	1,833
Interest on lease liabilities		
– vessels	**2,480**	2,983
– other PP&E	**343**	413
Net losses on interest rate swap contracts	**2,717**	2,287
Other finance charges	**1,515**	1,796
	32,434	39,657
Finance costs, net	**31,712**	36,678

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

The tax on the Group's profit/(loss) 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	2021	2020
Profit/(loss) before taxation	**846,348**	(206,194)
Tax calculated at applicable tax rates	**139,602**	(34,063)
Income not subject to taxation	**(352,309)**	(129,618)
Expenses not deductible for taxation purposes	**214,249**	164,769
Adjustments in respect of prior year	**(4)**	946
Tax charges	**1,538**	2,034
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, its subsidiaries and joint operation 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 and joint operation, 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

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

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

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

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/(loss) attributable to shareholders by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares (Note 24(a)).

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

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of interest on convertible bonds by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's SAS and after adjusting for the dilutive effect of convertible bonds (Note 22(b)) and unvested restricted shares (Note 24(a)).

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

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

12 Property, plant and equipment

US$'000	2021 Vessels and vessel component costs	2021 Leasehold improve-ments	2021 Furniture, fixtures and equipment	2021 Motor vehicles	2021 Total	2020 Vessels and vessel component costs	2020 Leasehold improve-ments	2020 Furniture, fixtures and equipment	2020 Motor vehicles	2020 Total
Cost										
At 1 January	**2,609,097**	**5,529**	**10,003**	**31**	**2,624,660**	2,602,531	5,365	9,490	29	2,617,415
Additions	**223,871**	**187**	**401**	**–**	**224,459**	133,771	151	565	–	134,487
Transfer from/(to) assets held for sale (Note 20)	**34,379**	**–**	**–**	**–**	**34,379**	(96,633)	–	–	–	(96,633)
Disposals	**(61,090)**	**–**	**(8)**	**–**	**(61,098)**	(18,180)	(6)	(13)	–	(18,199)
Write offs	**(14,791)**	**–**	**(107)**	**–**	**(14,898)**	(12,392)	(52)	(89)	–	(12,533)
Exchange differences	**–**	**(95)**	**(54)**	**(2)**	**(151)**	–	71	50	2	123
At 31 December	**2,791,466**	**5,621**	**10,235**	**29**	**2,807,351**	2,609,097	5,529	10,003	31	2,624,660
Accumulated depreciation and impairment										
At 1 January	**947,679**	**3,047**	**8,661**	**31**	**959,418**	731,784	2,205	8,045	29	742,063
Charge for the year	**117,800**	**922**	**713**	**–**	**119,435**	125,314	870	681	–	126,865
Transfer from/(to) assets held for sale (Note 20)	**26,816**	**–**	**–**	**–**	**26,816**	(77,396)	–	–	–	(77,396)
(Reversal of)/provision for impairment	**(150,283)**	**–**	**–**	**–**	**(150,283)**	194,557	–	–	–	194,557
Disposals	**(39,067)**	**–**	**(8)**	**–**	**(39,075)**	(14,188)	(4)	(10)	–	(14,202)
Write offs	**(14,791)**	**–**	**(107)**	**–**	**(14,898)**	(12,392)	(52)	(89)	–	(12,533)
Exchange differences	**–**	**(46)**	**(33)**	**(2)**	**(81)**	–	28	34	2	64
At 31 December	**888,154**	**3,923**	**9,226**	**29**	**901,332**	947,679	3,047	8,661	31	959,418
Net book value										
At 31 December	**1,903,312**	**1,698**	**1,009**	**–**	**1,906,019**	1,661,418	2,482	1,342	–	1,665,242

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 2021, the aggregate cost and accumulated depreciation of vessel component costs amounted to US$90,531,000 (2020: US$80,991,000) and US$54,732,000 (2020: US$45,400,000) respectively.

(b) Certain owned vessels with net book value of US$1,398,640,000 (2020: US$1,507,344,000) were pledged to banks as securities for bank loans granted to the Group (Note 22(a)).

Certain owned vessels with net book value of US$77,438,000 (2020: US$116,737,000) were effectively pledged as securities to other borrowings (Note 22(c)) as the rights to the vessels revert to the lessors in the event of default.

(c) As at 31 December 2021, the Group owned vessels with net book value of US$1,903.3 million as follows:

	Number of vessels	Average net book value (US$ Million)	Total net book value (US$ Million)
Small Handysize	**15**	**11.0**	**164.8**
Large Handysize	**64**	**14.6**	**931.8**
Supramax	**41**	**18.8**	**771.4**
Capesize (Note)	**1**	**35.3**	**35.3**
	121		**1,903.3**

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

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$2.9 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$22.9 million or increase by US$54.0 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, or whether any previously recognised impairment loss shall be reversed, in accordance with the accounting policy on impairment of investments and non-financial assets in Note 5. In assessing the indicators of potential impairment and reversal of impairment provision, 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. Likewise, a reversal of the impairment provision is recognised when the recoverable amount becomes higher than the carrying value, subject to conditions described in Note 5.

The Group has recognised an impairment loss for its Small Handysize and Large Handysize CGUs in the prior year. In light of the significantly improved dry bulk market outlook and the consequent increase in ship values, management identified indications which suggest that there is no further impairment for all CGUs and the previously recognised impairment loss made on Small Handysize and Large Handysize CGUs may no longer exist or may have decreased.

As at 31 December 2021, management assessed the recoverable amount of the Small Handysize and Large Handysize CGUs, and determined that the impairment loss previously recognised for these CGUs no longer exist based on their value-in-use. Accordingly, the remaining impairment provisions of US$83.9 million and US$68.6 million for Small Handysize and Large Handysize CGUs were fully reversed.

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 7.3% (2020: 7.0%).

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 16). The valuation is based on a market approach under which each vessel is valued with reference to recent sales of comparable 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 impairment for Small Handysize, Large Handysize and Supramax vessels.

  (ii) With all other variables held constant, reducing the future vessel earnings over the life of the vessel by US$500 per day from the management estimates would give rise to a potential impairment of US$5.9 million for Small Handysize vessels while no impairment would be required for Large Handysize and Supramax vessels.

13 Right-of-use assets

US$'000	Vessels	Other PP&E	Total
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**
At 1 January 2020	68,751	9,084	77,835
Additions	24,032	760	24,792
Depreciation	(30,931)	(2,284)	(33,215)
Lease modification	–	384	384
Provision for impairment	(4,113)	–	(4,113)
Lease termination	–	(148)	(148)
Exchange differences	–	243	243
At 31 December 2020	57,739	8,039	65,778

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.

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	2021	2020
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 7.3% (2020: 7.0%).

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 Interests in joint operation

The Group had a contractual arrangement with a third party to share equally the operating result associated with the chartering of a vessel. The arrangement ended during the year. The amounts of income and expenses recognised in respect of the Group's interest in the joint operation are as follows:

US$'000	**2021**	2020
Revenue	**523**	1,139
Cost of services	**(528)**	(1,189)
Finance income	**7**	116
Finance costs	**(4)**	(74)
	(2)	(8)

Accounting policy

A joint operation is a contractual arrangement whereby the Group and other parties combine their operations, resources and expertise to undertake an economic activity in which each party takes a share of the revenue and costs in the economic activity, such a share being determined in accordance with the contractual arrangement.

The assets that the Group controls and liabilities that the Group incurs in relation to the joint operation are recognised in the balance sheet on an accrual basis and classified according to the nature of the item. The Group's share of expenses that it incurs and income that it earns from the joint operation are included in the income statement.

16 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.

	2021		2020	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(2,687)**	–	(7,883)
Forward foreign exchange contracts (b)(i)	**–**	**(3,834)**	65	(3,064)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**494**	**(19)**	3,961	(2,470)
Forward foreign exchange contracts (b)(ii)	**2**	**–**	–	(147)
	496	**(6,540)**	4,026	(13,564)
Current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(7)**	–	(239)
Forward foreign exchange contracts (b)(i)	**264**	**(181)**	–	–
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**14,435**	**(10,021)**	15,410	(7,307)
Forward foreign exchange contracts (b)(ii)	**3**	**(23)**	–	(121)
Forward freight agreements (d)	**8**	**–**	–	–
	14,710	**(10,232)**	15,410	(7,667)
Total	**15,206**	**(16,772)**	19,436	(21,231)

16 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
2021 & 2020			
February 2017	US$9 million on amortising basis	USD 1-month LIBOR swapped to a fixed rate of approximately 1.8% per annum	Contract expires in January 2022
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
2020			
December 2013	US$48 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.1% per annum	Contract expired in December 2021

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 2021, 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. The management is in the progress to negotiate with the counterparties for the transition to alternative benchmark rates.

- **Sensitivity analysis:**

  With all other variables held constant, if the average interest rate on the net cash balance (2020: net debt 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 (2020: decrease/increase by approximately US$0.4 million).

(b) Forward foreign exchange contracts

The functional currency of most of the Group's operating companies is United States Dollar as the majority of our transactions are denominated in this currency.

(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. To hedge against the potential fluctuations in foreign exchange, the Group entered into these forward foreign exchange contracts with terms that match the repayment schedules of such bank loans.

At 31 December 2021, the outstanding forward foreign exchange contracts held by the Group mainly consist of contracts to buy approximately DKK167.2 million (2020: DKK291.7 million) and simultaneously sell approximately US$29.6 million (2020: US$51.8 million), which expire through August 2023.

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

At 31 December 2021, the Group had outstanding forward foreign exchange contracts to buy approximately US$2.0 million (2020: US$3.6 million) and simultaneously sell approximately AUD2.8 million (2020: AUD5.1 million) for revenue that was denominated in Australian Dollars. These contracts will expire through March 2023.

16 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. As the spread reduced significantly in 2020, all contracts were closed out in 2020 locking in the gains on the position and will be expiring through December 2022.

At 31 December 2021, 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
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
2020					
Buy	Fuel oil	73,588	292	278	December 2022
Buy	Very low sulphur fuel oil	138,772	333	377	December 2022
Buy	Marine gas oil	108,122	413	426	September 2023
Sell	Fuel oil	70,440	207	279	December 2022
Sell	Very low sulphur fuel oil	71,838	422	376	December 2022
Sell	Marine gas oil	58,711	511	427	December 2022

- **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 (2020: increase/decrease by approximately US$0.1 million) for fuel oil; increase/decrease by approximately US$4.8 million (2020: increase/decrease by approximately US$2.5 million) for very low sulphur fuel oil and increase/decrease by approximately US$1.5 million (2020: increase/decrease by approximately US$2.1 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 2021, the Group had outstanding forward freight agreements as follows:

Contract Type	Index	Quantity (days)	Contract daily price (US$)	Expiry through
2021				
Sell	BHSI[1]	105	22,536	December 2022

[1] "BHSI" stands for "Baltic Handysize Index".

At 31 December 2020, the Group had no outstanding forward freight agreements.

- **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$0.5 million.

16 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.

17 Trade and other receivables

US$'000	2021	2020
Non-current		
Prepayments (a)	**8,499**	4,947
Current		
Trade receivables (b)	**118,065**	41,988
Other receivables	**25,755**	18,849
Prepayments	**28,019**	17,061
	171,839	77,898

p.55 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 deposits paid for vessel acquisitions, instalments paid for the installation of ballast water treatment systems and docking costs.

(b) Trade receivables

At 31 December 2021, the ageing of trade receivables based on invoice date is as follows:

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

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 balance paid after completion of discharge and the finalisation of port disbursements, demurrage claims or 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 2021 and 2020, there was no loss allowance arising from its trade and other receivables.

18 Cash and deposits

US$'000	2021	2020
Cash at bank and on hand	**83,358**	48,605
Bank deposits	**376,363**	186,219
Total cash and deposits	**459,721**	234,824
Average effective interest rate on bank deposits for the year	**0.3%**	1.0%
Average remaining maturity of bank deposits at year end	**49 days**	43 days
Cash and cash equivalents	**309,634**	226,273
Term deposits with original maturities over 3 months	**150,036**	8,500
Cash and deposits	**459,670**	234,773
Restricted bank deposits included in non-current assets	**51**	51
Total cash and deposits	**459,721**	234,824

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 2021 comprised US$426.5 million in United States Dollars and US$33.2 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.32 Cash and Borrowings
Cash Flow and Cash

19 Inventories

US$'000	2021	2020
Bunkers	**91,597**	65,558
Lubricating oil and others	**11,993**	12,537
	103,590	78,095

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.

20 Assets held for sale

US$'000	2021	2020
At 1 January	**16,136**	4,400
Transfer from PP&E (Note 12)	**–**	19,237
Transfer to PP&E (Note 12)	**(7,563)**	–
Additions	**–**	1,397
Disposals	**(7,721)**	(7,964)
Provision for impairment	**(839)**	(934)
Others	**(13)**	–
At 31 December	**–**	16,136

The assets held for sale of US$8,415,000 were pledged to bank loans as at 31 December 2020 (Note 22(a)).

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.

If the assets classified as held for sale no longer met the above recognition criteria, they cease to be classified as held for sale. They are stated at the lower of (a) carrying amount before they were classified as held for sale, adjusted for depreciation that would have been recognised as if they had not been classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. The difference between this remeasured amount and existing carrying amount is recognised as an impairment loss.

21 Trade and other payables

US$'000	2021	2020
Non-current		
Receipts in advance	**17**	895
Current		
Trade payables (a)	**70,513**	56,332
Accruals and other payables	**105,929**	60,413
Receipts in advance (b)	**71,112**	44,621
	247,554	161,366

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 2021, the ageing of trade payables based on due date is as follows:

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

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$68.6 million (2020: US$43.3 million). Receipts in advance of US$43.3 million as at 31 December 2020 were fully recognised as revenue in 2021.

22 Borrowings

US$'000	2021	2020
Non-current		
Bank loans (a)	**320,868**	567,329
Convertible bonds (b)	**165,183**	162,893
Other borrowings (c)	**35,312**	44,927
	521,363	775,149
Current		
Bank loans (a)	**57,177**	73,027
Other borrowings (c)	**9,616**	15,709
	66,793	88,736
Total	**588,156**	863,885

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 16).

Please refer to Note 26(b) for reconciliation of borrowings.

For relevant information of global interest rate benchmark reform, please refer to Note 16(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.

22 Borrowings (continued)

(a) Bank loans

The Group's bank loans and undrawn committed facilities comprised secured and unsecured bank loans and facilities. Certain bank loans as at 31 December 2021 were secured, *inter alia*, by the following:

(i) Mortgages over certain owned vessels with net book value of US$1,398,640,000 (2020: owned vessels of US$1,507,344,000 and assets held for sale of US$8,415,000) (Note 12(b) and Note 20); and

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

These bank loans are repayable as follows:

US$'000	2021	2020
Within one year	**57,177**	73,027
In the second year	**64,203**	98,830
In the third to fifth year	**185,573**	335,621
After the fifth year	**71,092**	132,878
	378,045	640,356
Average effective interest rate for the year (after hedging)	**3.2%**	3.2%

(b) Convertible bonds

	2021		2020	
US$'000	**Face value**	**Liability component**	Face value	Liability component
3.0% coupon due 2025	**175,000**	**165,183**	175,000	162,893

The carrying value of convertible bonds approximate their fair values.

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$2.24 (with effect from 11 August 2021) (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.

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.

22 Borrowings (continued)

(c) Other borrowings

The Group's other borrowings related to five (2020: eight) owned vessels with a combined net book value of US$77,438,000 (2020: US$116,737,000) (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	2021	2020
Within one year	**9,616**	15,709
In the second year	**10,757**	9,616
In the third to fifth year	**8,159**	16,400
After the fifth year	**16,396**	18,911
	44,928	60,636
Average effective interest rate for the year (after hedging)	**4.3%**	4.6%

23 Lease liabilities

US$'000	2021	2020
At 1 January	**76,833**	92,907
Additions	**9,840**	24,792
Repayments	**(36,381)**	(41,549)
Lease modification	**10,363**	384
Lease termination	**–**	(168)
Exchange differences	**(226)**	467
At 31 December	**60,429**	76,833
Non-current	**29,270**	50,089
Current	**31,159**	26,744
	60,429	76,833

The lease liabilities are repayable as follows:

US$'000	2021	2020
Within one year	**31,159**	26,744
In the second year	**14,375**	21,219
In the third to fifth year	**13,823**	27,084
After the fifth year	**1,072**	1,786
	60,429	76,833

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.

24 Share capital

	2021 Number of shares	2021 US$'000	2020 Number of shares	2020 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**4,787,014,272**	**47,490**	4,713,396,510	47,039
Shares issued upon grant of restricted share awards (a)	**23,820,000**	**238**	23,186,000	232
Shares granted to employees in the form of restricted share awards (a)	**9,444,000**	**3,246**	7,683,000	1,284
Shares transferred back to trustee upon lapse of restricted share awards (a)	**(1,364,000)**	**(269)**	(3,182,000)	(653)
Shares purchased by trustee of the SAS (a)	**(7,587,000)**	**(2,847)**	(5,863,000)	(930)
Shares issued as Vessel Consideration Shares (b)	**–**	**–**	51,793,762	518
At 31 December	**4,811,327,272**	**47,858**	4,787,014,272	47,490

The issued share capital of the Company as at 31 December 2021 was 4,812,691,272 shares (2020: 4,788,871,272 shares). The difference compared to the number of shares shown in the table above of 1,364,000 (2020: 1,857,000) represents shares held by the trustee in relation to restricted share awards, amounting to US$269,000 (2020: US$399,000) as a debit to share capital.

(a) 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 the Board's 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	2021	2020
At 1 January	**77,209**	81,690
Granted	**33,264**	30,869
Vested	**(30,298)**	(32,168)
Lapsed	**(1,364)**	(3,182)
At 31 December	**78,811**	77,209

Out of the 78,811,000 unvested restricted share awards as at 31 December 2021 and according to the vesting schedule, 24,295,000 shares, 24,645,000 shares and 29,871,000 shares will be vested on 14 July 2022, 14 July 2023 and 14 July 2024 respectively.

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Movement of Restricted Awards Granted

24 Share capital (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$1.7 (2020: HK$1.5) 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:

Sources of shares granted	2021 Number of granted shares awards	2021 Related movement US$'000	2020 Number of granted shares awards	2020 Related movement US$'000
Shares issued	**23,820,000**	**238**	23,186,000	232
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**7,587,000**	**2,847**	5,863,000	930
Shares transferred from the trustee	**1,857,000**	**399**	1,820,000	354
	33,264,000	**3,484**	30,869,000	1,516

(b) Shares issued as Vessel Consideration Shares in 2020

On 17 September 2019, the Group entered into contracts for the acquisition of vessels funded by a combination of the issue of shares at an issue price of HK$1.80 per share ("Vessel Consideration Shares") and cash. In 2020, 51,793,762 shares were issued upon the delivery of vessels to the Group. The closing share prices on 17 September 2019 was HK$1.77 per share.

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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 69), 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.

25 Reserves

2021

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
	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 losses	–	–	–	–	(267)	–	–	(267)	–	(267)
– 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 as vessel consideration shares, net of issuing expenses (Note 24(b))	–	–	–	–	–	–	–	–	–	–
Dividends paid (Note 10)	–	–	–	–	–	–	–	–	(86,473)	(86,473)
Share-based compensation (see Remuneration Report p.68)	–	–	–	6,161	–	–	–	6,161	–	6,161
Share awards granted (Note 24(a))	–	–	–	(792)	–	–	–	(792)	(2,454)	(3,246)
Shares issued upon grant of restricted share awards (Note 24(a))	6,236	–	–	(6,474)	–	–	–	(238)	–	(238)
Share awards lapsed (Note 24(a))	–	–	–	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

2020

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
	Other reserves									
At 1 January	292,405	(56,606)	13,121	(7,488)	(282)	(893)	779,938	1,020,195	208,698	1,228,893
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	(208,228)	(208,228)
Other comprehensive income										
Cash flow hedges										
– fair value losses	–	–	–	–	(5,936)	–	–	(5,936)	–	(5,936)
– transferred to income statement	–	–	–	–	(1,738)	–	–	(1,738)	–	(1,738)
Currency translation differences	–	–	–	–	–	805	–	805	–	805
Total comprehensive income	–	–	–	–	(7,674)	805	–	(6,869)	(208,228)	(215,097)
Transactions with owners in their capacity as owners										
Shares issued as vessel consideration shares, net of issuing expenses (Note 24(b))	11,399	–	–	–	–	–	–	11,399	–	11,399
Dividends paid (Note 10)	–	–	–	–	–	–	–	–	(12,894)	(12,894)
Share-based compensation (see Remuneration Report p.68)	–	–	–	5,581	–	–	–	5,581	–	5,581
Share awards granted (Note 24(a))	–	–	–	(2,378)	–	–	–	(2,378)	1,094	(1,284)
Shares issued upon grant of restricted share awards (Note 24(a))	3,335	–	–	(3,567)	–	–	–	(232)	–	(232)
Share awards lapsed (Note 24(a))	–	–	–	653	–	–	–	653	–	653
At 31 December	307,139	(56,606)	13,121	(7,199)	(7,956)	(88)	779,938	1,028,349	(11,330)	1,017,019

(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.

26 Notes to the consolidated cash flow statement

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

US$'000	2021	2020
Profit/(loss) before taxation	**846,348**	(206,194)
Assets and liabilities adjustments		
(Reversal of)/provision for vessel impairment		
– owned vessels	**(150,283)**	194,557
– right-of-use assets	**(2,214)**	4,113
– assets held for sale	**839**	934
Depreciation on vessels and other PP&E	**119,435**	126,865
Depreciation on right-of-use assets	**32,760**	33,215
Net unrealised gains on derivative instruments not qualified as hedges	**4,447**	(9,415)
Provisions	**4,279**	–
(Gains)/losses on disposal of assets held for sale	**(85)**	1,247
Losses on disposal of PP&E	**448**	571
Gain on termination of office lease	**–**	(20)
Capital and funding adjustments		
Share-based compensation	**6,161**	5,581
Results adjustments		
Finance costs, net	**31,712**	36,678
Net foreign exchange (gains)/losses	**(56)**	1,228
Profit/(loss) before taxation before working capital changes	**893,791**	189,360
(Increase)/decrease in inventories	**(25,495)**	12,286
(Increase)/decrease in trade and other receivables	**(93,974)**	4,485
Increase in trade and other payables	**77,146**	15,854
Cash generated from operations	**851,468**	221,985

(b) Reconciliation of borrowings

US$'000	2021	2020
At 1 January	**863,885**	863,151
Cash flows		
Drawdown of bank loans and other borrowings	**70,000**	245,852
Repayment of bank loans and other borrowings	**(348,290)**	(257,396)
Coupon payment of convertible bonds	**(5,250)**	(5,250)
Other non-cash movements		
Amortisation of loan arrangement fee	**1,108**	1,849
Accrued coupon payment of convertible bonds	**7,540**	7,438
Modification of other borrowings	**–**	965
Foreign exchange adjustments	**(837)**	7,276
At 31 December	**588,156**	863,885

(c) Cash outflow on all leases

The total cash outflow for all leases is US$943.1 million (2020: US$371.9 million).

27 Commitments

(a) Capital commitments

US$'000	2021	2020
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	**16,757**	71,282

(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.

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

US$'000	Vessels	Land and buildings	Total
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**
At 31 December 2020			
Within one year	43,884	18	43,902
In the second to fifth year	–	26	26
	43,884	44	43,928

(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	2021	2020
Within one year	**136,793**	29,087
In the second to fifth year	**27,907**	26,298
After the fifth year	**–**	4,231
	164,700	59,616

The Group leases vessels with leases expiring within 1 year to 5 years (2020: within 1 year to 6 years). The lease expiring in 5 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 overtime based on daily rate.

28 Financial liabilities summary

This note should be read in conjunction with the Liquidity Risk section on page 60. 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.

US$'000	Within one year 2021	Within one year 2020	In the second year 2021	In the second year 2020	In the third to fifth year 2021	In the third to fifth year 2020	After the fifth year 2021	After the fifth year 2020	Total 2021	Total 2020
Borrowings										
Bank loans	**68,718**	89,400	**75,383**	112,581	**208,252**	364,867	**75,412**	140,605	**427,765**	707,453
Other borrowings	**11,289**	17,926	**12,063**	11,479	**11,415**	19,727	**23,839**	27,641	**58,606**	76,773
Convertible bonds	**5,250**	5,250	**5,250**	5,250	**185,500**	190,750	**–**	–	**196,000**	201,250
Lease liabilities	**33,020**	29,174	**15,344**	22,927	**14,301**	28,514	**1,178**	1,919	**63,843**	82,534
Derivative financial instruments										
(i) Net-settled (a)										
Interest rate swap contracts	**1,782**	2,852	**607**	1,960	**327**	3,234	**–**	122	**2,716**	8,168
Bunker swap contracts	**10,021**	7,307	**19**	2,470	**–**	–	**–**	–	**10,040**	9,777
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges										
– outflow	**48,456**	24,166	**13,215**	18,388	**–**	13,215	**–**	–	**61,671**	55,769
– inflow	**(45,682)**	(22,549)	**(11,391)**	(17,242)	**–**	(12,338)	**–**	–	**(57,073)**	(52,129)
– Others										
– outflow	**2,249**	2,249	**566**	2,249	**–**	566	**–**	–	**2,815**	5,064
– inflow	**(2,220)**	(2,095)	**(568)**	(2,095)	**–**	(536)	**–**	–	**(2,788)**	(4,726)
Net outflow	**2,803**	1,771	**1,822**	1,300	**–**	907	**–**	–	**4,625**	3,978
Trade and other payables	**176,442**	117,332	**–**	–	**–**	–	**–**	–	**176,442**	117,332

(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.

29 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 67 to 69.

30 Financial guarantees

As at 31 December 2021, the Company has given corporate guarantees with maximum exposures of US$603.1 million (2020: US$784.6 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.

31 Contingent liabilities and contingent assets

The Group has no material contingent liabilities and contingent assets as at 31 December 2021 and 2020.

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.

32 Principal subsidiaries

As at 31 December 2021, 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
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
Everclear Shipping (BVI) Limited	BVI/Int'l	US$31,001	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
Marsden Point Limited	HK/Int'l	HK$1	Vessel owning and chartering

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 Adams Limited	BVI/Int'l	US$1	Vessel owning and chartering
Mount Aso Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Baker Shipping 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 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
Othello Shipping (BVI) Limited	BVI/Int'l	US$26,593	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. 1) Limited	HK/Int'l	HK$1	Vessel owning and 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

32 Principal subsidiaries (continued)

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
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
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
Port Botany Limited	BVI/Int'l	US$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
Skomer Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning
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 Handymax (UK) Limited[1]	England & W	GBP1	Ship management 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
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 (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$22,248,000 (2020: US$17,243,000) and US$5,818,000 (2020: US$4,145,000) 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 2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,326,250**	744,360
Current assets			
Prepayments and other receivables		**222**	224
Amounts due from subsidiaries		**469,834**	406,024
Cash and cash equivalents		**75**	32
		470,131	406,280
Total assets		**1,796,381**	1,150,640
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	24	**47,858**	47,490
Retained profits		**649,850**	9,893
Other reserves		**1,085,278**	1,079,878
Total equity		**1,782,986**	1,137,261
LIABILITIES			
Current liabilities			
Accruals and other payables		**276**	259
Amounts due to subsidiaries		**13,119**	13,120
Total liabilities		**13,395**	13,379

Approved by the Board of Directors on 24 February 2022.

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 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.68)	**–**	**6,161**	**–**	**6,161**	**–**	**6,161**
Share awards granted (Note 24(a))	**–**	**(792)**	**–**	**(792)**	**(2,454)**	**(3,246)**
Share issued upon grant of restricted shares awards (Note 24(a))	**6,236**	**(6,474)**	**–**	**(238)**	**–**	**(238)**
Share awards lapsed (Note 24(a))	**–**	**269**	**–**	**269**	**–**	**269**
At 31 December 2021	**313,375**	**(8,035)**	**779,938**	**1,085,278**	**649,850**	**1,735,128**
At 1 January 2020	292,405	(7,488)	779,938	1,064,855	604,298	1,669,153
Comprehensive income						
Loss attributable to shareholders	–	–	–	–	(582,605)	(582,605)
Transactions with owners in their capacity as owner						
Share issued as Vessel Consideration Shares, net of issuing expenses (Note 24(b))	11,399	–	–	11,399	–	11,399
Dividends paid (Note 10)	–	–	–	–	(12,894)	(12,894)
Share-based compensation (see Remuneration Report p.68)	–	5,581	–	5,581	–	5,581
Share awards granted (Note 24(a))	–	(2,378)	–	(2,378)	1,094	(1,284)
Share issued upon grant of restricted shares awards (Note 24(a))	3,335	(3,567)	–	(232)	–	(232)
Share awards lapsed (Note 24(a))	–	653	–	653	–	653
At 31 December 2020	307,139	(7,199)	779,938	1,079,878	9,893	1,089,771

Profit attributable to shareholders of US$728,884,000 (2020: US$582,605,000 loss) 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 ("PBSL" or the "Company") and its subsidiaries (the "Group"), which are set out on pages 82 to 117, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 2021, 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 – *Carrying value of owned vessels and right-of-use assets*	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Refer to notes 12, 13 and 20 to the consolidated financial statements. As at 31 December 2021, the Group has a fleet of owned vessels and right-of-use assets (the "Assets") amounting to US$1,903.3 million and US$49.5 million respectively. In 2021, The Group reversed in full the remaining impairment provision amounting to US$152.5 million that had been originally recorded in 2020. Right-of-use asset represents the Group's right (as a lessee) to use an underlying vessel for a lease term. A reversal of previously recognised impairment loss is recognised when the recoverable amount of an asset becomes higher than its carrying value (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods; where the recoverable amount is the higher of value-in-use and fair value less costs of disposal. The Group's market capitalisation during 2021 was consistently higher than its net asset values. There has been significant improvement in the Group's profitability during the year. Therefore management concluded the above-mentioned circumstances are indicators that impairment losses recognised in prior periods may no longer exist or may have decreased. Management further performed an assessment of the recoverable amount of the Assets. In performing this assessment, the Group continues to separate the Assets 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. 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 Assets is primarily based on the market value of vessels as assessed by independent third-party valuers. Based on results of this assessment, the Group recorded a reversal of impairment provision of US$152.5 million.	We evaluated management's assessment of the recoverable amounts of the Assets 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 drawn up, 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 market data; ■ the inflation rates of operating expenses and general and administrative expenses were compared with 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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 February 2022

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$'000		**2021**	2020	2019	2018	2017
Results						
Revenue		**2,972,514**	1,470,932	1,585,900	1,591,564	1,488,019
EBITDA		**889,858**	184,736	230,704	215,848	133,822
Underlying profit/(loss)		**698,307**	(19,444)	20,534	71,968	2,163
Profit/(loss) attributable to shareholders		**844,810**	(208,228)	25,124	72,284	3,610
Balance Sheet						
Total assets		**2,745,432**	2,189,527	2,394,235	2,366,206	2,231,592
Total liabilities		**(914,206)**	(1,125,018)	(1,118,303)	(1,134,997)	(1,070,457)
Total equity		**1,831,226**	1,064,509	1,275,932	1,231,209	1,161,135
Total cash and deposits		**459,721**	234,824	200,244	341,802	244,694
Net borrowings		**128,435**	629,061	662,907	619,291	636,274
Cash Flows						
Operating		**850,422**	219,613	217,027	189,555	124,740
Investing		**(334,001)**	(92,114)	(143,900)	(116,842)	(123,560)
of which Purchase of PP&E		**(224,483)**	(102,031)	(183,984)	(127,924)	(219,857)
Financing		**(433,027)**	(101,572)	(202,146)	29,979	56,759
Net change in cash and cash equivalents excluding term deposits		**83,394**	25,927	(129,019)	102,692	57,939
Other Data						
Basic EPS	US cents	**17.90**	(4.45)	0.55	1.64	0.09
Dividends per share	US cents	**9.5**	–	0.3	0.8	–
Eligible profit payout ratio		**54%**	–	51%	50%	–
Operating cash flows per share	US cents	**18.0**	4.7	4.8	4.3	3.1
Equity per share	US cents	**38.0**	22.2	27.1	27.2	26.1
Closing price at year end	HK$	**2.86**	1.46	1.64	1.49	1.69
Market capitalisation at year end	US$'000	**1,764,800**	902,000	993,000	863,000	960,000

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

CORPORATE INFORMATION

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e-mail: hkinfo@computershare.com.hk

Company Secretary
Ms. Mok Kit Ting, Kitty, CPA
e-mail: companysecretary@pacificbasin.com

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

Public and Investor Relations
e-mail: ir@pacificbasin.com
tel: +852 2233 7000
fax: +852 2110 0171

Auditor
PricewaterhouseCoopers
Certified Public Accountants
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
4,812,691,272 as at 31 December 2021

Website
www.pacificbasin.com

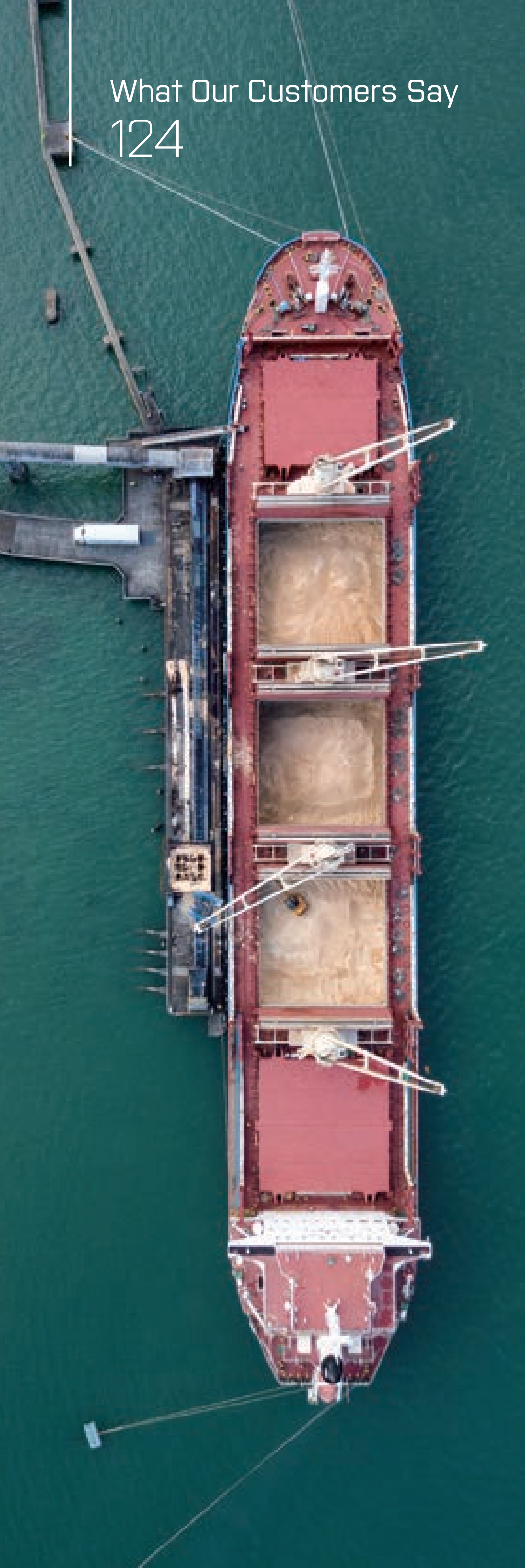
Social Media Channels
Facebook, Twitter, LinkedIn, YouTube and WeChat

Sustainability Report 2021

Both our Annual Report and
Sustainability Report are now available at
www.pacificbasin.com/ar2021

Please send us your feedback
via our online feedback form

2021 Online Annual Report



WHAT OUR CUSTOMERS SAY

Pacific Basin lives up to our expectations for reliable, timely service and competitive freight rates – you are by far our favourite owner to work with

Pacific Basin is a very good counterparty, we like working with people like PB who are trustworthy and apply common sense

Service and performance-wise, PB is the only owner with whom we have no problems

Your sustainability reporting is a good reference for us and is becoming more important – not a lot of carriers provide this level of detail

We have commercial calls with your teams and we like that you put issues on the table and work hard to find solutions together – we do not get that kind of response from others

Your team has gone above and beyond in terms of providing an excellent service – you have a good understanding of the issues we face and you provide assistance that we wish your competitors would think to provide

PB maintains high standards of ships and crews

Sincere thanks to you and your crew for ensuring smooth logs loading operations; despite the difficult weather conditions, the entire crew performed their duties with the highest degree of safety awareness and were always ready to help

I give you 9.5 out of 10...
you show flexibility, there have been no delays or issues, everything is professionally executed, and we are very satisfied with your service quality

Your ship was by far the best performer of our shipments

We respect Pacific Basin and your fantastic fleet and reputation

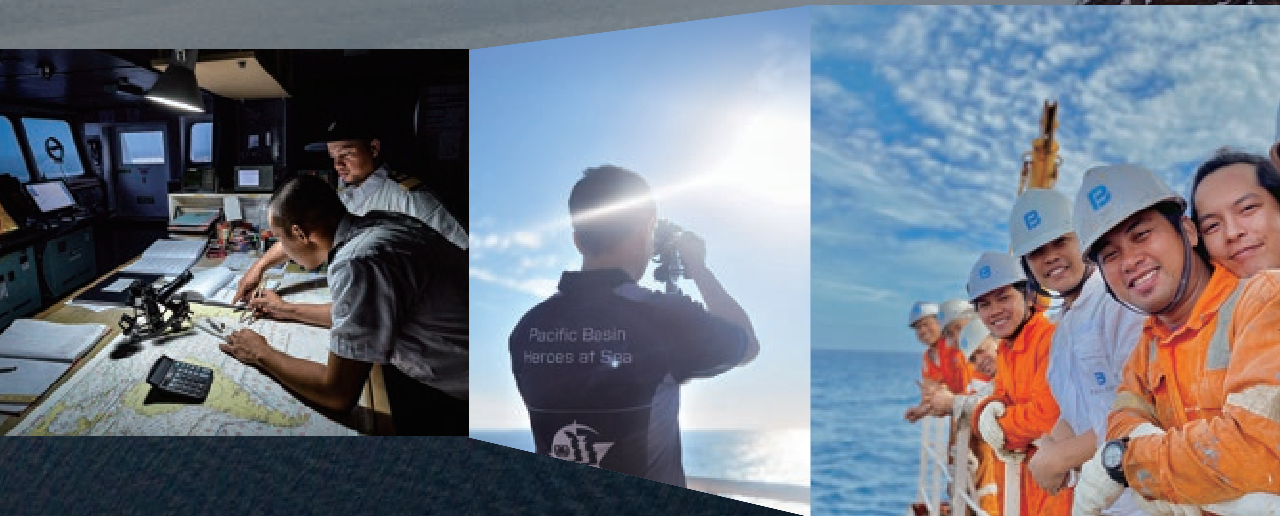
Pacific Basin Shipping Limited

(*incorporated in Bermuda with limited liability*)

(Stock Code: 2343)

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

ANNUAL REPORT 2021



Scan here for our Company website

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Concept and design by emperor.works
Production by Capital Financial Press Limited

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