LEADING THE WAY IN DRY BULK SHIPPING

Pacific Basin

#WithYouForTheLongHaul

ANNUAL REPORT 2023

STOCK CODE: 2343

OUR BUSINESS

Who We Are

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

389 shore staff in
14 offices around the world

5,100+ crew supporting the needs of our **500+** industrial customers

260+ vessels completed
2,180+ voyages in 2023

* Photo on Cover: M.V. Ipswich Bay 38,190 dwt Handysize built 2014 – Crossing River Parana, Argentina

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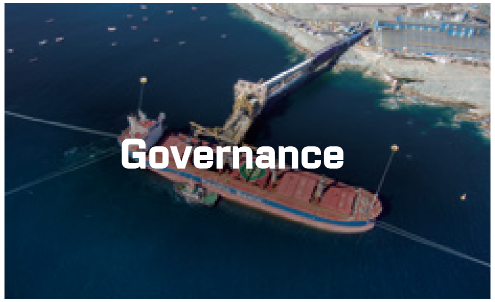


Key to navigation symbols

Linkage to related details within the Annual Report

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

ESG Linkage to related details in our Sustainability Report 2023

KPI High-level KPIs (Key Performance Indicators)

A Audited Information

BUSINESS HIGHLIGHTS

Solid Result and Strong Cash Generation

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

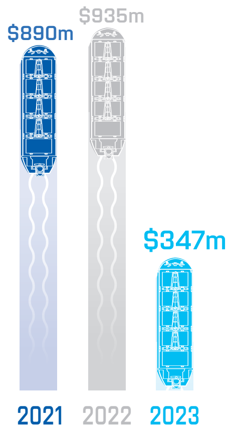
In view of the solid financial results, strong cash generation and confidence in the long-term fundamentals of the dry bulk market, the Board recommends a final basic dividend of HK1.6 cents per share and an additional final special dividend of HK4.1 cents per share which, combined with the HK6.5 cents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

Benefitting From China Reopening

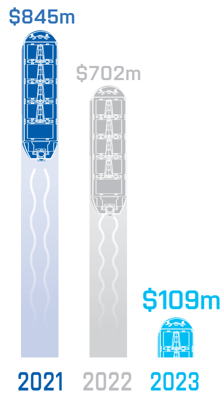
Market freight rates were under pressure during most of the year due to decelerating global economic growth, higher interest rates, increased vessel supply due to newbuilding deliveries and limited congestion in China. Dry bulk demand benefitted from China's reopening as increased economic activity boosted commodity demand. China's energy security concerns led to an increase in coal imports despite record domestic production, while increased investment in infrastructure and higher steel exports raised demand for iron ore and other minor bulks.

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

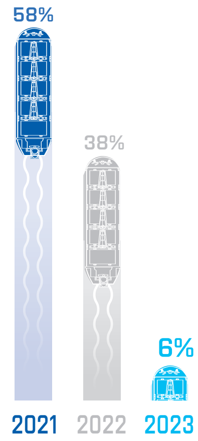
We continue to remain optimistic about the long-term potential of dry bulk shipping, thanks to favourable demand and supply fundamentals. Our fleet of modern and versatile Handysize and Supramax vessels, along with our customer partnerships and improved access to cargo opportunities, ensures we continue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



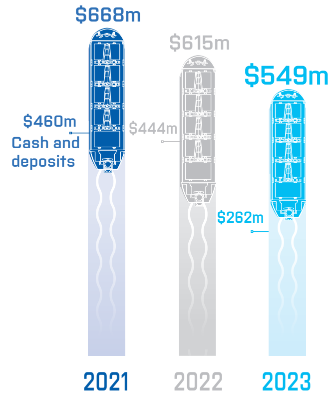
EBITDA (US$)



Net Profit (US$)



Return on Equity



Available Committed Liquidity (US$)
as at 31 December

Positive Financial Results

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

Preparing our Fleet for the Future

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

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

FINANCIAL HIGHLIGHTS

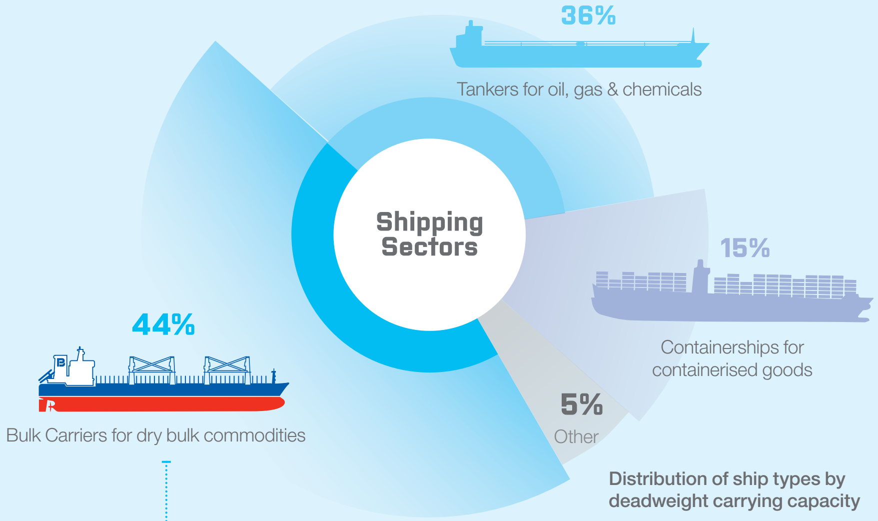
	2023 US$ Million	2022 US$ Million
Results		
Revenue	**2,296.6**	3,281.6
Time-Charter Equivalent ("TCE") Earnings	**1,281.5**	2,216.7
EBITDA[1]	**347.2**	935.1
Underlying profit KPI	**119.2**	714.7
Profit attributable to shareholders	**109.4**	701.9
Balance Sheet		
Total assets	**2,432.5**	2,648.7
Total cash and deposits	**261.5**	443.9
Available committed liquidity	**549.2**	615.0
Net (borrowings)/cash	**(38.9)**	65.3
Shareholders' equity	**1,797.9**	1,907.4
Capital commitments	**25.2**	42.4
Cash Flows		
Operating	**353.4**	935.3
Investing	**(61.2)**	63.2
Financing	**(389.7)**	(949.1)
Net change in cash and cash equivalents	**(97.5)**	49.4
Per Share Data	**HK cents**	HK cents
Basic EPS	**16.5**	109.1
Dividends (including HK4.1 cents special dividend) KPI	**12.2**	78.0
Operating cash flows	**53.2**	145.2
Shareholders' equity	**267.4**	283.9
Share price at year end	**HK$2.57**	HK$2.64
Market capitalisation at year end	**HK$13.5bn**	HK$13.9bn
Ratios		
Net profit margin	**5%**	21%
Return on average equity	**6%**	38%
Total shareholders' return	**10%**	31%
Net (borrowings)/cash to net book value of owned vessels KPI	**(2)%**	4%
Net (borrowings)/cash to shareholders' equity	**(2)%**	3%
Interest cover KPI	**17.8x**	45.3x

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

OUR BUSINESS

OUR INDUSTRY

The dry bulk industry carries dry commodities and other non-containerised cargo. Larger vessels including Capesize and Panamax 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
Our Focus	Minor Bulks with cranes	**Handysize** 10,000–40,000 dwt	12%	More Versatile	**Minor Bulks:** Grains, Ores, Logs/Forest Products, Bauxite, Sugar, Concentrates, Cement & Clinker, Coal/Coke, Fertiliser, Alumina, Steel, Petcoke, Salt, Sand & Gypsum, Scrap
Our Focus	Minor Bulks with cranes	**Supramax** incl. Ultramax 40,000–70,000 dwt	23%	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

OUR FLEET

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

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

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

Our cargo mix comprises mainly non-fossil fuel commodities

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

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

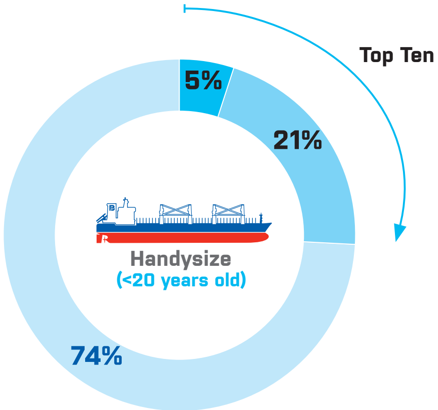
	Vessels in Operation			Total	Total Capacity (Million dwt)	Average Age
	Owned[1]	Long-term Chartered	Short-term Chartered[2]		Owned	Owned
Handysize	65	10	46	121	2.3	13
Supramax/ Ultramax[3]	50	7	87	144	2.9	12
Capesize	1	–	–	1	0.1	13
Total	116	17	133	266	5.3	13

As at 31 January 2024

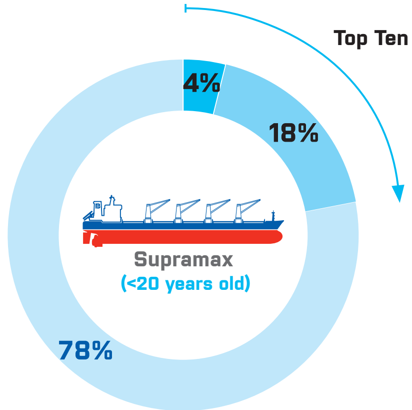
1 Including 1 Ultramax vessel delivered in February 2024

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

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



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



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

Pacific Basin Other Top Ten Others

Source: Pacific Basin, Clarksons Research

WHY MINOR BULK

Attractive Characteristics of Minor Bulk

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

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.

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.

A Focused Approach – Offering Benefits of Diversification

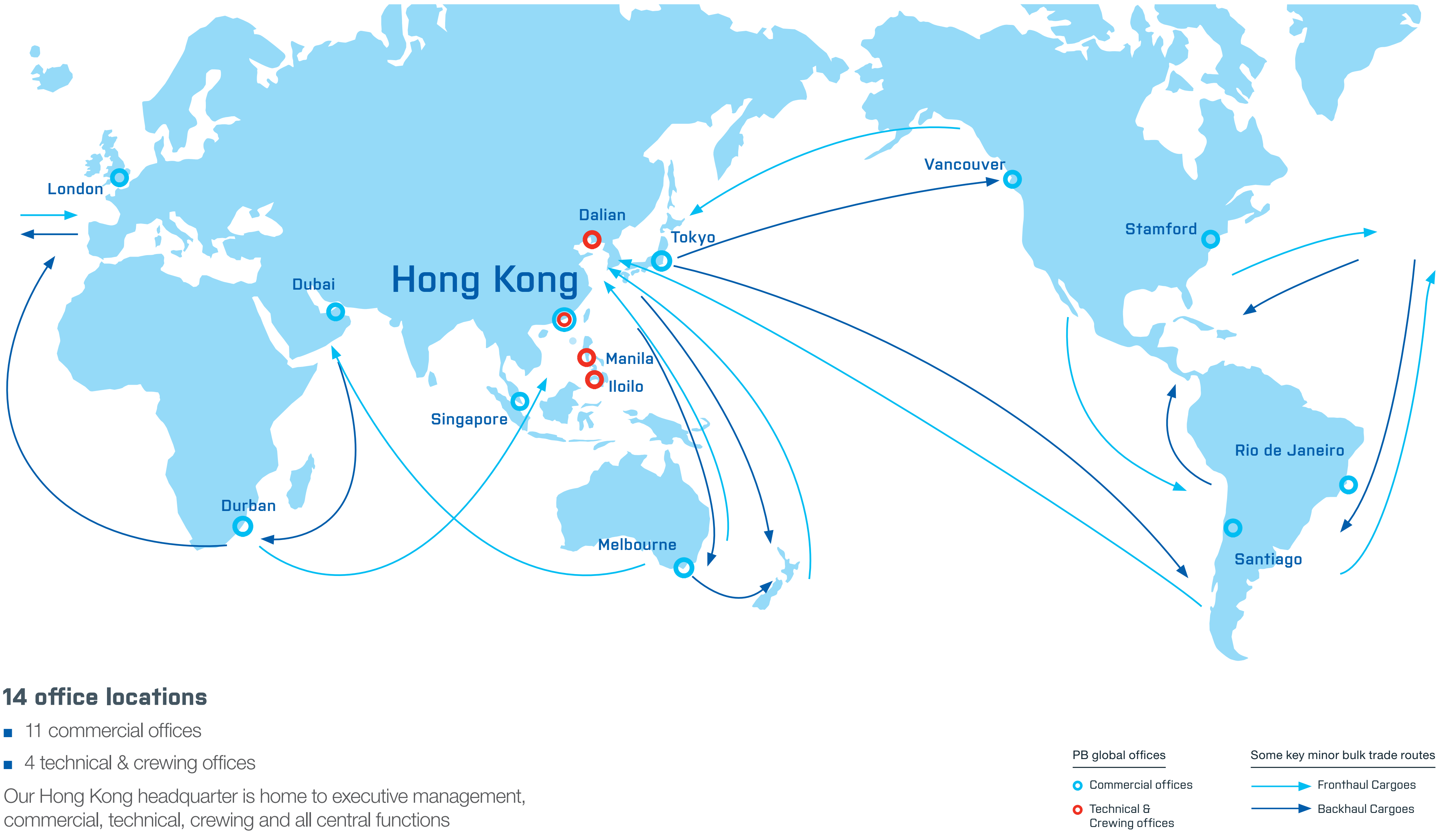
Diversified geography, customers and cargoes

500+ customers globally

Our largest customer represents only 4% of our volumes

Our top 25 customers represent 30% of our volumes

OUR GLOBAL REACH



14 office locations

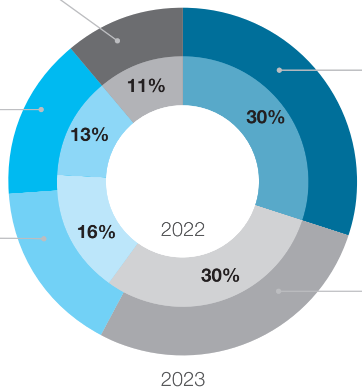
- 11 commercial offices
- 4 technical & crewing offices

Our Hong Kong headquarter is home to executive management, commercial, technical, crewing and all central functions

OUR CARGO VOLUMES

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

Minerals	**11%**
Salt	6%
Sand & Gypsum	4%
Soda Ash	1%
Energy	**15%**
Coal	9%
Petcoke	5%
Wood Pellets	1%
Metals	**16%**
Ores	7%
Concentrates	5%
Alumina	2%
Others	2%



Agricultural Products & Related	**30%**
Grains & Agricultural Products	16%
Fertiliser	11%
Sugar	3%
Construction Materials	**28%**
Cement & Cement Clinkers	13%
Steel & Scrap	8%
Logs & Forest Products	7%

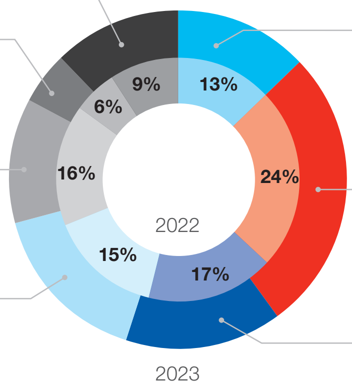
Distribution of our Cargo Loading and Discharging Activity in 2023 and 2022 (by volume)

Middle East & India 12%

Africa 5%

Europe 12%

South America 16%



Australia & New Zealand 13%

Asia 27%
(China 12%)

North America 15%

THE YEAR IN REVIEW

A WORD FROM OUR CHAIRMAN

Stanley Hutter Ryan

Chairman

"We are optimistic about the future of the dry bulk market and our ability to outperform over the long term, which is supported by our advantageous network and operating platform."

Our Strategy in Action

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

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

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

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

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

Investing in Our Future

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

p.36 Delivering on Our Strategy

Industry Recognition

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

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

Sustainability and Decarbonisation

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

p.39 Sustainability Highlights

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

ESG Sustainability Report 2023
www.pacificbasin.com/sr2023

Safety and Wellbeing

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

ESG Sustainability Report p.36
Safety, Health & Wellbeing

Strong Governance and Leadership

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

p.44 Corporate Governance

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

p.65 Our Directors and Senior Management

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

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

Focused Strategy for a Sustainable Future

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

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

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

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

Stanley Hutter Ryan
Chairman
Hong Kong, 29 February 2024

CHIEF EXECUTIVE'S REVIEW

Martin Fruergaard

Chief Executive Officer

"We are excited about the long-term prospects for dry bulk shipping given favourable demand and supply fundamentals and the ongoing implementation of existing and new decarbonisation rules."

Continuing to Reward Shareholders

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

p.83 Group Performance Review

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

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

p.30 Cash and Borrowings

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

p.71 Report of the Directors

Strong Earnings Supported by Competitive Cost Base

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

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

p.25 Our Performance

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

p.28 Core Business Vessels Costs

Dry Bulk Demand Benefitting from China Reopening

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

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

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

p.20 Market Review

Dry Bulk Ordering Remains Restrained

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

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

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

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

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

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

We continue to believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage any significant new dry bulk vessel ordering

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

Decarbonising our Fleet

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

E$G Sustainability Report p.17
Our Decarbonisation Strategy

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

Some of our fuel-efficiency initiatives in 2023 included:

- switching to low-friction silicone antifouling hull coatings that result in less drag for longer periods between dry dockings and a significant fuel saving on application of about 8%. While expensive and less resilient to bumps and scrapes, these silicone coatings represent an effective and economically viable energy-efficiency measure for our type of vessels and trades;
- retrofitting pre-swirl vanes ("PSVs") on a number of our vessels (in addition to the several fin, duct and other technologies we have implemented across our fleet over many years) to enhance propulsion efficiency for a fuel saving of about 2% or more;
- adopting strategic power weather routing services that combine continuous weather routing with RPM optimisation for constant power across all sea conditions for a fuel saving of about 3 to 4%;
- installation of smaller, more energy-efficient water pumps on our vessels to reduce fuel consumption of our generators;
- further trials of biofuels of different blends. Our findings again showed no adverse effects on our engines, boding well for the future when the gradual uptake of green fuels will be mandatory; and
- introducing an "Energy Saving at Sea" e-learning course for all our ships' officers and our ship management colleagues ashore, recognising that education and staff engagement will be critical to extracting gradually more energy savings in ship operations.

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

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

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

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

Fleet Growth Strategy

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

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

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

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

p.6 Our Fleet

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

Responsibility to Our People

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

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

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

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

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

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

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

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

ESG Sustainability Report **p.40**
Crew Wellbeing

Market Outlook

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

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

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

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

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

Leading the Way in Dry Bulk Shipping

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

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

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

Martin Fruergaard
Chief Executive Officer
Hong Kong, 29 February 2024

Q&A WITH OUR NEW CFO

Michael joined Pacific Basin as Chief Financial Officer in July 2023. He previously spent 21 years with A.P. Moller-Maersk from 1988 to 2009 occupying a number of managerial and leadership positions including group senior vice president and chief financial officer of Maersk Container Business. After leaving A.P. Moller-Maersk in 2009, he worked as the executive vice president and chief financial officer of Dampskibsselskabet Norden A/S until 2015. In 2017, he joined ASYAD Shipping Company and ASYAD Drydock Company as the group's chief financial officer until May 2023, and served as acting chief executive officer of ASYAD Shipping Company from 2019 to 2020.

Michael T. Jorgensen

Chief Financial Officer

Q.

What attracted you to the role of Chief Financial Officer of Pacific Basin and what will be your main focus?

I was attracted to the role of Chief Financial Officer of Pacific Basin because of its leading position in the dry bulk shipping industry. It is a company characterised by great people and a strong culture. I like the company's strong financial performance and its commitment to sustainability and innovation. My main focus will be to ensure that we maintain the financial health and stability of the company, to support its growth ambitions and to enhance its environmental, social, and governance ("ESG") performance.

Q.

What opportunities and challenges does Pacific Basin currently face?

Pacific Basin currently faces both opportunities and challenges in the dynamic and competitive dry bulk shipping market. Some of the opportunities include the increasing demand for dry bulk commodities through urbanisation, the green transition, global infrastructure spending, the recovery of the global economy from the Covid-19 pandemic and the potential for consolidation and structural undersupply of vessels in the industry. Some of the challenges include the volatility and uncertainty of freight rates, the rising costs and regulations of fuel and emissions, and the need for digital transformation and innovation.

Q.

How will your role support or contribute to the strategic direction of Pacific Basin?

My role as a CFO will support and contribute to the strategic direction of Pacific Basin by ensuring that we have a robust and flexible capital structure that can withstand market volatility and uncertainty. With direction from the Board and management, I will also oversee the capital allocation and investment decisions, balancing the needs of growth, renewal, and decarbonisation of our fleet. Furthermore, I will develop and implement financial policies and systems that align with our company's values and governance standards. Additionally, I will communicate effectively with our internal and external stakeholders, such as shareholders, lenders, regulators, customers, and suppliers, to build trust and confidence in our company's performance and prospects.

Q.

What are the financial strategies available to support Pacific Basin's goal to achieve zero-emissions by 2050?

We will follow a multi-pronged approach which includes securing long-term financing from green or sustainability-linked sources, that offer preferential terms or incentives for meeting environmental or social criteria. Leverage the company's strong balance sheet and cash flow to invest in our business, continue to innovate, and digitalisation to enhance the efficiency and competitiveness of our fleet.

Develop collaboration and partnership with external stakeholders, such as shipbuilders, fuel suppliers, and technology providers, to share the risks and costs of developing and adopting zero-emission vessels and fuels. Engage with customers and charterers to align on the expectations and requirements for low-carbon shipping and to seek fair compensation for the higher operating costs of zero-emission vessels.

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Financial Sustainability & Sustainable Finance

Q.

What do you see as Pacific Basin's opportunity in our decarbonisation strategy?

We want to remain as a leader in the dry bulk sector and to gain a competitive advantage in adopting low-and zero-emission vessels and fuels. By doing so, we can enhance our reputation and brand value among our customers and other stakeholders and attract new business opportunities, by demonstrating our commitment and contribution to the global climate goals and the sustainable development of the industry. We can also reduce our exposure to potential regulatory and market risks, such as carbon pricing mechanisms, green fuel uptake rules, or traditional bunker fuel price fluctuations, that may arise from the transition to a low-carbon economy. Moreover, we can improve our operational efficiency and profitability, by optimising our fuel consumption and reducing our emissions and by benefitting from the preferential terms or incentives offered by green or sustainability-linked financing sources.

ESG Sustainability Report **p.17**
Our Decarbonisation Strategy

Q.

What are your predictions for the development of the dry bulk market in the next 3-5 years?

As we move towards a more interconnected world, the demand for dry bulk commodities is expected to rise. Iron ore, coal, grain and minor bulks are all crucial components of global trade and are necessary for the development of infrastructure, the growth of urbanisation and the implementation of green initiatives. The ongoing development of the global economy is also a contributing factor to the increasing demand for these commodities. Despite this growth, it is important to note that geopolitical tensions, environmental regulations and supply chain disruptions can have a significant impact on both trade volumes and freight rates. These factors can cause delays in the supply chain, leading to decreased efficiency and increased costs. Additionally, environmental regulations can impose additional costs on producers and shippers.

It is crucial for businesses and governments alike to keep these factors in mind when planning for the future. By understanding the potential impacts of geopolitical tensions, environmental regulations and supply chain disruptions, businesses can better prepare themselves to navigate the challenges of the global marketplace. Ultimately, the continued growth of the global economy and the increasing demand for dry bulk commodities offer a promising future for the industry and Pacific Basin, but it is important we remain vigilant and adaptable in the face of potential challenges.

MARKET REVIEW

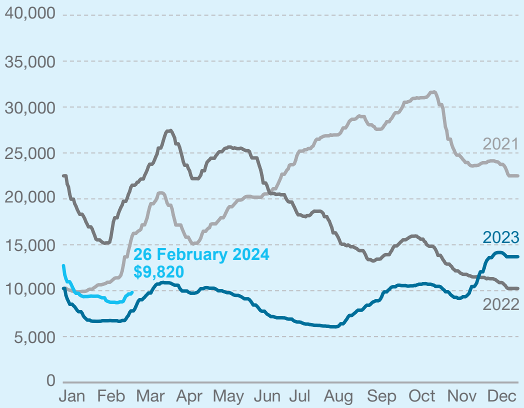
Increased Vessel Supply Negatively Impacted Dry Bulk Freight Rates

US$8,990 net ⬇ 51% YOY

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

Handysize Market Spot Rates in 2021-2024

US$/day net*

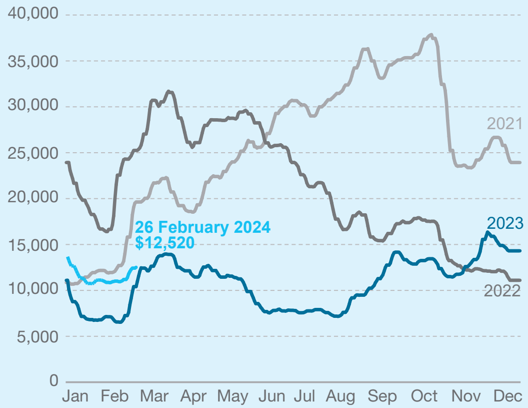


US$10,680 net ⬇ 49% YOY

BSI 58K Supramax 2023 avg. market spot rate

Supramax Market Spot Rates in 2021-2024

US$/day net*



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

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

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

Vessel Values Remain Elevated

US$31.0m ⬆ 9%

Second-hand Ultramax YOY

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

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

Source: Clarksons Research, data as at January 2024

DEMAND: China Reopening Supported Dry Bulk Demand

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

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

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

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

2023 Global Cargo Loading Volumes#

Selected Minor Bulks*	↑	+1%
Grain	↓	–1%
Iron Ore	↑	+4%
Coal	↑	+4%

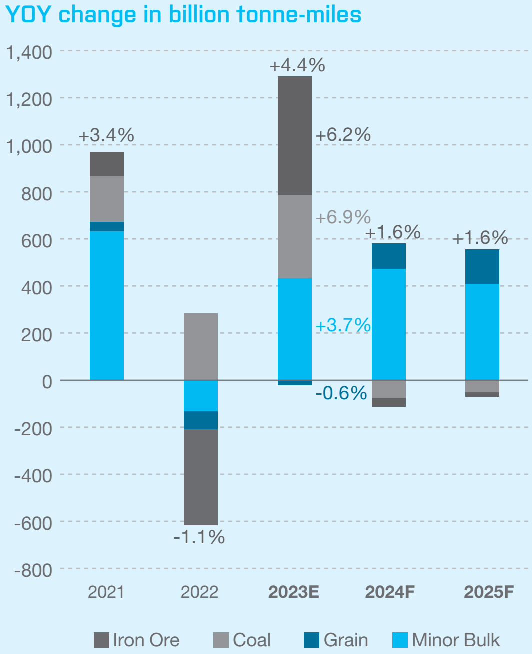
* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

Source: Oceanbolt

Minor bulk demand is broad based and diverse both geographically and in terms of commodities and customers, and normally tracks growth in GDP. Hence with a 3.1% world GDP growth forecast and continued stimulus in many countries, the forecast for minor bulk demand in 2024 is positive.

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

Annual Change in Global Dry Bulk Tonne-mile Demand



Source: Clarksons Research, data as at January 2024

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

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

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

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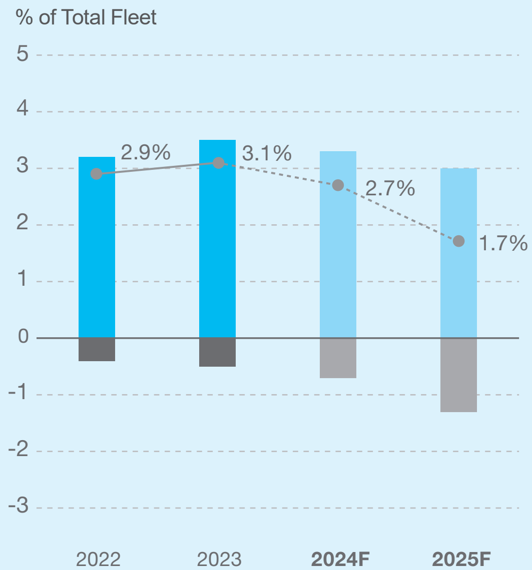
IMO's Short-term Measures (EEXI & CII)

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

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

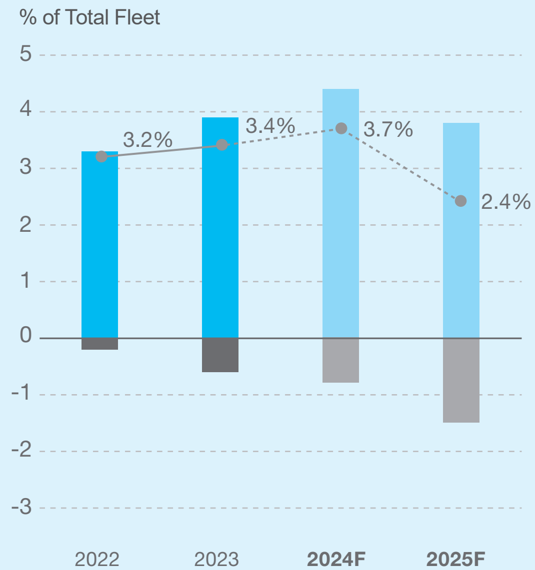
Overall Dry Bulk Supply Development

3.1%
Overall dry bulk capacity 2023



Handysize/Supramax Supply Development

3.4%
Global Handysize/Supramax capacity 2023



New Deliveries
Deliveries Forecast
Scrapping
Scrapping Forecast
Net Fleet Growth

Source: Clarksons Research, data as at February 2024

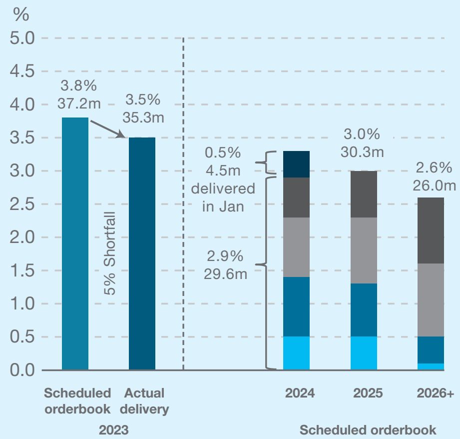
ORDERBOOK: Dry Bulk to Benefit from Low Orderbook

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

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

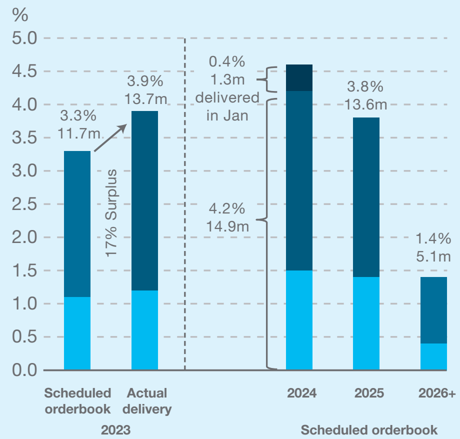
- uncertainty about coming decarbonisation regulations and the availability of sustainable fuels required to meet them
- the historically high cost of newbuildings, when lower priced second-hand vessels with prompt delivery represent more attractive investment with lower residual value risk
- limited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

Overall Dry Bulk Orderbook



Source: Clarksons Research, data as at February 2024

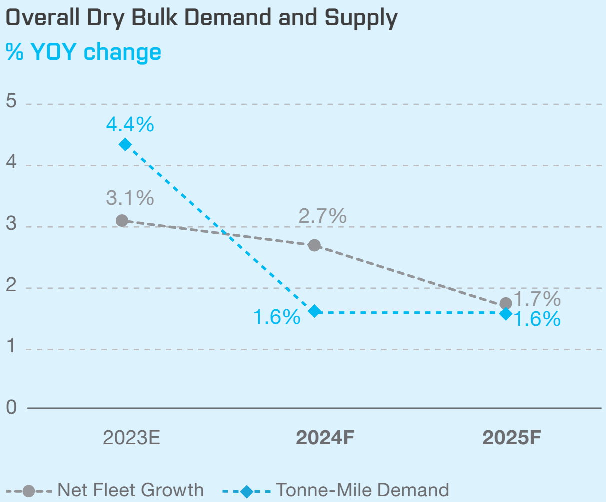
Handysize & Supramax Combined Orderbook

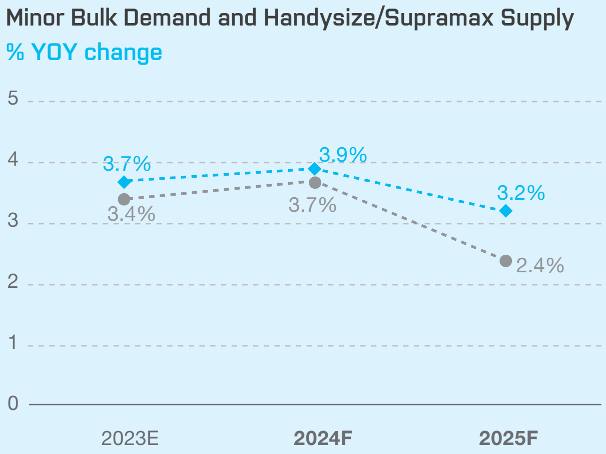


	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	2023 Scrapping as % of 1 January 2023 Existing Fleet
Handysize (10,000–40,000 dwt)	9.6%	13	14%	0.4%
Supramax & Ultramax (40,000–70,000 dwt)	9.3%	12	11%	0.7%
Panamax & Post-Panamax (70,000–100,000 dwt)	11.7%	12	12%	0.9%
Capesize (100,000+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

Source: Clarksons Research, data as at February 2024

MARKET BALANCE: Supportive Demand and Supply Balance Expected





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

Source: Clarksons Research, data as at February 2024

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Stimulus-driven recovery in China, and recovery in global economic demand driving increased demand for dry bulk commodities
- Slower vessel operating speeds due to emissions regulations and increased fuel cost

ESG Sustainability Report **p.26**
GHG Regulatory Snowball

- Limited new vessel ordering and deliveries due to decarbonisation regulations and uncertainty over future vessel designs and alternative fuels, leading to tighter supply
- Increased scrapping of older and less optimally designed tonnage facing onerous environmental regulations and expensive maintenance and upgrade

THREATS

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

OUR PERFORMANCE

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

Operating Performance

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

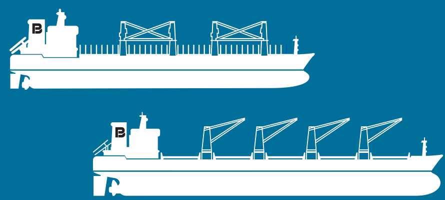
+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result

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

Our Commercial Activities

Core Business

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



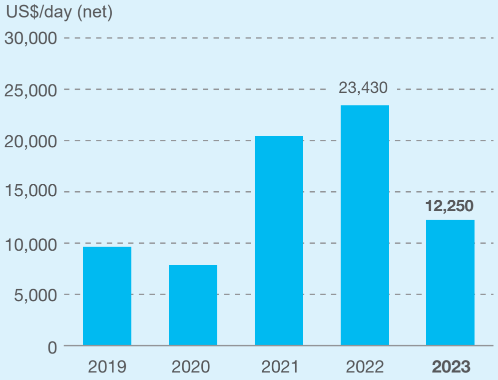
Operating Activity

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

CORE BUSINESS

Handysize

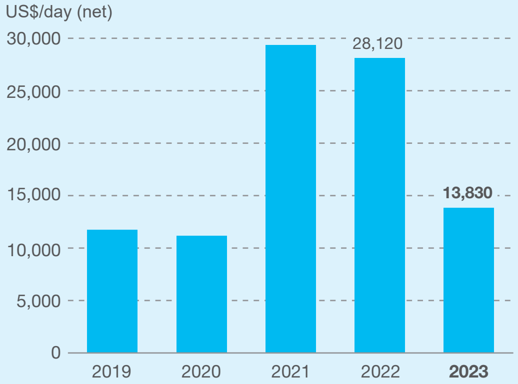
TCE EARNINGS KPI



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

Supramax

TCE EARNINGS KPI



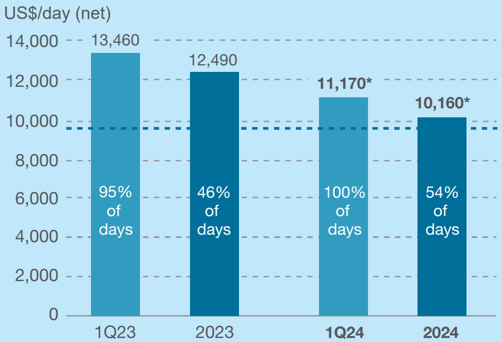
Note: Pre-2020 historical data has not been restated to split operating activity from core business

TCE EARNINGS KPI

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

Handysize

FORWARD CARGO COVER

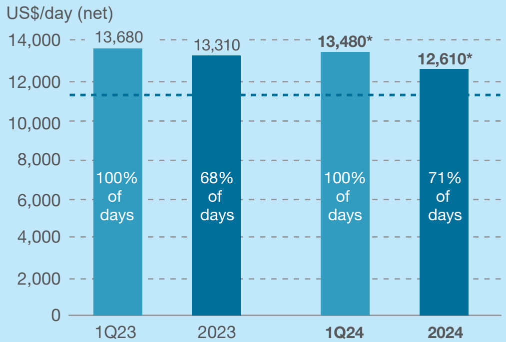


- - - Indicative core fleet P&L break-even level incl. G&A for 2023 = US$9,640

* As at late-February 2024, indicative TCE rates only as voyages are still in progress, our Handysize cover for the rest of the year is backhaul heavy. When combined with better earning fronthaul voyages, the overall TCE rates will typically be higher

Supramax

FORWARD CARGO COVER



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

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

FORWARD CARGO COVER

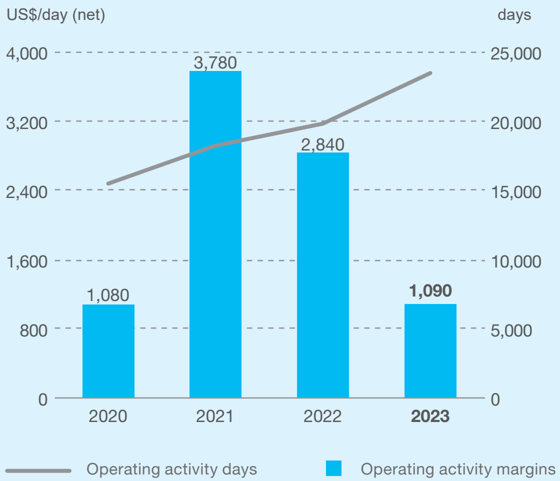
- As a result of increased freight rates in the latter part of 2023 and concerns of usual seasonal weakness around Lunar New Year, we were proactive to take increased cover for the first quarter of 2024.
- We have covered 100% and 100% of our Handysize and Supramax vessel days for the first quarter of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

p.28 Core Business Vessel Costs

OPERATING ACTIVITY

MARGIN KPI

US$1,090 per day (net)



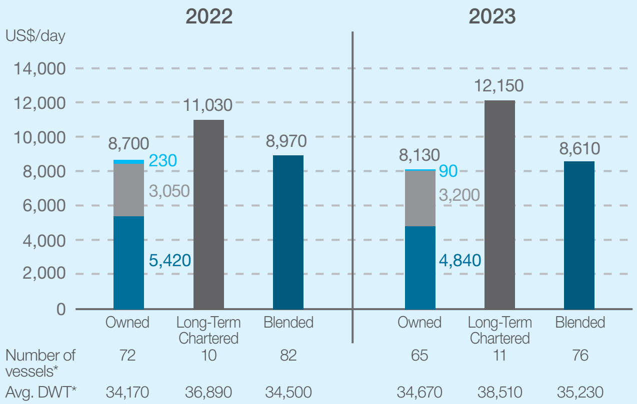
- Our operating activity generated a margin of US$1,090 net per day over 23,480 operating activity days in 2023 on short-term vessels that we chartered specifically to carry spot cargoes
- Our operating activity days increased by 18% in 2023, as compared with 2022
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels (when our core vessels are unavailable), thereby making a margin and contributing to our Group's results regardless of whether the market is weak or strong

CORE BUSINESS VESSEL COSTS

Daily Vessel Costs

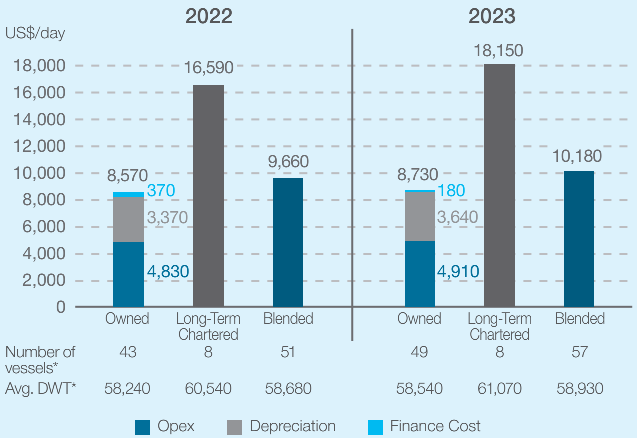
Handysize

Blended US$8,610



Supramax

Blended US$10,180



* Fleet as at 31 December

Owned Vessel Costs

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

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

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

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

Long-term Chartered Vessel Costs

Long-term chartered vessel costs mainly comprise depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months. Our long-term chartered vessel daily costs increased by 10% to US$12,150 and 9% to US$18,150 for Handysize and Supramax vessels respectively, primarily due to higher charter costs of vessels that committed during strong market conditions in 2022.

Blended Costs

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

General and Administrative ("G&A") Overheads

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

Vessel Days

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

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

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

Future Long-term Chartered Vessel Costs

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

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

CASH AND BORROWINGS

Operating Cash Inflow
US$285.9m

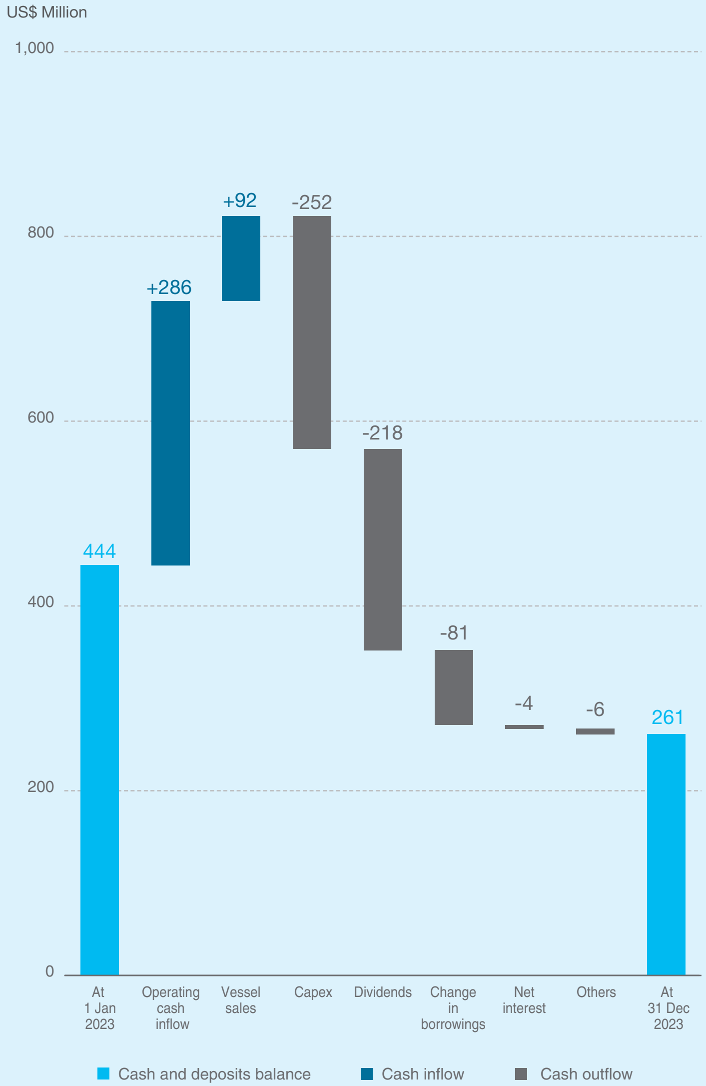
Available Committed Liquidity
US$549.2m

Net Borrowings to Net Book Value of Owned Vessels
(2)%

Average Interest Rate (P/L)
5.1%

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

Cash Flow



Key Developments in 2023

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

Liquidity and Borrowings A

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

p.106 Financial Statements Note 16 Cash and deposits (including how we invest our cash)

Borrowings and Undrawn Committed Facilities

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

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

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

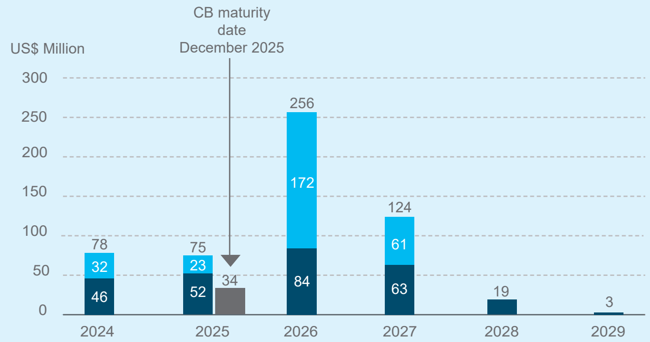
The Group monitors the loan-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

As at 31 December 2023:

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

p.94 Financial Statements Note 7
Finance income and finance costs

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



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

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

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

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

Finance Costs

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

Note: The convertible bonds have a P/L cost of US$1.5 million and a cash cost of US$1.0 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its borrowings. As at 31 December 2023, 75% (31 December 2022: 75%) of the Group's borrowings were on fixed interest rates.

TIMELINE

JAN

- Purchased six second-hand vessels as part of ongoing fleet renewal and growth strategy
- Gold sponsor of a global maritime innovation start-up competition, the Captain's Table, for two consecutive years
- Participated in the Enhancing Cetacean Habitat and Observation ("ECHO") Program, a collaborative effort to reduce the impacts of commercial shipping on at-risk whales

FEB

- Announced record-breaking Annual Results in terms of underlying profit and EBITDA at US$715m and US$935m respectively

MAR

- Published our seventh standalone Sustainability Report

APR

- Announced 1Q 2023 Quarterly Trading Update
- Held our Annual General Meeting
- Received the Port of Vancouver's 2022 Blue Circle Award for six consecutive years which recognised Pacific Basin's commitment to sustainability

MAY

- Paid final basic dividend of HK17 cents and a final special dividend of HK9 cents per share or approximately US$176.7 million
- Won two awards at the Hong Kong Marine Department Awards
  - Award for outstanding performance in Port State Control
  - Award for Bravery

JUNE

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

JULY

- Announced Interim Results producing an underlying profit of US$76.2m, net profit of US$85.3m and EBITDA of US$189.1m
- Michael Jorgensen joined Pacific Basin as CFO

AUG

- Captain Yu Yihai finally cleared of involvement in a drugs case and released after two years in an Honduran Prison to be reunited with his family in China
- Published our Interim Report 2023
- Paid interim dividend of HK6.5 cents per share, amounting to a total of US$43.7 million

SEP

- Received the Port of Los Angeles' voluntary Vessel Speed Reduction Program (VSRP) certificate

OCT

- Announced 3Q 2023 Quarterly Trading Update
- Won three Grand Awards at the 2023 Hong Kong ESG Reporting Awards ("HERA")
  - Grand Award for Best ESG Report (mid-cap)
  - Grand Award for Excellence in Environmental Positive Impact
  - Grand Award for Excellence in ESG Governance
  - Commendation for Excellence in Social Positive Impact

NOV

- Appointed Alexandre Emery as an Independent Non-executive Director, and Mats Berglund as a Non-executive Director with effect from January 2024
- Gold Sponsor of the Captain's Table for third consecutive years
- Won "Bulk Ship Operator of the Year" award at the 2023 International Bulk Journal ("IBJ") Awards, and became the only company to win the award consecutively

ibj AWARDS 2023

DEC

- Closed a US$150 million Sustainability-Linked 3-year Senior Unsecured Committed Revolving Credit Facility
- Retained the Gold Award at the Hong Kong Institute of CPA's 2023 Best Corporate Governance and ESG Awards
  - Gold Award in the Most Sustainable Companies and Organisations (Non-Hang Seng Index, Medium Market Capitalisation category)
- Awarded the Certificate of Merit in the Transport and Logistics Sector at the 2022 Hong Kong Awards for Environmental Excellence ("HKAEE")

ESG Sustainability Report p.8
Our Culture of Doing the Right Thing

STRATEGY DELIVERY

HOW WE CREATE VALUE

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

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

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

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

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

The value we create

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

Serving our people
Our 5,400+ staff feel safe, supported and engaged, benefitting from fulfilling, decent work and fair wages

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

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

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

DELIVERING ON OUR STRATEGY

Strategic Focus	Strategy Delivery and Performance	2024 Objectives
Investing in Our Fleet	In 2023, we sold seven of our older Handysize vessels and one Supramax vessel. Given increasingly strict existing and incoming decarbonisation regulations, such older, less efficient vessels will become increasingly challenging to operate and we therefore consider it wise to gradually divest ourselves of our least efficient vessels. We purchased eight modern second-hand vessels including one Handysize vessel, one Supramax vessel and six Ultramax vessels. To further support growth and renewal of our core fleet, we have signed agreements for the long-term inward charter of both Handysize and Ultramax vessels. We currently own 115 Handysize and Supramax ships and have around 266 owned and chartered ships on the water overall.	We remain committed to our long-term strategy to grow our owned fleet of Supramax vessels by acquiring high-quality, modern, second-hand vessels, and to renew our Handysize fleet by replacing our older and less-efficient Handysize vessels with younger and larger Handysize vessels. Our collaboration with Nihon Shipyard Co and Mitsui & Co has progressed well in designing an efficient dual-fuel vessel capable of running on fuel oil or sustainable methanol. However, we remain cautious in our approach to investment in newbuildings due to current high newbuilding prices.
Investing in Our People	Over the years, we have made significant strides in our commitment to supporting mental wellbeing. Our training strategies have been enhanced, and we continuously review our safety and wellbeing programs to ensure they are up-to-date and effective. We have resumed in-person officer training seminars, while also extending our online training options to ensure accessibility for all. Our crews' physical and mental health is of utmost importance, so we engage remote medical service providers to offer comprehensive support. To improve connectivity, we have upgraded our satellite data plans, providing 24/7 internet access to alleviate the discomfort of being away from loved ones for extended periods of time. Finally, we understand the importance of family support, which is why we have implemented the PB Families Programme. It includes quarterly forums for families in the Philippines, ensuring that our crews and their families are well-supported both at sea and at home.	We will continue to strive towards achieving our permanent objectives of enhancing safety performance, staff retention, productivity, job fulfilment and wellbeing. We aspire to be a top ship owner and operator in the dry bulk shipping industry and become the preferred partner for our employees and all stakeholders.
Deepening Our Relationships	We merged our Auckland office into the Melbourne office in 2023, and opened a new office in Singapore in January 2024. We currently have 11 commercial offices, totalling 14 offices around the world. The new Singapore office will enable us to develop new business in the Southeast Asia region while also cultivating better relationships with our existing customers. In 2023, we carried 85 million tonnes (2022: 68 million tonnes) for over 500 customers.	We seek to further improve the customer experience through regular customer engagement and close partnership at a local level, collaborating to meet tightening carbon intensity rules, making it easier to do business with us, and drawing on a global team and office network that is unmatched in the dry bulk sector, in return enhancing our access to cargoes.
Safeguarding Health & Safety	Safety remains our top priority as we strive for zero injuries and enhance our focus on mental wellbeing through training strategies, enhancements in technology on board our vessels and further improvements to our remote medical support. Our safety culture continues to evolve with a more bottom-up approach, resulting in 14 lost-time injuries across nearly 21 million man hours in 2023. Our commitment to the safety and wellbeing of our seafarers and shore-based employees remains steadfast regardless of the many challenges of our industry.	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.

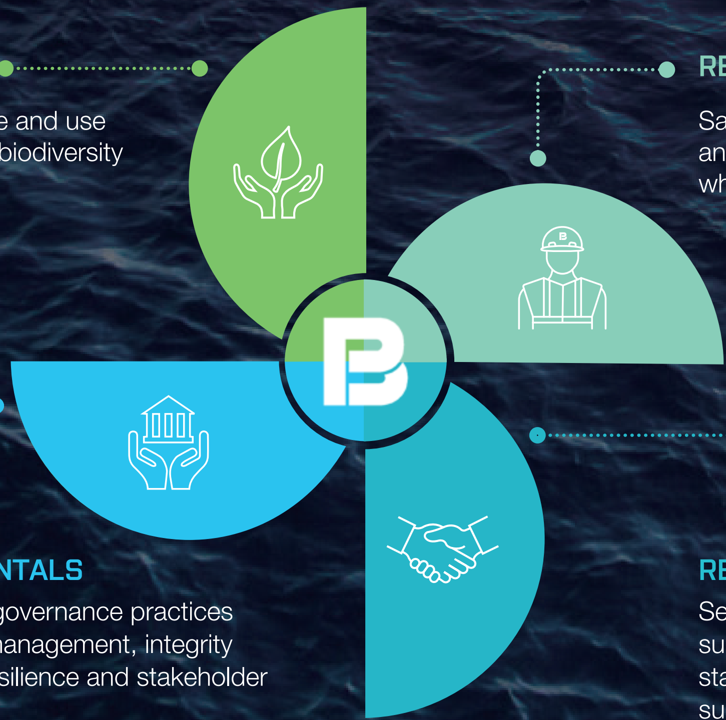
Strategic Focus	Strategy Delivery and Performance	2024 Objectives
Evolving Management & Governance Practices	In 2023, the Group continued to adopt a "Three Lines of Defence" model. The risk management team continued to foster a culture of risk and control awareness throughout the organisation to ensure employees who carry out everyday tasks understand that they are risk owners. Regular training sessions and workshops on company policies and procedures, anti-bribery training for both shore staff and seafarers, ongoing cybersecurity alerts and phishing exercise, company-wide drills on Business Continuity Plan ("BCP") are some of the initiatives the Group has taken to equip our employees to identify, assess, and manage risks effectively. Additionally, we stay updated on technologies and industry best practices so that our staff are well prepared to navigate evolving risk landscapes and contribute to the Group's overall risk management efforts. We won the Gold Award in the Most Sustainable Companies and Organisations (Non-Hang Seng Index (Medium Market Capitalisation) Category) at the HKICPA's Best Corporate Governance and ESG Awards 2023. We continued to adopt the latest ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited as well as other international reporting standards and guidelines such as the United Nations Global Compact, the United Nations Sustainable Development Goals, the Global Reporting Initiative ("GRI") Standards, the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations, Sustainability Accounting Standard Board ("SASB") for Maritime transportation, and the International Integrated Reporting Council's International Framework.	To cope with the increasingly complex world and ever-evolving shipping market, we continue to review and assess our understanding of our emerging risks and ensure our risk management approach is holistic and agile. We make use of the latest developments and trends in new technologies and tools to enhance monitoring efforts and to 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. In January 2024, we elevated board-level oversight of sustainability from our Audit Committee to a newly established Sustainability Committee. The Sustainability Committee is appointed by the Board to assist the Board in overseeing the management team and advising the Board on matters that are material to the long-term sustainability of the Company. Management and a dedicated sustainability team are supported by a Sustainability Management Committee in coordinating and enhancing our approach to sustainable business practices and investments, in ensuring compliance with growing ESG requirements for companies engaged in shipping and listed on the Hong Kong Stock Exchange, and to better integrate more precise and deliberate sustainability thinking into our culture and business operations.
Safeguarding the Environment	In January 2023, IMO's global energy efficiency and carbon intensity regulations came into effect. We implemented technical and operational initiatives to maximise the longevity of our conventionally-fuelled existing ships in the face of increasingly stringent regulatory requirements. Our carbon intensity in 2023 was 40% lower than in our 2008 baseline year, and we expect to have more than halved our carbon intensity by 2030 en route to our long-term target of net zero by 2050. We enhanced our sustainability governance structure to improve the effectiveness of our approach to sustainable development, the resilience and reputation of our business, and the confidence our stakeholders place in us.	We continue our collaboration with global leading Japanese shipbuilding partners Nihon Shipyard Co and Mitsui & Co to develop an efficient low-emission vessel ("LEV") design for an Ultramax ship with a dual-fuel engine capable of running on green methanol or conventionally fuel oil. We will consider in 2024 whether we are ready to contract our first LEV with delivery well ahead of our original 2030 target. We will continue to invest, engage and collaborate to ensure we continue to gradually reduce the carbon-intensity and environmental impact of our fleet as required under tightening and new rules.

Strategic Focus	Strategy Delivery and Performance	2024 Objectives
Maximising Efficiencies & Controlling Costs	Our average Handysize and Supramax daily operating expenses ("Opex") decreased by 7% to US$4,870 per day. This was mainly due to reduced crew cost following the lifting of Covid restrictions worldwide. However, our Opex remained at competitive levels in the industry through good cost control and scale benefits as well as efficient procurement.	Due to the cyclical nature of dry bulk shipping, freight market volatility will continue to drive our careful and considered cost control measures, while 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 maintain high vessel utilisation, availability and punctuality.
Enhancing Corporate & Financial Profile	We have maintained conservative gearing and continue to benefit from access to capital generated through operations, debt, convertible bonds and equity. Our access to various external sources of funding at the most competitive cost in our industry, combined with our strong available committed liquidity position, brings comfort to customers and shareholders. These factors, as part of our strong corporate profile, make Pacific Basin a preferred partner for many stakeholders. In 2023, we closed a new US$150 million syndicated 3-year sustainability-linked unsecured revolving credit facility and made net repayments of US$81 million under our committed facilities, further enhancing our balance sheet and liquidity position. At the year end, our net borrowings to net book value of our owned fleet was 2% 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 strategies 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.

ESG Sustainability Report **p.54**
Responsible Value Creation

SUSTAINABILITY HIGHLIGHTS

Our industry is facing an evolving and increasingly complex business landscape which poses both risks and opportunities for our company. To navigate the challenges of today and tomorrow, and to further define our role as industry leaders, we are harnessing our culture of "doing the right thing" and putting it to work in a pragmatic sustainability framework comprising four pillars of responsibility



ENVIRONMENTAL RESPONSIBILITY

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

RESPONSIBILITY TO OUR PEOPLE

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

RESPONSIBLE BUSINESS FUNDAMENTALS

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

RESPONSIBLE VALUE CREATION

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

ESG Please see our standalone Sustainability Report 2023 for a full review of our sustainability approach and performance

ENVIRONMENTAL RESPONSIBILITY

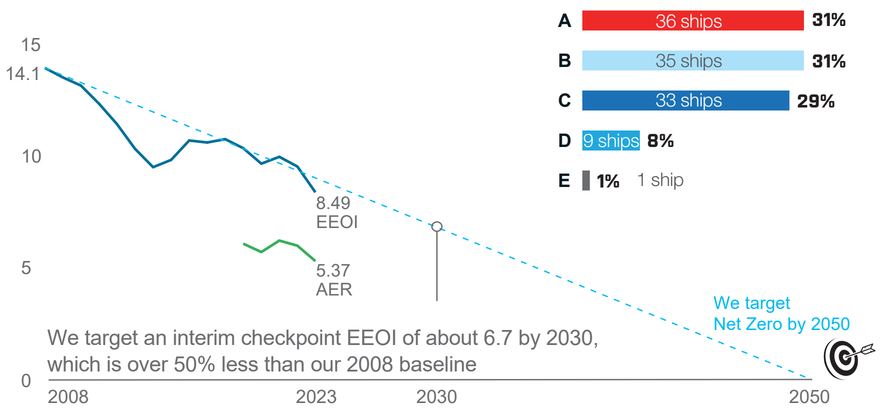
Ambition: As a leading dry bulk ship owner and operator, Pacific Basin seeks to further improve our fleet scale, optimise our performance and offer flexible and reliable service while striving to decouple this from environmental impact. We take responsibility for decarbonising our fleet, managing our waste, marine discharges and resources consumption, ensuring our ships are primed for proper recycling and minimising our biodiversity impacts as we continue to grow our business.

Tracking a Course to Net Zero by 2050

Carbon Intensity (EEOI) of our owned fleet KPI

8.49 by 2050 ↓ **12%**
Grams CO_2 per tonne-mile

Our AER Carbon Intensity Ratings



Revised IMO GHG Strategy

In July 2023, IMO adopted a more ambitious GHG strategy with a goal for international shipping to achieve:

- net-zero emissions by about 2050
- CO_2 intensity reduction of 40% by 2030 compared to 2008 level
- total GHG emissions reduction of 20-30% by 2030 and 70-80% by 2040
- 5-10% of energy use to come from zero GHG emissions technologies and fuels by 2030

IMO's target is therefore now better aligned with Pacific Basin's own net zero by 2050 target to which we committed in 2021.

Next, IMO will soon develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard and a maritime GHG emissions pricing mechanism. We expect clarity on these by the end of 2025, with earliest entry into force in 2027.

Preparing Well for a Raft of New Decarbonisation Regulations

- **IMO 2023 Carbon Intensity Reduction Rules** – IMO's EEXI and CII rules came into effect in January 2023 and, having analysed and prepared for the rules early, our conventionally-fuelled existing fleet is well positioned to comply and continue to trade for the next decade or more through technical enhancements, operational measures and a programme of regular fleet renewal, especially in view of IMO's newly revised GHG strategy (see below)
- **EU Emissions Trading System** – Shipping's inclusion in the EU ETS took effect from January 2024. We watched the evolution of this scheme closely and prepared well for it

We are also watching and preparing for further decarbonisation regulations, such as:

- **FuelEU Maritime** – a directive to drive the gradual take-up of renewable and low-carbon fuels when trading in, to and from EU, effective from 2025
- **US Clean Shipping Act & International Marine Pollution Accountability Act** – a proposed package of maritime fuel carbon intensity reduction rules (requiring zero GHG emissions by 2040), shore-power requirements and a greenhouse gas levy applicable to voyages in, to and from USA, being discussed in US Congress for possible effect in 2027

Our Decarbonisation Strategy

1. Energy-efficient technology adoption
2. Carbon-efficient operational measures
3. Fleet renewal and growth for energy efficiency
4. Development of low-emission vessels and fuels
5. Supporting green fuel availability
6. Information-sharing and collaboration for excellence
7. Preparation for a raft of decarbonisation regulations

To achieve the long term goal of complete decarbonisation, we continue to progress the design of a dual-fuel **low-emission vessel ("LEV")** capable of running on methanol or fuel oil, and we will consider in 2024 if we are ready to contract to build such a vessel with delivery well ahead of our original 2030 target.

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

ESG Sustainability Report **p.5 & 20**
Collaborating on LEVs

ESG Sustainability Report **p.17**
Our Decarbonisation Strategy

RESPONSIBILITY TO OUR PEOPLE

Ambition: Pacific Basin strives to develop a diverse, effective and motivated team. At sea and on shore, we continue to uphold the highest health and safety standards and train our colleagues to enable them to tackle evolving business challenges while looking after their – and each other's – overall wellbeing. We want to encourage and support each individual's unique efforts to contribute to our business and to remove barriers to inclusion and equality of opportunity.

Our increased focus on mental wellbeing in recent years has included:

- enhanced training strategies and constant review of safety and wellbeing programs
- resumption of in-person, interactive officer training seminars
- the first regular rating seminar programmes
- online training extended to on-leave and on-the-job training in specialist areas
- engagement of two remote medical service providers 3Cube and Sea Bird Medicare to support our crews' physical and mental wellbeing
- additional psychometric screening tests for all seafarers prior to joining our vessels
- upgraded satellite data plans to offer our crews better internet access 24/7

We prioritise the safety and security of our staff, our ships and our operations. We practice proactive vigilance and risk management in times of heightened security threats. When navigating through high-risk areas, we have implemented the following enhanced security measures:

- Voyage risk assessments
- Dog searches
- Security guards
- Patrol boats
- CCTV
- Underwater drone searches

The Gulf of Guinea Declaration
on Suppression of Piracy

Total Recordable Case Frequency

1.05 ↑ 81%

injuries per million man hours

Following Covid-related outlier years in 2021-22, in 2023, our crews registered 25 recordable injuries (including 14 lost-time injuries) in over 20.9 million man hours, including minor slips, trips, falls and finger injuries. We conduct thorough reviews of every incident and near-miss, analysing the root causes to develop and implement effective preventive measures.

External Inspection Deficiency Rate

0.79 ↓ 15%

deficiencies per PSC inspection

We recorded fewer deficiencies in Port State Control inspections, benefitting from normalised ship manager visits and maintenance intensity after the lifting of Covid restrictions, and a commensurate improvement in vessels' condition.

Harassment and Bullying Cases

2

reported harassment incidents

We do not tolerate harassment and bullying. Following our investigation, the perpetrators were dismissed and we have stepped up our harassment prevention and counter-bullying training across our fleet.

RESPONSIBLE VALUE CREATION

Ambition: Pacific Basin is in it for the long haul – valuing long-term relationships over short-term gains with our customers, suppliers, investors, finance providers, regulators, local communities and other networks. Leveraging our scale and influence in the dry bulk industry, we seek to promote a responsible, ethical, inclusive and resilient global marketplace by working together with our stakeholders.

Serving our Customers – **Serving our PB Community** – **Serving Society & Sustainable Trade**

Since March 2023, we have been collaborating with our cargo customer Rio Tinto as part of their Designated Owners & Operators Standard initiative to enhance safety and crew welfare in the dry bulk industry.

Marking the International Day of the Seafarer in late June, Pacific Basin again sponsored free admission to the Hong Kong Maritime Museum, with Pacific Basin ship cadets and officers as well as shore-based managers and former ship captains volunteering to teach navigation skills and knot-tying, and to present museum objects, seafaring stories and career paths to museum visitors. A record 4,300 visitors attended.

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

RESPONSIBLE BUSINESS FUNDAMENTALS

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

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

Our Risk Management Committee ("RMC") reports to the Audit Committee to ensure strong governance, effective risk management and internal control.

In January 2024, our Board of Directors elevated its delegated board-level oversight of sustainability from the Audit Committee to a dedicated new Sustainability Committee ("SC"). Our Sustainability Management Committee ("SMC") will report to the SC to ensure effective implementation of our sustainability strategy.

We believe our enhanced sustainability governance structure will further improve the effectiveness of our approach to sustainable development, the resilience and reputation of our business, and the confidence our stakeholders place in us.

ESG Sustainability Report **p.65**
Sustainability Governance

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

MSCI ESG RATINGS BBB

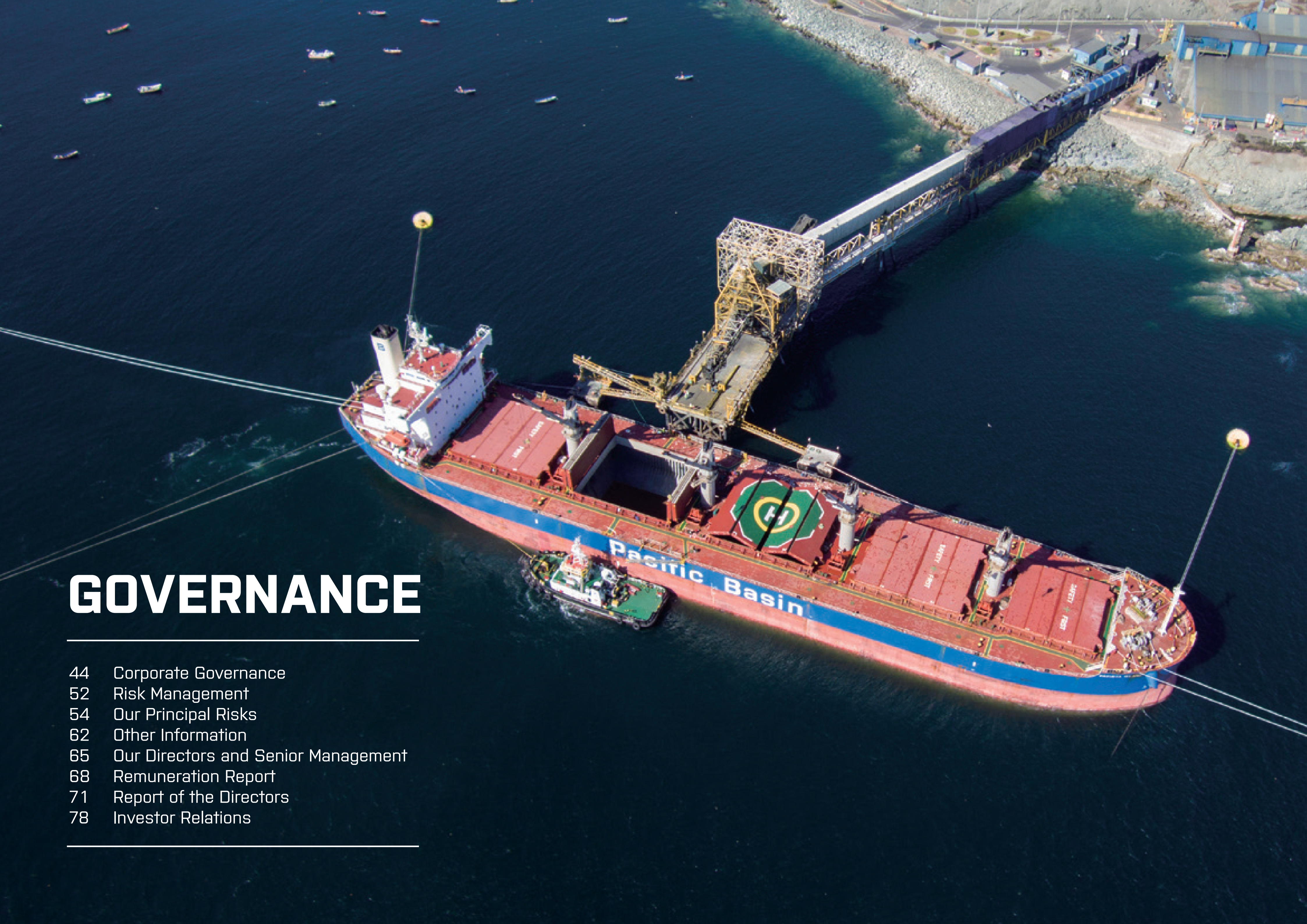
In 2023, Pacific Basin received an MSCI ESG Rating of BBB

AA- Sustainability Rating by HKQAA

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

BRONZE 2023 ecovadis Sustainability Rating

We received our first bronze medal in EcoVadis sustainability rating (top 37% among ocean transport companies)



GOVERNANCE

CORPORATE GOVERNANCE

Accountability

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

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

Throughout the year ended 31 December 2023, the Group has complied with all code provisions of the Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Group adopts all the recommended best practices under the Code except that the Group publishes a quarterly trading update, instead of quarterly financial results. The Board considers this format provides shareholders with the key information to assess the performance, financial position and prospects of the Group's business following on from the full year and interim results.

With regards to the Group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, details can be found in the Company's 2023 Sustainability Report which will be available together with this Annual Report on the websites of both the Company and the Stock Exchange.

Corporate Strategy

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

During the year ended 31 December 2023, the Board has regularly reviewed the strategic focus of the Company. The Company ensures its staff members are well informed of its vision and strategies, its activities and performance by a number of means, including hosting town hall forums, inviting department heads or other colleagues to participate in Board meetings, regular management meetings, individual departmental meetings and internal communication via intranet.

Our ability to achieve our vision depends on the effectiveness of our people and we strive to ensure that at the point of recruitment, we select people who would most likely fit in and foster the Company's culture. In addition, the Company has developed a code of conduct which has to be abided by all staff. It aims to provide a psychologically and physically safe, inclusive, caring and supporting working environment, the necessary training, coaching and professional development to staff.

These forums are all important means for the Company to foster a corporate culture which aligns with the Company's strategy, purpose and value.

The Board of Directors

Board Composition and Responsibilities

As at the date of this Annual Report, the Board comprises eight Directors (two of whom are female): five Independent Non-executive Directors ("INEDs") (one of whom is the Chairman), two Non-executive Directors ("NEDs") and one Executive Director. The number of INEDs is above the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The biographical details of each Board member are set out in the "Our Directors and Senior Management" 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 2023, 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. Below are the important attributes in achieving an effective Board.

Dynamic Board Composition

A list of members of the Board and their roles and functions is available on the websites of the Company and the Stock Exchange. Our Board members come from diverse business and professional backgrounds who actively bring their valuable experience to the Board for the best interests of the Company and its shareholders. As at the date of this Annual Report, the Board comprising 8 members, has expertise in the areas of accounting, commercial, commodities, corporate finance, financial services, legal, marine technology and shipping, is collectively responsible for directing and supervising the affairs of the Group.

Board Nomination and Diversity

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

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

The Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and the Nomination Policy and considered that they remain effective and appropriate for the Company. The Board currently comprises 2 female members, and the Board now targets to have 3 women directors and a minimum of 30% female or gender-diverse representation on the board by 2026.

ESG Sustainability Report **p.51**
Board Diversity

During the year, the Nomination Committee engaged an independent recruitment consultant who identified and shortlisted a number of potential candidates as Directors of the Company for the consideration of the Nomination Committee. After having considered and interviewed a substantial number of possible candidates, the Board, with the recommendation of the Nomination Committee, appointed Mr. Alexandre Emery as INED and Mr. Mats Berglund as NED of the Company, both appointments have taken effect from 2 January 2024.

Separate Formalised Roles for the Chairman and Chief Executive Officer

Mr. Stanley Hutter Ryan, an INED of the Company, assumed the position of Board Chairman after the retirement of Mr. David Muir Turnbull at the conclusion of the 2023 AGM in April 2023. The Chairman oversees the executive team and meets regularly with the CEO on the operations of the Group. 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 the level of debt, 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 Director Commitment to the Business Activities of the Group

The Executive Director(s) 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 NEDs

The INEDs and NEDs play a key role in protecting shareholders' interests. They come from diverse business and professional backgrounds, actively bringing 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 NEDs provide a long-term view of the business development through shipping cycles and offer views that go beyond the short-term market movements.

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 an INED does not compromise his/her independence but instead brings significant positive qualities as referred above. 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 nine years, a total of five 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.

- **Assessment of INEDs' Independence**

  The Board considers that all existing INEDs bring strong independent oversight and continue to demonstrate independence. For the year end 31 December 2023, the Company has received an annual confirmation from each INED about his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Board continues to consider them to be independent.

  Mrs. Irene Waage Basili has served the Company as an INED for over nine years since May 2014. She has given confirmation of her independence pursuant to Rule 3.13 of the Listing Rules. In addition, Mrs. Basili has held a number of executive and general management roles in various shipping companies and has over 24 years of experience and knowledge of the shipping industry. Mrs. Basili possesses extensive commercial, strategic and operational experience in the dry bulk and other shipping sectors. The Board believes that she is able to draw upon her extensive shipping knowledge and experience for the benefit of the strategic development of the Company and, bring independent views to the Board. The Board considers she is suitably independent to carry out her duties as an INED.

  Dr. Tikka holds cross-directorship with Mr. Berglund since they both serve on the Board of the Company and as non-executive directors at Ardmore Shipping Corporation. Given that each of Dr. Tikka and Mr. Berglund occupies a non-executive role in both companies and holds less than 1% of the issued shares in both companies, the Board considers that such cross-directorship would not undermine the independence of Dr. Tikka with respect to her directorship at the Company.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. To assist the Directors, the Company Secretary recommends them to attend relevant seminars at the cost of the Company. Relevant reading materials are also identified by the Company Secretary. Each member of the Board has also provided a record of training to the Company, which is set out on page 47 of this Annual Report.

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

The Company appointed Mr. Alexandre Emery as an INED and Mr. Mats Berglund as a NED with effect from 2 January 2024. Each of Mr. Emery and Mr. Berglund had on 28 November 2023 and 30 November 2023 respectively received legal advice from qualified solicitor as regards to the requirement under the Listing Rules that are applicable to them as a director and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Each of them confirmed that they understood their obligations as a director of a listed company.

Board Evaluation

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

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

The Board and its members' responsibilities

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

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

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

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

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

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

Board Committees

The Board has established the Audit, Remuneration and Nomination Committees in accordance with the Code. The terms of reference of these Board Committees are available on the Company's website and the Stock Exchange's website.

www.pacificbasin.com
Sustainability > Board & Board Committees

The Board elevated board-level oversight of sustainability from our Audit Committee to a Sustainability Committee established in January 2024, comprising Mr. Stanley Ryan, Mr. Mats Berglund and chaired by Dr. Kirsi Tikka. The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances.

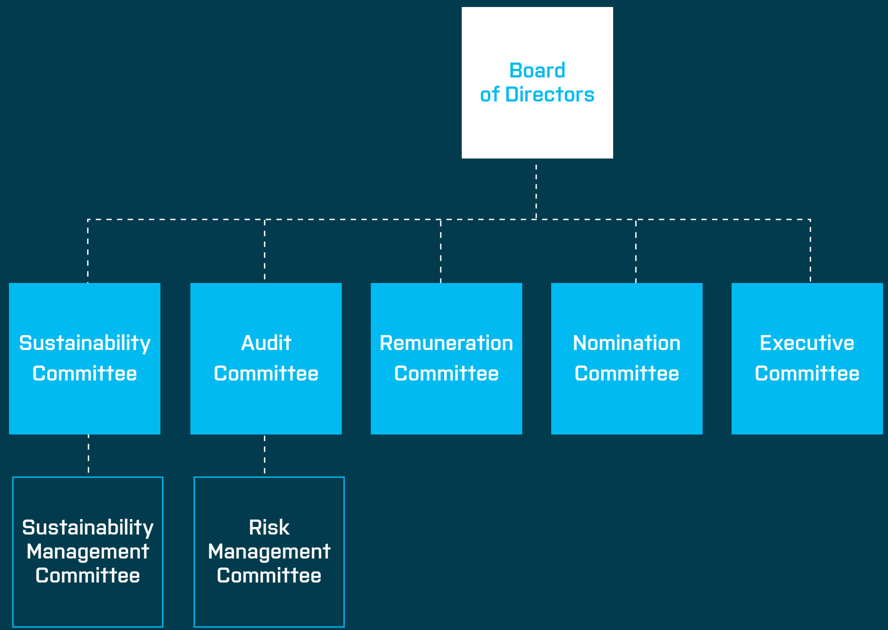
Decisions made by the Board and the Board Committees are based on detailed analyses prepared by the management which include:

(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 2023

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 as and when necessary.

The Board met four times during the year. The attendance of each Director at Board meetings, Board Committee meetings and general meeting in 2023 are set out below. High attendance by Board members at Board and Board Committee meetings demonstrates strong commitment of the Directors in discharging their duties.

Meetings held in 2023

	Annual General Meeting	Board Meeting	Audit[1] Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Training[#]
Executive Directors						
David M. Turnbull (retired after 2023 AGM)	1	0/1				√
Martin Fruergaard (Chief Executive Officer)	1	4/4				√
Peter Schulz (Chief Financial Officer) (resigned on 31 March 2023)	0	1/1				√
Non-executive Director						
Alexander H.Y.K. Cheung	1	4/4	4/4	3/3	2/2	√
Independent Non-executive Directors						
Robert C. Nicholson (retired after 2023 AGM)	0	0/1	1/1			√
Irene Waage Basili[2]	0	4/4		3/3	2/2	√
Stanley H. Ryan (Chairman)[3]	1	4/4		3/3	2/2	√
Kirsi K. Tikka	0	4/4	4/4		2/2	√
John M.M. Williamson	1	4/4	4/4			√
Total number of meetings held in 2023	1	4	4	3	2	

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

[2] Mrs. Irene Waage Basili was appointed as the Chairman of the Remuneration Committee and a member of the Nomination Committee on 18 April 2023

[3] Mr. Stanley H. Ryan was appointed as the Chairman of the Board and the Nomination Committee on 18 April 2023

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

The Audit Committee

Membership

Chairman: John M.M. Williamson (INED)

Members: Alexandre F.A. Emery (INED, appointed in January 2024), Kirsi K. Tikka (INED, stepped down in January 2024), Alexander H.Y.K. Cheung (NED) and Robert C. Nicholson (INED, retired after 2023 AGM)

Main Responsibilities

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

Work Done in 2023

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 2022 full year audit and the 2023 interim review and the audit strategy memorandum;
- review of the 2022 Annual Report, Sustainability Report and accounts and the 2023 interim report and accounts with a recommendation to the Board for approval;
- review of the Risk Management Committee reports including enterprise risk assessment, the internal audit work plan for 2023, the internal controls testing results and the effectiveness of the risk management and internal control systems and function of the Group;
- review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting function;
- review of the Sustainability Management Committee reports including the Group's key ESG performance and targets, new ESG projects, new IMO carbon efficiency regulations and the annual ESG materiality assessment; and
- review of the adequacy of the Group's marine related and other insurance coverages.

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

The Remuneration Committee

Membership

Chairman: Irene Waage Basili (INED, replacing Robert C. Nicholson (INED) who retired after 2023 AGM)

Members: Stanley H. Ryan (INED), Alexander H.Y.K. Cheung (NED) and Alexandre F.A. Emery (INED, appointed in January 2024)

Main Responsibilities

1. Make recommendations to the Board on the Company's remuneration policy and structure for Directors and certain higher paid employees, 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, certain selected members of management and any proposed new hire with an award of equity with reference to the Board's Corporate goals and objectives.
3. Review and make recommendations to the Board on the terms of appointment for Directors when considered necessary.
4. Make recommendations 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 2023 Share Award Scheme and other equity or cash-based incentive schemes of the Company in place from time to time, and review and approve the granting of share awards to any staff members of the Group.
6. Approve the disclosure statements of the Company's policy and remuneration for Directors in the Annual Report.

Work Done in 2023

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

- approval of the 2023 year-end bonuses and salary review for 2024 for the Executive Directors and certain employees;
- approval of the grant of restricted share awards to the Executive Director and certain staff members who, in the case of senior leaders, exhibited continuous excellence and values based leadership, and in the case of other employees, demonstrated continuous strong performance and future leadership attainment, and will benefit the development of the Group and should be retained via this means;
- review of the Company's share award program; and
- approval of the revised terms of reference for recommendation to the Board for approval.

The Nomination Committee

Membership

Chairman: Stanley H. Ryan (INED, replacing Robert C. Nicholson (INED) who retired after 2023 AGM)

Members: Alexander H.Y.K. Cheung (NED, retired in January 2024), Kirsi K. Tikka (INED), Irene Waage Basili (INED, appointed in April 2023) and Mats H. Berglund (NED, appointed in January 2024)

Main Responsibilities

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

Work Done in 2023

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

- review of the structure, size and composition of the Board;
- review of the Board Diversity Policy and Nomination Policy;
- review of the Board's succession plan and update on the strategy of INED renewal program;
- engagement of an external advisor for the INED selection process and involvement in the interview process leading to the recommendation to the Board the appointment of Mr. Alexandre Emery as INED and Mr. Mats Berglund as a NED;
- assessment of the independence of the Company's INEDs; and
- recommendation to the Board the (a) reconstitution of the Board Committees and (b) establishment and membership of the Sustainability Committee.

The Executive Committee

Membership

Chairman: Chief Executive Officer

Members: Chief Financial Officer and one senior executive

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 for any single unbudgeted investment/project and accumulated US$10 million for the same investment/project over multiple vessels or multiple years.
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 2023

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:

- execution of contracts of disposal of six smaller and older Handysize vessels and one Supramax vessel and a contract for acquisition of one Supramax vessel;
- execution of two long-term Ultramax vessel charter-in contracts;
- execution of a sustainability linked US$150 million 3-year senior unsecured revolving credit facility;
- approval of the adoption of SOFR as alternative benchmark rate in place of LIBOR for all loan facilities of the Group;
- approval of supplemental announcements addressing disclosure requirement of the Stock Exchange regarding ship acquisitions and share awards in January and August 2023 respectively;
- publication of an announcement relating to the appointment of an INED and a NED;
- approval of an additional approver in relation to securities dealing requests by certain staff members; and
- approval of the change in bank authorised signatories and representative for all loan facilities of the Group.

Sustainability Governance

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 is a Board Responsibility

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 Corporate Governance Code and ESG Reporting Guide encompassed in the Listing Rules.

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

The Board delegates to the Sustainability Committee more regular oversight of the Group's sustainability programme and the work of the Sustainability Management Committee ("SMC").

Elevated Board-level Oversight

In January 2024, we elevated board-level oversight of sustainability from our Audit Committee to a newly established Sustainability Committee, comprising two INEDs and one NED. The Sustainability Committee is appointed by the Board to assist the Board in overseeing the management team and advising the Board on matters that are material to the long-term sustainability of the Company, including ensuring effective management of the Company's sustainability risks and opportunities, overseeing the Company's sustainability approach, priorities and implementation, monitoring progress towards sustainability targets, and overseeing sustainability reporting.

Functions of SMC

The Group's SMC comprises the CEO, CFO, Head of Sustainability and five more senior executives from different functions. It reports to the Sustainability 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 a dedicated sustainability team to enhance and help to coordinate our approach to sustainable business practices and investments in sustainable assets. Supported by the sustainability team, day-to-day execution of sustainability initiatives and sustainable business practice lies with managers across the business, most notably the Fleet Director (supported by his technical, personnel, marine & safety and decarbonisation & optimisation managers), the Commercial Operations Director and the Human Resources and Administration Director.

Compliance with ESG Guide

Our sustainability reporting follows the latest Environmental, Social and Governance Reporting Guide ("ESG Guide") of as set out in Appendix C2 to the Listing Rules. 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.

The Sustainability Committee *(established in January 2024)*

Membership

Chairman: Kirsi K. Tikka (INED)

Members: Stanley H. Ryan (INED), Mats H. Berglund (NED, appointed in January 2024)

Main Responsibilities

1. Monitor and review emerging ESG responsibility trends and issues, with a focus on those most relevant to the dry bulk shipping industry.
2. Oversee the Company's ESG management approach, strategy and the process used to identify, evaluate and manage material ESG-related issues including the risks and opportunities they represent for the Company and to recommend any improvements.
3. Oversee the development and execution of the Company's ESG policies and practices, provide direction to Management on the Company's ESG vision and objectives/priorities, ensure alignment with the Company strategy and make recommendations to the Board.
4. Review the internal procedures and system for the generation and maintenance of appropriate and accurate sustainability data.
5. Review Management's ESG performance reports, including progress made against material ESG-related goals and targets, steps taken to achieve these targets, and covering any other relevant ESG issues; such ESG reports to be submitted to the Board at least two times a year.
6. Consider ESG investments proposed by Management and make appropriate recommendations to the Board.
7. Review the annual "Sustainability Report" to ensure the balance, transparency and integrity of published information as well as proper disclosure and compliance with the reporting principles of the HKEX's Environmental, Social and Governance Reporting Guide (expected to be upgraded to ESG Reporting Code), and make appropriate recommendations to the Board.
8. Review the ESG-related performance of and work done by Management and the SMC.
9. Ensure that a sustainability culture is promoted across the Company, with sufficient resources and training provided to manage the Company's material ESG issues and the risks and opportunities they represent.
10. Conduct an annual review to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget to manage the Company's ESG performance and reporting.

The Sustainability Management Committee

Membership

Chairman: Chief Executive Officer

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

Main Responsibilities

1. Oversee and execute the Group's sustainability strategy.
2. Review and ensure proper disclosures and compliance with the ESG Guide.
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 2023

In 2023, the SMC met two times and reported to the Audit Committee on the Group's sustainability programme, performance and work done. The work undertaken included:

- review of the existing sustainability governance structure with a recommendation to the Board to elevate its oversight of sustainability;
- review of the materiality of ESG topics and risks with reference to the Company's strategy and industry relevance;
- review of the progress of activating ESG awareness within the Company and the proposed level of ambition for various ESG issues;
- review of the proposed environmental and social KPI targets and steps to achieve them with a recommendation to the Board for approval;
- review of incoming energy-efficiency and decarbonisation regulations and measures in the shipping industry; and
- review of the terms of reference of the Sustainability Management Committee.

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 the 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 can only 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 are responsible for managing risks. They identify operational risks, develop and implement respective controls. These activities are monitored and evaluated by division heads and relevant staff managers. The risk management function engages fully to provide advisory support to business units which 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 of ensuring 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, transparency, desired behaviours and risk appetite. Effective board oversight, with sound organisational structure is established to delegate business functions to respective business units within limits set by the Board or the head office management 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 within risk appetite, plans and budgets prepared by management. The Board considers business context and risk implications when establishing strategies to ensure that they align, support and integrate with the defined vision and mission.

- **Performance**

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

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

- **Review and Revision**

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

- **Information, Communication, and Reporting**

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

The Risk Management Committee

Membership

Chairman: Chief Financial Officer

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

Main Responsibilities

1. Promote and strengthen the Group's risk management culture and improving awareness.
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 and maintain risk management framework and internal audit plan.
6. Manage the annual risk assessment and testing of internal controls.

Work Done in 2023

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

- develop internal audit plan;
- audit and review internal controls based on the audit plan;
- implement, maintain and improve the risk management policy and risk management framework;
- perform annual risk assessment by way of an online questionnaire and review the input in collaboration with division heads;
- review the Group's significant and emerging risks with division heads and recommend and implement new policies and controls;
- report to the Audit Committee on the management of the marine related and other insurances;
- report to the Audit Committee on the results of the IT security assessment performed by external consultants;
- report by way of a deep dive review to the Board the digitalisation pathway;
- assist in the enhancement of the Group's Environmental, Social and Governance (ESG) Reporting in preparation for the upcoming climate-related disclosure requirements 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; and
- 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.

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 and reported to the RMC and the Audit Committee.

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

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

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

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

p.12 The Year in Review

Effectiveness of the Risk Management and Internal Control Systems

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

In respect of the year ended 31 December 2023, the Board, with confirmation from management, considers the risk management and internal control systems effective and adequate. No significant areas of concern were identified.

OUR PRINCIPAL RISKS

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

p.35 How We Create Value

1. Investing in Our Fleet

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Market Risk A Adverse financial impacts include: ■ freight rate and geopolitical volatility; ■ cost volatility including fuel prices and other operating expenses; ■ tightened sanctions regulations; ■ uncertainty on environmental regulations; and ■ US-China trade tensions affecting freight market sentiment and status of Hong Kong, such as the suspension of US-Hong Kong reciprocal tax exemption of shipping income and increasing cost of trades. **Change from last year:** ↑	Our large fleet scale and uniformity enable us to achieve high laden utilisation and TCE earnings that outperform the market indices in our core business over the shipping cycle. Our operating activity is able to generate a margin throughout the shipping cycle complementing our core business. Earnings volatility is partially managed by securing contracts of affreightment of one year or longer. We remain focused on the Handysize and Supramax segments of the dry bulk sector which is where we have a strong competitive edge. Utilise technology to manage forward fleet and cargo exposure, optimise port calls and monitor operational and financial performance. Fuel costs for our long-term cargo contracts are passed to our customers through bunker price adjustment clauses or hedged with either bunker swap contracts or forward price agreements. Bunker swap contracts can also be used to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of our estimated fuel consumption on some of our Supramax vessels that are fitted with scrubbers. Forward freight agreements are used to hedge against the volatility of freight rates. Constant monitoring of the development of political landscape and keeping track of the sanctions and environmental regulatory development to ensure compliance. p.101 Financial Statements Note 14 Derivative Assets and Liabilities
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. Furthermore, stricter environmental regulations increase the uncertainty to the economic life of fossil- fuelled vessels. High newbuilding prices remain a deterrent. 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 young second-hand vessels or newbuildings that are dual-fuel with the ability to upgrade to low-emission new fuels; ■ progressing with the design of dual-fuelled low-emission vessels in collaboration with our two Japanese partners Nihon Shipyard Co. and Mitsui & Co.; ■ continuing to dispose of the older and smaller vessels; ■ assessing environmental KPIs such as the EEXI and AER in our vessel purchase due diligence; ■ monitoring the development of future low-emission vessels; and ■ chartering vessels from quality shipowners. Our technical team and crews operate and maintain our ships under our International Safety Management (ISM) Code-compliant "Pacific Basin Management System" to ensure safety and service reliability. ESG Sustainability Report p.35 Pacific Basin Management System

2. Investing in Our People

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Succession Risk Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the Group's business, and undermine stakeholders' confidence within the Group. **Change from last year:** ⬇	Our Group's dedicated HR department oversees the organisational design, talent management, recruitment and remuneration. Succession plans for senior management are regularly reviewed. The Nomination Committee closely monitors the Board succession planning process to ensure Board continuity and diversity. The Group implemented measures to facilitate work flexibility and travel for staff members. The Group has a clear vision, mission and business principles with which to equip any potential Board, management and staff successors to lead the business forward.
Employee Recruitment, Engagement, Retention Risk We are only as good as our people and so our ability to achieve our vision depends on the effectiveness of our staff both ashore and at sea. Loss of key staff or an inability to attract, train or retain staff could affect our ability to grow our business and achieve our long-term goals. Due to the nature of the profession, working at sea can be physically and emotionally demanding which bring challenges to recruit seafarers and to maintain their health and wellbeing as failure to do so may impact the operational safety. **Change from last year:** ⬇	Our Group's HR and crewing departments are tasked with recruiting, developing and maximising engagement of staff ashore and at sea by: ■ maintaining regular contact with talent representing a wide cross-section of the shipping industry, and using diverse manning sources for seafarers to engage our diversified crew pools in several countries; ■ reviewing salary structure regularly to ensure that it remains adequate and competitive to attract and retain the best talent; ■ conducting staff engagement survey to enhance employee's engagement; ■ resuming in-person, interactive officer training and seminars to facilitate education and communication; ■ offering regular training for staff ashore and at sea, not only to ensure that they are capable of performing their duties but also to help improve professional fulfilment; ■ implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff; ■ upgrading satellite data plans and well-being facilities on-board to offer our crews better internet access 24/7 and entertainment facilities; ■ providing 24/7 medical and specialist advice to our seafarers; and ■ providing an employee wellness program on a global basis including offering counselling services and wellness workshops to all employees. ESG Sustainability Report p.32-53 Responsibility to our People

3. Deepening Our Relationships

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Credit and Counterparty Risk A Default or failure of counterparties to honour their contractual obligations may cause financial losses. Counterparties include: ■ our cargo customers; ■ ship owners; ■ ship builders, sellers and buyers; ■ suppliers; ■ derivatives counterparties; and ■ banks and financial institutions. **Change from last year:**	Our global office network enables us to know our counterparties better. We take measures to limit our credit exposure by: ■ transacting with a diverse range of counterparties with successful track records and sound credit ratings; ■ actively assessing the creditworthiness of counterparties; ■ establishing a due diligence team to perform on-boarding counterparties due diligence; ■ enhancing our counterparty on-boarding procedures to enable comprehensive evaluation; ■ deploying independent risk intelligence tools and independent risk appraisal reports, along with our self-developed platform to perform sanction checks on all new counterparties and systematic daily screening of our active counterparties, to ensure the Group complies with international sanctions legislation; ■ engaging with our counterparties on a regular basis to keep up to date with their financial situations; and ■ obtaining refund guarantees from newbuilding shipyards. p.105 Financial Statements Note 15 Trade and other receivables
Customer Satisfaction and Reputation Risk Poor service may impair our brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, high-quality vessels, funding and talent. **Change from last year:**	Our global office network positions us closer to our customers enabling direct and frequent customer engagement, a clearer understanding of their needs and localised customer service. This year, we opened two regional offices in Singapore and Dubai respectively to foster closer ties with our customers around the regions. Our fleet scale and uniformity, complemented by our comprehensive in-house technical operations, utilising an extensive and integrated marine online trading platform to enhance our ability to deliver a high-quality and reliable service. Customer engagement includes surveys and regular telephone or face-to-face contact to gather feedback with a view to further improve customer satisfaction.
Banking Relationships Risk Poor loan administration and relationships with banks may limit our funding sources. **Change from last year:**	Our Group's dedicated corporate finance function develops and maintains relationship with a diverse group of reputable banks worldwide through regular senior management contact. We also work on the diversification of our funding profile. This year, we secured our inaugural sustainability-linked credit facility amounting to US$150 million.

4. Safeguarding Health and Safety

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Health and Safety Risk Inadequate safety maintenance and operational standards, increased risk of drug smuggling, piracy or other causes of accidents may lead to injuries, loss of life, severe damage to our third party and owned properties or vessels, affecting profitability and impacting the Group's reputation among seafarers, customers and other stakeholders. **Change from last year:** ↑	Our commitment to the safe operation of our ships is manifested through a proactive and robust system ashore and at sea – the Pacific Basin Management System ("PBMS") – which is reviewed and updated regularly. The PBMS is further enhanced by comprehensive risk assessment, as well as well-conceived training and maintenance programmes, as well as innovative initiatives to ensure our vessels are in good condition and in all respects safe to trade. We adopted comprehensive anti-drug smuggling measures and took appropriate precautions according to the level of risk. Our high quality attention to safety is evidenced by an excellent safety record and our several safety-related awards in recent years. We maintain high retention of senior officers and sufficient crews on board to ensure our crews are experienced in our trades with good rest-to-work ratio. We focus on enhancing our seafarers' health, safety and wellbeing on board by providing comprehensive support including physical and mental wellbeing support with the latest in remote medical support services. We provide training and development for our seafarers, adopting a well-designed and structured approach that boosts the overall health and safety performance of our seafarers and our fleet. ESG Sustainability Report **p.36-43** Safety, Health & Wellbeing
Insurance Risk Vessel incidents could endanger our crew, adversely affect the strength of our brand and reputation and result in service disruption and significant costs. **Change from last year:** ↑	Despite best efforts to ensure safe operations, incidents do happen. We place insurance cover at competitive rates through marine insurance products both on our owned fleets and chartered fleets, including hull and machinery, war risk, protection and indemnity, loss of hire, drug seizure loss, freight demurrage and defence cover. Sufficiency of insurance cover is regularly evaluated and adjusted in line with prevailing asset values and in compliance with loan covenants and internal policies.

5. Evolving Management & Governance Practices

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
IT Security Risk Our business processes rely heavily on IT systems (including cloud-based) on daily communications ashore and at sea. Failure of a key IT system, targeted attacks on our system, or a breakdown of security systems could result in communications breakdown, business disruption and potential financial and/or reputational losses. Business disturbances due to cybersecurity risks can be significant. **Change from last year:**	Our IT Steering Committee chaired by our CEO oversees the Group's IT policies and procedures and ensures the Group's IT strategies meet our business needs. Our IT team works closely with the business departments to tailor appropriate and effective IT solutions, support, and preventive and contingency measures. We have a formalised business continuity plan ("BCP") system in place and arrange periodic company-wide drills and webinars to simulate a situation of essential IT systems shutdown. Our system migrations to reputable cloud-based services had significantly enhanced the Group's data security and reduced the likelihood of cyber incidents. We regularly evaluate our cloud-service providers, ensuring that they have organisational controls in place to safeguard systems and data. We also verify if they are independently certified by international standard audits so as to comply with industry standards and our internal policies. We continue to enhance our cyber security maturity by upgrading our IT infrastructure and enhancing employees' knowledge and awareness. We further protect our business against financial loss due to cyber-crimes by taking commercial crime insurance cover.
Corporate Governance Risk Inadequate corporate governance measures may adversely impact the diligence, integrity and transparency of our risk assessment, decision-making and reporting processes and undermine stakeholders' confidence. **Change from last year:**	The Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Board has established the Audit, Sustainability (supported by the Risk Management Committee and the Sustainability Management Committee), Remuneration and Nomination Committees, to proactively ensure the overall corporate governance, risk management framework and sustainability strategy of the Group are appropriate and effective. The Group has put in place appropriate internal procedures to monitor changes in applicable laws and regulations, ensure compliance with all relevant local and international laws and regulations in the places we trade, including comprehensive regulations enacted by the International Maritime Organization (and enforced by its member countries) and international sanctions legislation. Our commitment to anti-bribery practices and high standards of corporate governance has been certified by TRACE, and is underscored by our admission as a member of the Maritime Anti-Corruption Network (MACN). Regular anti-bribery trainings were organised to shore-based staff and seafarers. The Board and relevant employees receive regular governance training to ensure a high standard of corporate governance. p.44 Corporate Governance
Investor Relations Risk Lack of transparency or adequacy in our external communications could undermine stakeholders' confidence in our Group. **Change from last year:**	The Group has a dedicated investor relations function and has in place policies and guidelines on information disclosure and communication with the public. We review our implementation and effectiveness of our Shareholders' Communication Policy annually. 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.78 Investor Relations

6. Safeguarding the Environment

p.36-38 Delivering on Our Strategy

Risk/Impact

Environmental and Decarbonisation Risk

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

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

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

In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by or around 2050, with indicative interim checkpoints. To support the requisite transition to zero emission fuels, IMO will now develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard and a maritime GHG emissions pricing mechanism. Meanwhile, IMO's revised GHG strategy will lead to tighter CII and EEXI rules for the period to 2030, with CII/EEXI revisions due to be completed in 2026 at the latest.

Other emerging regional decarbonisation regulations, such as the FuelEU Maritime, EU's Revised Energy Taxation Directive and the US Clean Shipping Act & International Marine Pollution Accountability Act, could impact the shipping industry significantly in the near future.

The target of net-zero emissions shipping by 2050 creates significant challenges to the shipping industry of constantly reducing the carbon intensity of existing conventional ships and replacing them with entirely new low-emission vessels.

Change from last year: ↑

ESG Sustainability Report p.25-26
Continuous Preparation for Decarbonisation Rules

Mitigating Measures

We have recently established a dedicated board-level Sustainability Committee, comprising two Independent Non-executive Directors and one Non-executive Director. The Sustainability Committee is appointed by the Board to assist the Board in overseeing the management team and advising the Board on matters that are material to the long-term sustainability of the Company.

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

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

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

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

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

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

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

7. Maximising Efficiencies & Controlling Costs

p.36-38 Delivering on Our Strategy

Risk/Impact	Mitigating Measures
Operational Efficiency Risk Poor internal systems, processes, communications and management could adversely impact our business and undermine our operational efficiency. **Change from last year:**	The Group's top down approach ensures its performance and strategic objectives (including efficiency objectives) are communicated to all staff through organisation-wide staff meetings, information dissemination via intranet and seasonal team building events. We have also established a clear and robust organisation structure that supports our business needs. Other key measures to bolster operational efficiency include: ■ accelerate the Group's digitalisation and processes automations journey by review and upgrade of IT systems, evaluation and procurement of new software and digital applications, applications and hardware to ensure alignment with the business environment and requirements and promote effective system integrations across our operations; ■ appropriate documentation of business policies and procedures to ensure process consistency and best practices; ■ proper vendor vetting procedures to ensure the stable and sustainable supply of services and goods; and ■ outsource certain operational functions where appropriate to third party providers, allowing our own resources to be more effectively deployed.
Cost Management Risk Failure to manage costs effectively and sensibly could result in financial losses, resources misallocation, safety issues, business disruption, customer dissatisfaction, supplier alienation or loss of opportunities. **Change from last year:**	Active resources planning and costs estimation are carried out by business departments to expedite their work scope and assess business opportunities. Our cost management measures are in line with our strategy to maximise efficiency and reduce cost without jeopardising our stakeholders' satisfaction, corporate reputation and operational safety. Approval mechanisms are in place across business departments to ensure expenditures are scrutinised and approved by authorised persons. Monthly management reports including its costs and deviation from budget are scrutinised by the Board and management to ensure the proper performance of the Group. Variances from resources planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

8. Enhancing Corporate & Financial Profile

p.36-38 Delivering on Our Strategy

Risk/Impact

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:

Mitigating Measures

Our Group's Corporate Finance function actively manages the cash and borrowings of the Group to ensure:

- sufficient funds are available to meet our existing and future commitments;
- an appropriate level of liquidity is maintained during different stages of the shipping cycle;
- compliance with covenants relating to our borrowings and convertible bonds; and
- regular and transparent dialogues with our relationship banks are maintained.

p.115 Financial Statements Note 26 Financial Liabilities Summary

p.30 Cash and Borrowings

Risk/Impact

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.

Increase in interest rate and exchange rate volatility in the currencies we use may increase uncertainty of funding cost and financial impact.

Change from last year:

p.56 Our Principal Risks Deepening Our Relationships

Mitigating Measures

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 distribution policy is to pay out a minimum of 50% of net profits for the full year, excluding vessel disposal gains, and any additional distribution can be in the form of special dividends and/or share buyback, 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.

p.79 Investor Relations Shareholder Return and Dividend

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.101 Financial Statements Note 14 Derivative Assets and Liabilities

OTHER INFORMATION

Handling Inside Information

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

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

Directors – Remuneration and Share Ownership

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

Directors' Securities Transactions

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

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

Senior Management and Staff's Securities Transactions

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

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

Auditor's Remuneration

Remuneration paid to the Group's external auditor for services provided for the year ended 31 December 2023 is as follows::

		US$'000
Audit	Non-audit	Total
1,122	15	1,137

Our Shareholders

Details of shareholder type and shareholding can be found on page 76 of this Annual Report.

p.76 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. Details of the Shareholders Communication Policy can be found on the Company's website.

www.pacificbasin.com
Sustainability > Corporate Governance

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

p.81 Investor Relations
Stakeholder Communication Channels

Shareholders Meeting

The Company held one general meeting during the reporting year.

The annual general meeting was held on 18 April 2023 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 2022;
- declaration of final dividend for the year ended 31 December 2022;
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditors of the Company for the year ended 31 December 2023 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares;
- granting a general mandate to buy back shares; and
- amendments to and adoption of the Company's second amended and restated Bye-laws.

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

Amendments to Bye-laws of the Company

At the 2023 Annual General Meeting, a special resolution was passed by shareholders to amend the Company's Bye-laws in order to, amongst others, comply with (i) the Core Shareholder Protection Standards as set out in Appendix A1 to the Listing Rules; and (ii) other relevant changes to the applicable laws of Bermuda and the Listing Rules. The second amended and restated Bye-laws of the Company is available on the respective websites of the Company and the Stock Exchange.

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

Shareholders' Rights

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

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

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

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

- A Shareholder who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s) can deposit a written notice at the Company's principal office** for the attention of the Company Secretary to propose a person (other than that Shareholder) for election as a Director at that meeting.
- The written notice must be signed by the Shareholder concerned, stating the full name of the person proposed for election as a director, his/her biographical details as required by the Listing Rules, and that person depositing a signed written notice at the Company's principal office** for the attention of the Company Secretary indicating his/her willingness to be elected.
- The period for lodgement 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.125** 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 ten per cent (10%) of the voting rights of the Company, on a one vote per share basis in the paid-up capital carrying the right of voting at general meetings of the Company shall at all times 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.125** Corporate Information
including the Company's registered office and principal office addresses

Planned Financial Calendar in 2024

29 February	2023 annual results announcement
14 March	2023 Annual Report
18 April	First quarter 2024 trading update
16-19 April	Book closure for determining entitlement to attend and vote at the AGM
19 April	Annual General Meeting
Applicable if 2023 final dividend is payable:	
24 April	Last day of dealings in shares with entitlement to 2023 final dividend
25 April	Ex-dividend date
26 April by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2023 final dividend
29 April	2023 Final dividend record date and book closure of the share register
9 May	2023 Final dividend payment date
8 August	2024 interim results announcement
Applicable if 2024 interim dividend is payable:	
20 August	Last day of dealings in shares with entitlement to 2024 interim dividend
21 August	Ex-dividend date
22 August by 4:30 pm HK time	Deadline for lodging transfers for entitlement to 2024 interim dividend
23 August	2024 Interim dividend record date and book closure of the share register
4 September	2024 interim dividend payment date
17 October	Third quarter 2024 trading update

Closure of Register of Members

If the proposed final dividend is approved at the 2024 AGM, the register of members will be closed on 29 April 2024 when no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Service Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 April 2024. The ex-dividend date for the 2023 final dividend will be on 25 April 2024.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises 8 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 Director

Martin Fruergaard

Chief Executive Officer and Executive Director

(age 56)

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 (subject to re-election at the 2024 AGM)

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

Committee membership:
Chairman of Executive Committee

Independent Non-executive Directors

Stanley Hutter Ryan

Chairman of the Board and Independent Non-executive Director

(age 62)

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 centre. Mr. Ryan served as an independent director at Eagle Bulk Shipping Inc. from October 2014 to June 2016 and as Eagle Bulk's interim chief executive officer from March to September 2015. He also served as a chief executive officer and a president of Darigold, Inc. from February 2016 to March 2022.

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

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

Term of office:
Appointed as INED in July 2016 (subject to re-election at the 2024 AGM)

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

External appointments:
Senior advisor of McKinsey & Company
Independent director of Toronto-listed Saputo Inc.

Committee membership:
Chairman of Nomination Committee
Remuneration and Sustainability Committees

Irene Waage Basili

Independent Non-executive Director

(age 56)

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 2026 AGM

External appointments:
Chief executive officer of Shearwater Geoservices

Committee membership:
Chairman of Remuneration Committee
Nomination Committee

Independent Non-executive Directors

Kirsi Kyllikki Tikka

Independent Non-executive Director

(age 67)

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

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

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

Harvard Business School: Executive Training Program, Management Development

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

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

Committee membership:
Chairman of Sustainability Committee
Nomination Committee

John Mackay McCulloch Williamson

Independent Non-executive Director

(age 65)

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

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

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

Fellow of the Chartered Institute for Securities and Investment, UK

Senior Fellow of the Hong Kong Securities and Investment Institute

Member of the Hong Kong Management Association

Term of office:
Appointed as INED in November 2020
Current term expires at the 2026 AGM

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

Chairman and non-executive director of London Metal Exchange

Committee membership:
Chairman of Audit Committee

Alexandre Frederic Akira Emery

Independent Non-executive Director

(aged 54)

Mr. Emery was partner and chairman, Asia at Permira, a global private equity investment firm with over US$82 billion under management. He joined Permira's London office in 2002 and moved to Tokyo to establish its first Asian presence in 2005, which he led until he retired in December 2023. He focused primarily on industrials, consumer goods, financial services, healthcare and technology investments in Asia, China, Korea, and Japan. Prior to joining Permira, Mr. Emery was an engagement manager at McKinsey & Company in London from 1997 to 2002 and a business analyst at Braxton Associates in London from 1993 to 1995. Mr. Emery began his professional career at the French Ministry of Foreign Affairs as part of the French Trade Office, posted to Osaka, Japan from 1991 to 1992.

Education & qualifications:
Yale University: Bachelor of Political Science and East Asian Studies

College of Europe: Master's degree in European Politics

Northwestern University: Master's degree in Business Administration

Term of office:
Appointed as INED in January 2024 for 3 years (subject to re-election at the 2024 AGM)

External appointments:
None

Committee membership:
Audit and Remuneration Committees

Non-executive Directors

Alexander Howarth Yat Kay Cheung

Non-executive Director

(age 52)

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

Current term expires at the 2025 AGM

External appointments:
None

Committee membership:
Audit and Remuneration Committees

Mats Henrik Berglund

Non-executive Director

(age 61)

Mr. Berglund served with Swedish conglomerate Stena group from 1986 to 2005, occupying managerial and leadership positions in various Stena group shipping businesses in Sweden and the USA including group controller of Stena Line, vice president and chief financial officer of both Concordia Maritime and StenTex (a Stena Texaco joint venture), president of StenTex, and vice president and president of Stena Rederi AB (Stena's parent company for all shipping activities). From 2005 to 2011, he was senior vice president and head of Crude Transportation for New York-listed Overseas Shipholding Group Inc. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy Limited, a Singapore-listed global trader of marine fuel products. He acted as the Chief Executive Officer and Executive Director of Pacific Basin from 2012 to July 2021.

Education & qualifications:
Gothenburg University Business School: an Economist (Civilekonom) degree

Advanced Management Program at Harvard Business School

Term of office:
Appointed as Non-executive Director in January 2024 for 3 years (subject to re-election at the 2024 AGM)

External appointments:
Independent director of New York-listed Ardmore Shipping Corporation, Northern Marine Group and Toronto-listed Algoma Central Corporation

Committee membership:
Nomination and Sustainability Committees

Senior Management

Hans Michael Tonnes Jorgensen

Chief Financial Officer

(age 58)

Mr. Jorgensen joined Pacific Basin as Chief Financial Officer in July 2023. He previously spent 21 years with A.P. Moller-Maersk from 1988 to 2009 occupying a number of managerial and leadership positions including general manager and chief financial officer of Maersk Russia (1994 to 1995), general manager and director of Centre Finance for Maersk Line (1995 to 2001), senior director and deputy chief financial officer of Maersk Line (2001 to 2003) and vice president and chief financial officer of Maersk Air Group (2003 to 2005) and group senior vice president and chief financial officer of Maersk Container Business (2005 to 2008). After leaving A.P. Moller-Maersk in 2009, he worked as the executive vice president and chief financial officer of Dampskibsselskabet Norden A/S until 2015. In 2017, he joined ASYAD Shipping Company and ASYAD Drydock Company as the group's chief financial officer until May 2023, and served as acting chief executive officer of ASYAD Shipping Company from 2019 to 2020.

Education & qualifications:
Copenhagen Business School: Graduate Diploma in Financial and Management Accounting, MSc in Business Economics and Auditing and Board Leadership Program

INSEAD Business School: Young Manager Program

IMD Business School: Executive MBA

Term of office:
Appointed as Chief Financial Officer in July 2023

External appointments:
None

Committee membership:
Executive Committee

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 69 to 70 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 389 shore-based staff at 31 December 2023 (2022: 373) and about 5,100 seafarers during the year (2022: 3,900).

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 Schemes which are 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. New awards are considered each year by the Remuneration Committee. Awards typically vest three years after they are granted. Awards granted to first time awardees, if any, typically vest annually over a three-year period	No
Retirement benefit	Retirement benefit is in line with local legislation and market practice	No
Fixed annual director's fee	No	In line with market practice

Remuneration for the Years Ended 31 December 2023 and 2022

31 December 2023	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension[6] US$'000	Total payable US$'000	Share-based[7] compensation (non-cash charge) US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull [1]	–	153	–	–	153	362	515
Martin Fruergaard	–	1,093	553	2	1,648	576	2,224
Peter Schulz [2]	–	833[2]	–	1	834	510	1,344
	–	2,079	553	3	2,635	1,448	4,083
Independent Non-executive Directors							
Irene Waage Basili	104	–	–	–	104	–	104
Stanley H. Ryan	170	–	–	–	170	–	170
Kirsi K. Tikka	106	–	–	–	106	–	106
John M.M. Williamson	118	–	–	–	118	–	118
Robert C. Nicholson [3]	33	–	–	–	33	–	33
Non-executive Director							
Alexander H.Y.K. Cheung	106	–	–	–	106	–	106
	637	–	–	–	637	–	637
Total Directors' remuneration	637	2,079	553	3	3,272	1,448	4,720
Senior Management							
Michael Jorgensen [4]	–	273	57	1	331	146	477
Other Employees	–	172,980[5]	8,671	4,075	185,726	4,324	190,050
Total remuneration	637	175,332	9,281	4,079	189,329	5,918	195,247
31 December 2022							
Executive Directors							
David M. Turnbull	–	402	406	2	810	264	1,074
Martin Fruergaard	–	919	1,075	2	1,996	947	2,943
Peter Schulz	–	556	373	2	931	358	1,289
	–	1,877	1,854	6	3,737	1,569	5,306
Independent Non-executive Directors							
Irene Waage Basili	102	–	–	–	102	–	102
Stanley H. Ryan	102	–	–	–	102	–	102
Kirsi K. Tikka	110	–	–	–	110	–	110
John M.M. Williamson	123	–	–	–	123	–	123
Robert C. Nicholson	109	–	–	–	109	–	109
Patrick B. Paul [8]	31	–	–	–	31	–	31
Alasdair G. Morrison [8]	31	–	–	–	31	–	31
Non-executive Director							
Alexander H.Y.K. Cheung [9]	109	–	–	–	109	–	109
	717	–	–	–	717	–	717
Total Directors' remuneration	717	1,877	1,854	6	4,454	1,569	6,023
Other Employees	–	186,934[5]	22,508	4,691	214,133	5,288	219,421
Total remuneration	717	188,811	24,362	4,697	218,587	6,857	225,444

Notes:

(1) Mr. Turnbull retired as an Executive Director and Chairman of the Board on 18 April 2023.

(2) Mr. Schulz stepped down as an Executive Director and Chief Financial Officer on 31 March 2023. The figure includes gardening leave pay, unused leave and long service totalling US$307,000 as well as a discretionary separation payment of US$383,000.

(3) Mr. Nicholson retired as an Independent Non-executive Director on 18 April 2023.

(4) Mr. Jorgensen was appointed Chief Financial Officer on 17 July 2023.

(5) Salaries of Other Employees includes crew wages and other related costs of US$133 million (2022: US$150 million), which are classified as cost of services in the income statement.

(6) During the year, a total of approximately US$27,300 (2022: US$47,500) of forfeited contributions under the MPF Scheme was used to reduce the contributions payable by the Group. As at the year end, there were no forfeited contributions available for such use.

(7) Share-based compensation represents a non-cash charge to the income statement of the share awards through the vesting period based on their fair values on the grant date (please refer to the accounting policy for share-based compensation on page 70) and does not represent any cash payment.

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

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

For the year ended 31 December 2023, the five individuals whose emoluments were the highest in the Group were two Executive Directors and three employees (2022: 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.

	2023 US$'000	2022 US$'000
Salaries	**1,146**	752
Bonuses	**445**	1,029
Pension	**226**	221
Total Payable	**1,817**	2,002
Share-based compensation[(1)]	**412**	324
Total payable and charged	**2,229**	2,326

Emolument bands	**2023**	2022
HK$4,500,001 to HK$5,000,000	**1**	0
HK$5,000,001 to HK$5,500,000	**1**	0
HK$7,000,001 to HK$7,500,000	**0**	1
HK$7,500,001 to HK$8,000,000	**1**	0
HK$9,000,001 to HK$9,500,000	**0**	0
HK$10,500,001 to HK$11,000,000	**0**	1

Note:

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

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

Accounting Policies on Employee Benefits A

Bonuses

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

Retirement Benefit Obligations

Mandatory Provident Fund Scheme

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

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

Other Defined Contribution Schemes

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

Share-based Compensation

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

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 30 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 2023 is set out on pages 4 to 33 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 2023 is set out in the "Sustainability Highlights" section of this Annual Report and a comprehensive Sustainability Report 2023 is available on our website.

Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 84.

Dividend

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

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

p.13 Chief Executive's Review

Distributable Reserves

Distributable reserves of the Company at 31 December 2023, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US$433.7 million as set out in Note 31(b) to the financial statements.

Donations/Sponsorships

Charitable and other donations and sponsorships made by the Group during the year amounted to US$204,000.

Share Capital and Pre-emptive Rights

Movements in the share capital of the Company are set out in Note 22 to the financial statements.

During the reporting year, a total of 2,612,033 conversion shares were issued in May 2023 to bondholders who exercised their conversion right in relation to the 3.0% p.a. coupon guaranteed convertible bonds due in 2025 issued by the Group in December 2019 (the "Bonds").

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 2023, there remained the Bonds with an outstanding principal amount of US$33,610,000. The Bonds are convertible into ordinary shares of the Company at a current conversion price of HK$1.45 per share.

More details are set out in Note 20(b) to the financial statements.

Purchase, Sale or Redemption of Securities

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

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 & 2023 Share Award Scheme

The 2013 Share Award Scheme ("2013 SAS") was adopted by the Board on 28 February 2013 and had an effective term of 10 years. It expired in February 2023 and was replaced by the 2023 Share Award Scheme ("2023 SAS") having an effective term of 12 months up to 31 July 2024, as adopted by the Board on 31 July 2023. Upon expiration of the 2013 SAS, no further Awards shall be offered, but in all other respects the provisions of the 2013 SAS remain in full force and effect. All Awards granted prior to the expiration of the 2013 SAS and not vested at the time shall remain valid.

Both the 2013 SAS and the 2023 SAS enable 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 and to align the interests of the awardees generally with those of the shareholders for the benefit of the development of the Group. They are single share award schemes under which no share options can be granted.

The grant of Awards under the 2013 SAS can be satisfied by purchase of existing shares of the Company through the trustee on the secondary market at the market trading price, as well as through allotment and issue of new shares by the Board utilising the general mandate granted to them by the shareholders. Since the 2013 SAS has expired in February 2023, no shares were issued under the scheme during the year.

The grant of Awards under the 2023 SAS can be satisfied only by purchase of existing shares of the Company through the trustee on the secondary market at the market trading price.

Maximum Number of Shares

Under the 2013 SAS, the total number of shares which may be or already have been issued by the Company or transferred to the trustee of the 2013 SAS in satisfaction of the Awards granted under the 2013 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 2013 SAS. No shares were granted or issued under the scheme during the year. The total number of shares available for grant and issue under the 2013 SAS at the beginning of 2023 was 254,974,102 shares. Since the 2013 SAS has expired on 28 February 2023, the total number of shares available for further grant or issue under the scheme as at the end of 2023 and at the date of the Annual Report was nil.

Under the 2023 SAS, the total number of shares available for grant at the beginning of 2023 was nil as the scheme was adopted on 31 July 2023. The total number of shares available for further grant under the scheme immediately after the grant of awards on 2 August 2023, as at the end of 2023 and at the date of the Annual Report was 87,535,461 shares. The total number of shares available for issue under the 2023 SAS was nil at all times.

Vesting of Awards

Under the 2013 SAS and the 2023 SAS, awards typically vest three years after they are granted. Awards granted to first time awardees, if any, typically vest annually over a three-year period.

Limit for Each Eligible Participant

The maximum number of shares for any specific eligible participant which may be subject to an Award or Awards (i) under the 2013 SAS, 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 and (ii) under the 2023 SAS, in the 12-month period up to the date of grant shall not in aggregate exceed 1% of the issued share capital of the Company as at the date of the grant.

Procedure of Granting Restricted Awards

The Board has entered into a trust deed to appoint a trustee to administer Awards under the 2013 SAS and the 2023 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. The Remuneration Committee administers and oversees the 2013 SAS and the 2023 SAS. Their review and approval is required prior to the granting of Awards to any eligible participants. No shares were granted during the year under the 2013 SAS and the scheme expired in February 2023. At the direction of the Board, the trustee shall acquire existing shares in the market in accordance with the rules of the 2023 SAS.

There is no exercise period for any share awards under the schemes. Awardees are not required to make payment upon acceptance of the share awards.

The trustee of the schemes shall not exercise any voting rights in respect of any shares held pursuant to the relevant trust deed.

Clawback Mechanism to recover or withhold any unvested portion of any Award

The unvested portion of any Award shall lapse on the date on which an awardee ceases to be an eligible participant by reason of the termination of his employment for serious misconduct, or has become insolvent or has been convicted of any criminal offence involving his integrity.

Awards Granted

Details of the grant of long-term incentives and movements of the outstanding incentives under the 2013 SAS and 2023 SAS (on an aggregate basis) during the year ended 31 December 2023 are as follows:

'000 shares/units	Date of Grant	Unvested at 31 Dec 2023	Unvested at 1 Jan 2023	Granted in the year[3]	Vested in the year[4&5]	Lapsed in the year[6]	Vesting period[7] 2024	2025	2026
Directors									
Martin Fruergaard	02-Aug-21	1,212	2,422	–	(1,210)	–	1,212	–	–
	03-Mar-22	1,359	1,359	–	–	–	–	1,359	–
	02-Aug-23	1,637	–	1,637	–	–	–	–	1,637
David M. Turnbull[1]	03-Mar-20	–	1,249	–	(1,249)	–	–	–	–
	02-Mar-21	–	1,479	–	(1,479)	–	–	–	–
	03-Mar-22	–	706	–	(706)	–	–	–	–
Peter Schulz[2]	03-Mar-20	–	1,683	–	(1,683)	–	–	–	–
	02-Mar-21	–	1,992	–	(1,992)	–	–	–	–
	03-Mar-22	–	975	–	(975)	–	–	–	–
		4,208	11,865	1,637	(9,294)	–	1,212	1,359	1,637
Senior Management									
Michael Jorgensen[8]	02-Aug-23	1,758	–	1,758	–	–	879[8]	879[8]	–
Other Employees	03-Mar-20	–	18,846	–	(18,724)	(122)	–	–	–
	02-Mar-21	22,088	23,354	–	(1,118)	(148)	22,088	–	–
	03-Mar-22	13,526	15,171	–	(1,574)	(71)	1,211	12,315	–
	02-Aug-23	14,279	–	14,346	(67)	–	155	155	13,969
		49,893	57,371	14,346	(21,483)	(341)	23,454	12,470	13,969
		55,859	69,236	17,741	(30,777)	(341)	25,545	14,708	15,606

Two out of the five highest paid individuals during the year were the two Directors whose interest in the share awards were disclosed in the above table. Details of the remaining three individuals' interest in the share awards under the 2013 SAS and 2023 SAS are as follows:

'000 shares/units	Date of Grant	Unvested at 31 Dec 2023	Unvested at 1 Jan 2023	Granted in the year[3]	Vested in the year[4]	Lapsed in the year	Vesting period[7]
	03-Mar-20	–	2,070	–	(2,070)	–	–
	02-Mar-21	2,557	2,557	–	–	–	2024
	03-Mar-22	1,321	1,321	–	–	–	2025
	02-Aug-23	1,513	–	1,513	–	–	2026
		5,391	5,948	1,513	(2,070)	–	

Notes:

(1) *A total of 3,434,000 share awards vested to Mr. Turnbull upon his retirement as a Director and Chairman on 18 April 2023.*

(2) *A total of 4,650,000 share awards vested to Mr. Schulz upon his stepping down as a Director and Chief Financial Officer on 31 March 2023.*

(3) *17,741,000 share awards granted on 2 August 2023 under the 2023 SAS represented 0.34% of the weighted average number of shares in issue for the year. The closing price of the shares of the Company immediately before the grant date (2 August 2023) was HK$2.27. The fair value of the share awards as at the date of grant was HK$2.2 per share. These shares were purchased in the market at an average purchase price of HK$2.25 per share. There is no performance target attached to these awarded shares. In view that (i) the awardees are employee participants and the primary purpose of the scheme is to serve as retention incentives and rewards for the employees' contribution and dedication to the Group; and (ii) the awards granted are subject to certain vesting conditions in accordance with the scheme rules, which already cover situations where the awards will lapse, the Remuneration Committee considers that such mechanism appropriate and aligns with the purpose of the 2023 SAS. (Please refer to the accounting policy for share-based compensation on page 70.)*

(4) *A total of 20,451,000 shares were vested on 14 July 2023 according to the vesting period. For Other Employees, a total of 2,242,000 shares vested early due to the retirement and redundancy of four employees.*

(5) *The weighted average closing price of the Shares immediately before the dates on which the share awards were vested was HK$2.61.*

(6) *A total of 341,000 shares lapsed due to the resignation of one employee.*

(7) *The vesting date in each of these years is 14 July unless otherwise stated.*

(8) *The 1,758,000 share awards granted to Mr. Jorgensen shall vest in equal amounts on 2 August 2024 and 14 July 2025 respectively.*

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 Director		
Martin Fruergaard, CEO	2-Jul-21	3 years until July 2024
Independent Non-executive Directors		
Irene Waage Basili	1-May-14	3 years until 2026 AGM
Stanley H. Ryan, Chairman	5-Jul-16	3 years until 2024 AGM
Kirsi K. Tikka	2-Sep-19	3 years until 2025 AGM
John M.M. Williamson	2-Nov-20	3 years until 2026 AGM
Alexandre F.A. Emery	2-Jan-24	3 years until January 2027
Non-executive Directors		
Alexander H.Y.K. Cheung	3-Jan-22	3 years until 2025 AGM
Mats H. Berglund	2-Jan-24	3 years until January 2027

Notes:

Pursuant to the Company's Bye-law 84(1), at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three years.

Messrs. Martin Fruergaard and Stanley Ryan shall retire at the 2024 AGM by rotation pursuant to the Company's Bye-laws 84(1) & (2). In addition, Messrs. Alexandre Emery and Mats Berglund, both appointed by the Board in January 2024, shall retire and be eligible for re-election at the 2024 AGM pursuant to Bye-law 83(2). All retiring Directors, being eligible, offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2024 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 transaction, arrangement and contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's Indemnities

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

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

At 31 December 2023, 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 2023	Approximate percentage holding of issued share capital 31 Dec 2022
Martin Fruergaard[1]	7,473,000	–	Long	7,473,000	0.14%	0.11%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	less than 0.01%

Note:

(1) Restricted share awards were granted during the year under the 2023 Share Award Scheme and have been disclosed on page 73 of this Report.

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 2023.

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 and Senior Management" 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 2023, 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 2023	31 Dec 2022
M&G Plc	Interest of corporation controlled	Long	507,116,244	9.63%	6.74%
		Short	15,733,756	0.30%	0.34%
Pzena Investment Management, LLC[1]	Investment manager/ Beneficial owner	Long	472,801,305	8.98%	6.14%
Brown Brothers Harriman & Co.	Approved lending agent	Long	423,567,646	8.05%	6.00%
FMR LLC	Interest of corporation controlled	Long	369,223,465	7.01%	not applicable
Pandanus Associates Inc.	Interest of corporation controlled	Long	368,781,000	7.01%	not applicable
Citigroup Inc.[2]	Approved lending agent/Interest of corporation controlled	Long	321,214,968	6.10%	5.61%
		Short	9,961,012	0.18%	0.03%
Wellington Management Group LLP	Investment manager	Long	320,512,794	6.09%	not applicable
		Short	41,383	0.00%	
BlackRock, Inc.	Interest of corporation controlled	Long	313,067,876	5.95%	not applicable
		Short	18,223,000	0.35%	
JP Morgan Chase & Co.[3]	Approved lending agent/Interest of corporation controlled/ Person having a security interest/Investment manager	Long	312,837,351	5.94%	not applicable
		Short	20,723,577	0.39%	

Notes:

(1) The long position in shares held by Pzena Investment Management, LLC is held in the capacities as Investment manager (472,323,305 shares) and Beneficial owner (478,000 shares).

(2) The long position in shares held by Citigroup Inc. is held in the capacities of Approved lending agent (309,957,883 shares) and Interest of corporation controlled (11,257,085 shares). The short position is held in the capacity of Interest of corporation controlled.

(3) The long position in shares held by JP Morgan Chase & Co. is held in the capacities of Approved lending agent (133,424,647 shares), Interest of corporation controlled (132,336,848 shares), Person having a security interest (43,158,856 shares) and Investment manager (3,917,000 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2023, no other person (other than a Director or Chief Executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Disclosure

Management Contracts

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

Major Customers and Suppliers

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

Connected Transactions

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

Compliance with the Corporate Governance Code

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Part 1 of Appendix C1 to the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report.

Audit, Remuneration, Nomination, Sustainability and Executive Committees

Details of the audit, remuneration, nomination, sustainability and executive 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 2024 AGM.

Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, approximately 98.93% of the Company's total issued share capital is held by the public, which fulfils the Listing Rules' minimum requirement of 25%.

By Order of the Board

Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 29 February 2024

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

Given our strong cash generation and the sector's long-term prospects supported by favourable demand and supply fundamentals, market interest in Pacific Basin and the sector continues, albeit at a reduced level compared to the last two years. We have maintained active investor engagement throughout the year through various channels including non-deal roadshows, conferences, and investor events, which have predominantly transitioned back to in-person formats, fostering deeper connections with the investment community. We also continued to conduct online earnings calls and investor meetings, as well as leveraging the extensive reach of online channels such as social media for effective and transparent communication.

During the year, we received various commendations and awards relating to our investor relations, governance and sustainability including HKICPA's Best Corporate Governance and ESG Awards 2023, and Hong Kong ESG Reporting Awards and Hong Kong Awards for Environmental Excellence. We are grateful for all these votes of confidence in recognition of our commitment to transparent and responsible business practices and accountability to our stakeholders.

www.pacificbasin.com
About Us > Awards

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue as at 31 December 2023:

- 5,263,823,056 ordinary shares, each with a par value of US$0.01
- US$33.6 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.110 Share Capital

Pacific Basin Share Price Performance vs Hang Seng Index

Source: Bloomberg, data as at 22 February 2024

Convertible Bonds Price Performance

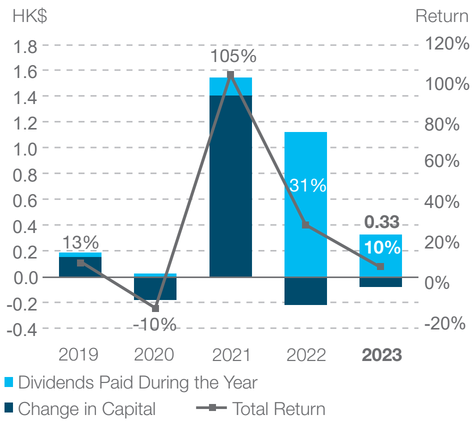
Source: Bloomberg, data as at 22 February 2024

Shareholder Return and Dividend

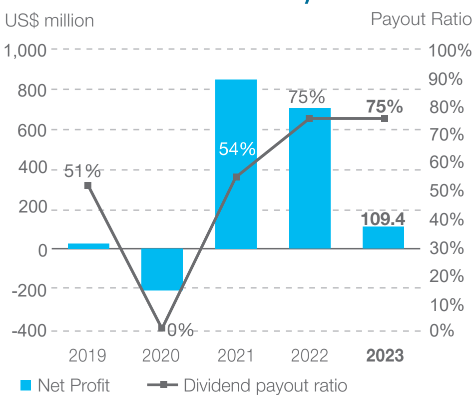
We return value to our shareholders by way of both appreciation in share price and dividends. In 2023, our total shareholders' return was 10%.

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

Total Shareholders' Return



Net Profit and Dividend Payout Ratio



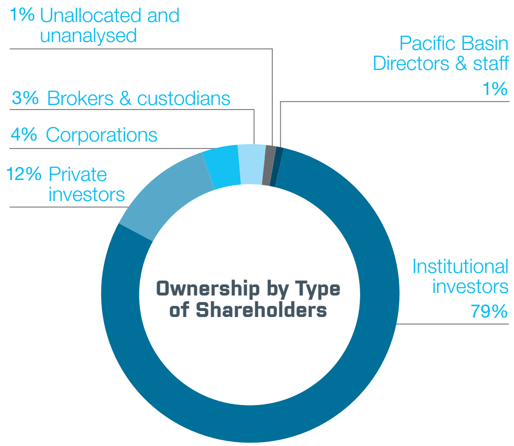
Our Shareholders

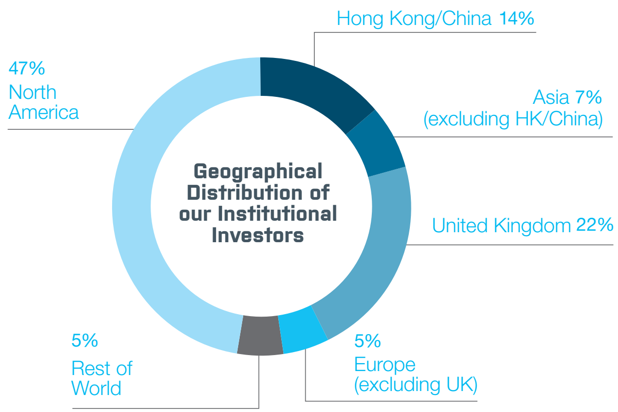
As at 31 December 2023, Orient Capital was able to analyse the ownership of approximately 99% of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning over 4.1 billion shares or 79% of our share capital.

We were able to identify 278 shareholders as at 31 December 2023. 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	82	29%	28,777,194	1%
1,000,001-10,000,000	141	51%	470,735,719	10%
>=10,000,001	55	20%	4,216,453,993	89%
Total	278	100%	4,715,966,906	100%

* Number of shareholders discovered and analysed



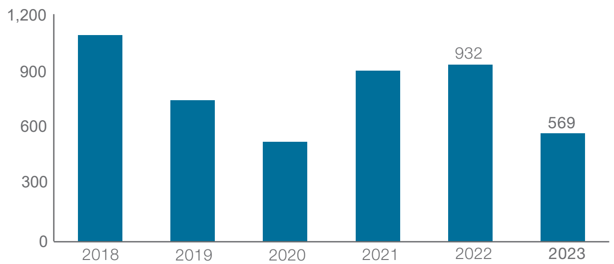


Our Activities in 2023

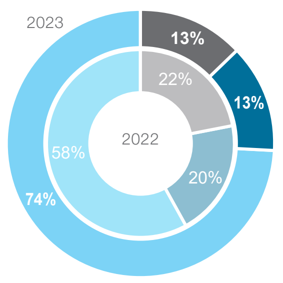
Investor Meetings

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 2023, we talked to 569 (2022: 932) shareholders and investors.

Number of Investors We Engaged



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.

Analysts covered Pacific Basin in 2023

8

Research Reports covered Pacific Basin in 2023

45

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

Investor Perception

During 2023, investor interest in the Company and dry bulk shipping industry continued despite lower freight rates, due to our strong cash generation and outperformance, as well as attractive long-term prospects of the sector given favourable conditions in demand and supply. Investors were interested to discuss how the implementation of IMO's decarbonisation regulations and EU ETS will influence the fundamentals of the shipping sector, disruptions in key transit routes, demand and supply dynamics, and our growth and capital allocation strategies.

Key Investor Concerns in 2023

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

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:

Company Website

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

Social Media Communications

Facebook, Twitter, LinkedIn, YouTube and WeChat Company news, video clips, photos and events news are published through our social media sites.

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.

Financial Reporting

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

Shareholder Meetings and Hotlines

- Group and one-on-one meetings
- Shareholder hotline and e-mail
  tel: +852 2233 7000
  e-mail: ir@pacificbasin.com

Investor Perception

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

Aligned with our sustainability efforts, we have transitioned to electronic dissemination of corporate communications under the Hong Kong Stock Exchange's expansion of paperless listing regime, all our corporate communications, including financial reports, notices of meeting, listing documents, circulars and proxy forms, will be available on our Pacific Basin website and the website of Hong Kong Stock Exchange in both English and Chinese versions. Shareholders are recommended to provide their email address to ensure timely receipt of the latest corporate communications.

Our stakeholders can also subscribe to our news by filling out the subscription form on our website to receive alerts about Pacific Basin's latest developments.

FINANCIAL RESULTS

GROUP PERFORMANCE REVIEW

We delivered underlying profit in 2023 of US$119.2 million due to weaker market freight rates as compared to 2022, caused by a slowdown in economic growth and an increased supply of vessels. We generated daily earnings that outperformed the BHSI and BSI indices and continued to maintain good control of our vessel operating costs. We generated an underlying profit of US$119.2 million, a net profit of US$109.4 million and EBITDA of US$347.2 million, yielding a return on equity of 6%.

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

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

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

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

Notes

1. Total time-charter equivalent ("TCE") earnings decreased mainly reflecting weaker market freight rates during the year.
2. Total operating expenses of our owned vessels decreased by 6% as the crew costs has reverted back to pre-Covid levels.
3. Depreciation of our owned vessels increased by 7% mainly due to the acquisition of Supramax vessels during the year.
4. The 55% decrease in net finance costs was the combined effect of lower average borrowings, and higher interest income and interest expenses as a result of increased interest rates.
5. Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. The decrease in overall charter costs aligns with the weaker market condition.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount decreased by 15% mainly due to reduced staff costs.
7. A one-off non-cash impairment on smaller Handysize vessels was provided. Their carrying values represents about 4% of our owned fleet.
8. The net disposal gain mainly relates to the disposal of our smaller and older Handysize vessels.
9. Unrealised derivative expenses mainly represent the negative mark-to-market on our regular forward freight agreements.

Pages 84 to 119 comprise the audited financial statements A

FINANCIAL STATEMENTS

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Consolidated Balance Sheet

	Note	As at 31 December 2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,796,678**	1,772,168
Right-of-use assets	12	**63,190**	89,867
Goodwill	13	**25,256**	25,256
Derivative assets	14	**3,831**	6,120
Trade and other receivables	15	**4,292**	5,276
Restricted cash	16	**54**	52
		1,893,301	1,898,739
Current assets			
Inventories	17	**134,729**	124,461
Derivative assets	14	**2,043**	4,421
Trade and other receivables	15	**140,044**	157,355
Assets held for sale	18	**–**	19,884
Cash and deposits	16	**261,399**	443,825
Tax recoverable		**946**	–
		539,161	749,946
Total assets		**2,432,462**	2,648,685

	Note	As at 31 December 2023 US$'000	2022 US$'000
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	22	**52,638**	52,464
Retained profits	23	**597,075**	705,625
Other reserves	23	**1,148,216**	1,149,266
Total equity		**1,797,929**	1,907,355
LIABILITIES			
Non-current liabilities			
Borrowings	20	**254,139**	280,803
Lease liabilities	21	**26,603**	33,389
Derivative liabilities	14	**791**	292
		281,533	314,484
Current liabilities			
Borrowings	20	**46,261**	97,805
Lease liabilities	21	**39,249**	59,902
Derivative liabilities	14	**6,559**	7,268
Trade and other payables	19	**260,931**	261,870
Taxation payable		**–**	1
		353,000	426,846
Total liabilities		**634,533**	741,330

Approved by the Board of Directors on 29 February 2024.

Stanley Hutter Ryan
Director

Martin Fruergaard
Director

Consolidated Statement of Changes in Equity

	Note	For the year ended 31 December 2023 US$'000	2022 US$'000
At 1 January		**1,907,355**	1,831,226
Total comprehensive income attributable to shareholders		**106,852**	709,344
Transactions with owners in their capacity as owners			
Shares issued upon conversion of convertible bonds	22(a)	**487**	102,508
Dividends paid	9	**(217,861)**	(716,196)
Share-based compensation		**5,918**	6,857
Shares purchased by trustee of the SASs	22(b)	**(4,822)**	(1,709)
Derecognition of equity component upon repurchase and cancellation of convertible bonds		**–**	(24,675)
At 31 December		**1,797,929**	1,907,355

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2023 US$'000	2022 US$'000
Operating activities			
Cash generated from operations	24(a)	**354,062**	937,250
Taxation paid		**(662)**	(1,933)
Net cash generated from operating activities		**353,400**	935,317
Investing activities			
Purchase of property, plant and equipment		**(252,072)**	(84,718)
Disposal of property, plant and equipment		**57,309**	59,873
Disposal of assets held for sale		**34,423**	14,320
Decrease in term deposits with original maturities over 3 months		**84,987**	65,049
Interest received	7	**14,187**	8,655
Net cash (used in)/generated from investing activities		**(61,166)**	63,179

	Note	For the year ended 31 December 2023 US$'000	2022 US$'000
Financing activities			
Repayment of bank loans and other borrowings	24(b)	**(81,325)**	(80,940)
Interest on borrowings and other finance charges paid		**(18,239)**	(16,607)
Repayment of lease liabilities – principal element	21	**(64,287)**	(58,218)
Interest on lease liabilities paid	7	**(3,194)**	(3,467)
Dividends paid	9	**(217,861)**	(716,196)
Payment for shares purchased by trustee of the SASs	22(b)	**(4,822)**	(1,709)
Payment for repurchase and cancellation of convertible bonds		**–**	(56,167)
Incentives and fees for conversion of convertible bonds		**–**	(15,824)
Net cash used in financing activities		**(389,728)**	(949,128)
Net (decrease)/increase in cash and cash equivalents		**(97,494)**	49,368
Cash and cash equivalents			
At 1 January		**358,838**	309,634
Net (decrease)/increase in cash and cash equivalents		**(97,494)**	49,368
Exchange gains/(losses)		**55**	(164)
At 31 December	16	**261,399**	358,838
Term deposits with original maturities over 3 months			
At 1 January		**84,987**	150,036
Decrease in term deposits with original maturities over 3 months		**(84,987)**	(65,049)
At 31 December	16	**–**	84,987
Cash and deposits at 31 December	16	**261,399**	443,825

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 29 February 2024.

p.11-29 The Year in Review
Market Review & Our Performance

p.125 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:

Material 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 54
  - Credit and Counterparty Risk – Page 56
  - Liquidity Risk – Page 61
  - Capital Management Risk – Page 61
- Employee benefits in Remuneration Report – Pages 69-70

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 2023 and the financial position of the Group on that date, together with comparative information.

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

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

2.2 Impact of new accounting policies

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

The new or revised standards and amendments that have been issued but are not yet effective will have no significant impact on the consolidated financial statements in the foreseeable future.

2.3 Accounting policies navigator

Accounting policies	Location
Assets held for sale	Note 18
Borrowings	Note 20
Cash and cash equivalents	Note 16
Consolidation	Note 2.4
Contingent liabilities and contingent assets	Note 28
Convertible bonds	Note 20(b)
Current and deferred income tax	Note 8
Derivative financial instruments and hedging activities: i) cash flow hedges, and ii) derivatives not qualifying for hedge accounting	Note 14
Dividends	Note 9
Employee benefits	Remuneration Report (p. 70)
Financial assets at fair value through profit or loss	Note 14
Foreign currency translation	Note 2.5
Goodwill	Note 13
Impairment of i) investments and non-financial assets and ii) financial assets	Note 5
Inventories	Note 17
Leases	
Lease liabilities	Note 21
Non-lease component of leases	Note 5
Right-of-use assets	Note 12
Operating leases where the Group is the lessor	Note 25(b)(ii)
Offsetting financial instruments	Note 14
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 11
Provisions	Note 2.6
Revenue recognition for freight and charter-hire	Note 4
Segment reporting	Note 4
Share capital	Note 22
Trade receivables	Note 15
Trade payables	Note 19

The Group's material 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 11
(b)	Useful lives of vessels and vessel component costs	Note 11
(c)	Impairment of owned vessels and right-of-use assets	Note 11
(d)	Impairment of goodwill	Note 13

During the ordinary course of our business, there may be disputes or unresolved matters with vessel owners, charterers, vendors, suppliers, tax authorities and other parties for which the Group makes estimates and provisions based on the likelihood of outflow of resources and magnitude of exposures. Significant judgements are also involved in making such estimates.

4 Revenue and segment information

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

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

Geographical segment information is not presented as the management considers our shipping services are international in nature, precluding a meaningful allocation of operating profit to specific geographical segments.

Accounting policy

Segment reporting

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

Revenue recognition

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

Freight and charter-hire

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

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

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

5 Expenses by nature

US$'000	2023	2022
Vessel-related expenses		
Vessel charter costs (a)	**656,498**	978,630
Bunker consumed	**591,008**	644,301
Port disbursements and other voyage costs	**429,733**	448,512
Vessel depreciation		
– owned vessels	**150,544**	140,616
– right-of-use assets	**61,367**	54,251
Employee benefit expenses – crew wages and other related costs (c)	**133,211**	150,042
Vessel operating expenses	**63,608**	62,008
Lubricating oil consumed	**13,272**	11,411
Net gains on bunker swap contracts	**(3,478)**	(21,694)
	2,095,763	2,468,077
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments (c)	**62,035**	75,402
Other PP&E depreciation		
– right-of-use assets	**2,140**	2,224
– owned other PP&E	**961**	1,464
Auditor's remuneration		
– audit	**1,122**	872
– non-audit	**15**	43
Office lease expenses	**956**	703
Net foreign exchange gains	**(116)**	(448)
Other general and administrative expenses	**9,540**	9,340
	76,653	89,600

US$'000	2023	2022
Other expenses		
Provision for impairment – owned vessel (d)	**15,997**	1,513
Net losses on forward freight agreements	**1,492**	–
Incentives and fees for conversion of convertible bonds	**–**	15,824
Provisions	**–**	7,187
Losses on disposal of assets held for sale	**–**	80
	17,489	24,604
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	**2,189,905**	2,582,281

(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$34.2 million (2022: US$25.1 million).

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

US$'000	2023	2022
Direct G&A overheads included in cost of services	**69,908**	81,471
Indirect G&A overheads	**6,745**	8,129
Total G&A overheads	**76,653**	89,600

(c) Employee benefit expenses

Total employee benefit expenses amounted to US$195.2 million (2022: US$225.4 million). Please refer to Remuneration Report p.69 for details.

(d) Provision for impairment

An impairment on smaller Handysize vessels was provided. Their carrying values represents about 4% of our owned fleet. Please refer to Note 11 for the critical accounting estimates and judgements on impairment.

Accounting policy

Impairment

(i) Impairment of investments and non-financial assets

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

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

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

(ii) Impairment of financial assets

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

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

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

Non-lease component of leases

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

6 Other income and gains

US$'000	2023	2022
Gains on disposal of assets held for sale	**8,505**	–
Net gains on disposal of PP&E	**2,281**	16,048
Government subsidies	**60**	628
Net gains on forward foreign exchange contracts	**–**	1,038
Net gains on forward freight agreements	**–**	872
	10,846	18,586

7 Finance income and finance costs

US$'000	2023	2022
Finance income		
Bank interest income	**(14,020)**	(8,633)
Other interest income	**(167)**	(22)
	(14,187)	(8,655)
Finance costs		
Interest on borrowings		
– bank loans	**18,411**	13,972
– convertible bonds	**1,499**	4,497
– other borrowings	**1,304**	1,673
Interest on lease liabilities		
– vessels	**2,881**	3,135
– other PP&E	**313**	332
Net (gains)/losses on interest rate swap contracts	**(3,230)**	331
Other finance charges	**1,472**	149
	22,650	24,089
Finance costs, net	**8,463**	15,434

8 Taxation

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

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

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

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

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

US$'000	**2023**	2022
Profit before taxation	**109,100**	702,497
Tax calculated at applicable tax rates	**17,628**	115,788
Income not subject to taxation	**(349,388)**	(354,535)
Expenses not deductible for taxation purposes	**332,626**	240,264
Adjustments in respect of prior year	**(1,145)**	(876)
Tax (credits)/charges	**(279)**	641
Weighted average applicable tax rate	**16.2%**	16.5%

Under the Inclusive Framework on Base-Erosion and Profit Shifting, the Organisation for Economic Co-operation and Development ("OECD") released the Pillar Two Global Anti-Base Erosion Model Rules (the "Rules") in December 2021. The Rules introduce a global minimum effective tax rate where multinational enterprises with consolidated revenues over EUR 750 million are subject to a minimum effective tax rate of 15% on income arising in low-tax jurisdictions. The Rules need to be passed into legislation based on each jurisdiction's approach.

The Group is within the scope of the Rules. The Group's international shipping income is excluded under the Rules while income from non-shipping activities will be subject to the minimum tax rate requirement. The Group has assessed the latter and considered the effect is not significant.

The tax residency of the Company is Hong Kong and its respective legislation is expected to come into effect from 2025 which is not effective at the reporting date. Therefore, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to the Rules income taxes, as provided in the Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules" issued in July 2023.

Due to the complexities in applying the legislation and calculating the income under the Rules, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, the Company will consider seeking advice on applying the Rules to the Group, including those entities with an accounting effective tax rate above 15%, for any tax implications under the Rules.

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Tax Transparency

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 jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

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

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

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

9 Dividends

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

(a) The proposed final basic dividend and final special dividend are subject to the approval of the shareholders at the Annual General Meeting on 19 April 2024 and not reflected in the financial statements.

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

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.

10 Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme and 2023 Share Award Scheme (collectively "SASs") and unvested restricted shares (Note 22(b)).

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

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of convertible bonds by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's SASs and after adjusting for the dilutive effect of convertible bonds (Note 20(b)) and unvested restricted shares (Note 22(b)).

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

11 Property, plant and equipment

US$'000	2023 Vessels and vessel component costs	2023 Leasehold improve-ments	2023 Furniture, fixtures and equipment	2023 Motor vehicles	2023 Total	2022 Vessels and vessel component costs	2022 Leasehold improve-ments	2022 Furniture, fixtures and equipment	2022 Motor vehicles	2022 Total
Cost										
At 1 January	**2,657,127**	**5,602**	**10,477**	**27**	**2,673,233**	2,791,466	5,621	10,235	29	2,807,351
Additions	**252,323**	**193**	**500**	**41**	**253,057**	87,350	115	476	–	87,941
Transfer to assets held for sale (Note 18)	**(15,770)**	**–**	**–**	**–**	**(15,770)**	(73,120)	–	–	–	(73,120)
Disposals	**(142,749)**	**(71)**	**(66)**	**(27)**	**(142,913)**	(120,035)	–	(7)	–	(120,042)
Write offs	**(28,832)**	**–**	**(94)**	**–**	**(28,926)**	(28,534)	–	(122)	–	(28,656)
Exchange differences	**–**	**22**	**11**	**–**	**33**	–	(134)	(105)	(2)	(241)
At 31 December	**2,722,099**	**5,746**	**10,828**	**41**	**2,738,714**	2,657,127	5,602	10,477	27	2,673,233
Accumulated depreciation and impairment										
At 1 January	**886,702**	**4,733**	**9,603**	**27**	**901,065**	888,154	3,923	9,226	29	901,332
Charge for the year	**150,544**	**492**	**468**	**1**	**151,505**	140,616	883	581	–	142,080
Transfer to assets held for sale (Note 18)	**(9,736)**	**–**	**–**	**–**	**(9,736)**	(38,836)	–	–	–	(38,836)
Provision for impairment	**15,997**	**–**	**–**	**–**	**15,997**	1,513	–	–	–	1,513
Disposals	**(87,738)**	**(61)**	**(59)**	**(27)**	**(87,885)**	(76,211)	–	(6)	–	(76,217)
Write offs	**(28,832)**	**–**	**(94)**	**–**	**(28,926)**	(28,534)	–	(122)	–	(28,656)
Exchange differences	**–**	**11**	**5**	**–**	**16**	–	(73)	(76)	(2)	(151)
At 31 December	**926,937**	**5,175**	**9,923**	**1**	**942,036**	886,702	4,733	9,603	27	901,065
Net book value										
At 31 December	**1,795,162**	**571**	**905**	**40**	**1,796,678**	1,770,425	869	874	–	1,772,168

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			

11 Property, plant and equipment (continued)

(a) As at 31 December 2023, the aggregate cost and accumulated depreciation of vessel component costs amounted to US$107,131,000 (2022: US$89,402,000) and US$48,426,000 (2022: US$47,151,000) respectively.

(b) Certain owned vessels with net book value of US$918,903,000 (2022: US$973,321,000) were pledged to banks as securities for bank loans granted to the Group (Note 20(a)).

Certain owned vessels with net book value of US$33,479,000 (2022: US$59,118,000) were effectively pledged as securities to other borrowings (Note 20(c)) as the rights to the vessels revert to the lessors in the event of default.

(c) As at 31 December 2023, the Group owned vessels with net book value of US$1,795.2 million as follows:

	Number of vessels	Average net book value (US$ Million)	Total net book value (US$ Million)
Small Handysize[1]	8	9.8	78.2
Large Handysize[2]	57	14.2	810.5
Supramax	49	18.0	880.7
Capesize	1	25.8	25.8
	115		1,795.2

1 "Small Handysize" represents Handysize vessels smaller than 30,000 dwt
2 "Large Handysize" represents Handysize vessels equal to or larger than 30,000 dwt

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.

11 Property, plant and equipment (continued)

Critical accounting estimates and judgements

Residual values of property, plant and equipment

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

- **Sensitivity analysis:**

  With all other variables held constant, if the residual value of vessels increases/decreases by 10% from management estimates, the depreciation expense would decrease/increase by US$3.5 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$24.9 million or increase by US$37.9 million in the next year.

Impairment of owned vessels and right-of-use assets

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

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

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

The value-in-use of the vessels is an assessment of estimated future vessel earnings based on assumptions and appropriate discount rates to derive the present value of those earnings. The discount rates are based on a weighted average cost of capital ("WACC"), calculated by using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters. The applicable discount rate is 7.7% (2022: 8.7%).

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 14). The valuation is based on a market approach under which each vessel is valued with reference to recent sales of comparable vessels.

As at 31 December 2023, the net asset value of the Group is higher than its market capitalisation. This is considered as an indicator of potential impairment. Management has assessed the recoverable amount of the three CGUs. The Small Handysize was impaired down to its fair value less costs of disposal while no impairment was required for Large Handysize and Supramax vessels based on value-in-use.

- **Sensitivity analysis:**

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

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

  (iii) With all other variables held constant, reducing the fair value less costs of disposal by 10% would give rise to further impairment charge of US$7.8 million for Small Handysize vessels while no impairment would be required for Large Handysize and Supramax vessels.

12 Right-of-use assets

US$'000	Vessels	Other PP&E	Total
At 1 January 2023	**81,185**	**8,682**	**89,867**
Additions	**29,806**	**16**	**29,822**
Lease modification	**7,158**	**(339)**	**6,819**
Depreciation	**(61,367)**	**(2,140)**	**(63,507)**
Exchange differences	**–**	**189**	**189**
At 31 December 2023	**56,782**	**6,408**	**63,190**
At 1 January 2022	49,467	5,835	55,302
Additions	73,858	87	73,945
Lease modification	12,111	5,284	17,395
Depreciation	(54,251)	(2,224)	(56,475)
Exchange differences	–	(300)	(300)
At 31 December 2022	81,185	8,682	89,867

Accounting policy

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

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

Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets. Please refer to Note 11 for the critical accounting estimates and judgements on impairment.

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

13 Goodwill

US$'000	2023	2022
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 7.7% (2022: 8.7%).

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.

14 Derivative assets and liabilities

The Group is exposed to fluctuations in interest rates, bunker prices, currency exchange rates and freight 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
Bunker swap contracts	Level 2
Forward foreign exchange 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, bunker swap contracts and forward foreign exchange 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.

	2023		2022	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**3,784**	**–**	5,918	–
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (b)	**16**	**(791)**	202	(292)
Forward foreign exchange contracts (c)	**31**	**–**	–	–
	3,831	**(791)**	6,120	(292)
Current				
Cash flow hedges				
Forward foreign exchange contracts	**–**	**–**	–	(2,326)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (b)	**1,695**	**(2,564)**	2,965	(4,816)
Forward foreign exchange contracts (c)	**63**	**–**	1,020	–
Forward freight agreements (d)	**285**	**(3,995)**	436	(126)
	2,043	**(6,559)**	4,421	(7,268)
Total	**5,874**	**(7,350)**	10,541	(7,560)

14 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	Outstanding notional amount	Fixed swap rates	Expiry through
2023			
August 2023 to December 2023	US$88 million	USD Term SOFR swapped to 1.3% to 2.7% per annum	June 2025 to May 2026
2022			
December 2018 to September 2019	US$104 million	USD LIBOR swapped to 1.5% to 3.0% per annum	June 2025 to May 2026

As a result of the global interest rate benchmark reform, LIBOR has been fully replaced by alternative reference rates on 1 July 2023. The Group adopted Term SOFR as alternative reference rates for its LIBOR-based borrowings and corresponding interest rate swap contracts.

- **Sensitivity analysis:**

  With all other variables held constant, if the average interest rate on the net cash balance subject to floating interest rates (cash and deposits net of unhedged floating borrowings) held by the Group at the balance sheet date had been 50 basis point higher/lower, the Group's profit after tax would increase/decrease by approximately US$0.9 million (2022: US$1.8 million).

(b) Bunker swap contracts

None of our bunker swap contracts qualifies for hedge accounting

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

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

Fuel type	Quantity (Metric tonnes)	Weighted average deal price (US$)	Expiry through
2023			
Very low sulphur fuel oil	114,385	537	December 2026
Marine gas oil	8,388	724	December 2026
Fuel oil	1,275	440	April 2024
2022			
Very low sulphur fuel oil	79,701	585	December 2024
Marine gas oil	8,909	647	December 2024
Fuel oil	3,275	421	December 2023

- **Sensitivity analysis:**

  With all other variables held constant, if the average forward price of following fuel types on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax would increase/decrease by approximately US$6.0 million (2022: US$4.4 million) for very low sulphur fuel oil; increase/decrease by approximately US$0.6 million (2022: US$0.7 million) for marine gas oil and increase/decrease by approximately US$0.1 million (2022: US$0.1 million) for fuel oil.

14 Derivative assets and liabilities (continued)

(c) Forward foreign exchange contracts

None of our forward foreign exchange contracts qualifies for hedge accounting

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

At 31 December 2023, the Group had outstanding forward foreign exchange contracts to buy approximately US$1.6 million (2022: US$0.4 million) and simultaneously sell approximately AUD2.4 million (2022: AUD0.6 million) for revenue that was denominated in Australian Dollars. These contracts will expire through June 2025.

(d) Forward freight agreements

None of our forward freight agreements qualifies for hedge accounting

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

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

Index[1]	Contract type	Quantity (days)	Weighted average contract daily price (US$)	Expiry through
2023				
BHSI	Sell	630	10,338	December 2024
BSI	Buy	335	13,922	March 2024
BSI	Sell	995	12,027	December 2024
2022				
BHSI	Sell	285	11,558	March 2023
BSI	Sell	495	12,591	June 2023

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

- **Sensitivity analysis:**
  With all other variables held constant, if the average forward freight rate on forward freight agreements held by the Group at the balance sheet date had been 20% higher/lower, the Group's profit after tax would decrease/increase by approximately US$3.5 million (2022: US$1.8 million).

14 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.

15 Trade and other receivables

US$'000	2023	2022
Non-current		
Prepayments (a)	**4,292**	5,276
Current		
Trade receivables (b)	**92,086**	112,429
Other receivables	**30,104**	29,003
Prepayments	**17,854**	15,923
	140,044	157,355

p.56 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, the ageing of trade receivables based on invoice date is as follows:

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

Accounting policy

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

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

Credit policy

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

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

At 31 December 2023 and 2022, there was no loss allowance arising from its trade and other receivables.

16 Cash and deposits

US$'000	2023	2022
Term deposits with original maturities of 3 months or less	**212,039**	306,833
Cash at bank and on hand	**49,360**	52,005
Cash and cash equivalents	**261,399**	358,838
Term deposits with original maturities over 3 months	**–**	84,987
Cash and deposits	**261,399**	443,825
Restricted cash	**54**	52
Total cash and deposits	**261,453**	443,877
Average effective interest rate on bank deposits for the year	**4.9%**	1.7%
Average remaining maturity of bank deposits at year end	**28 days**	41 days

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

The Group invests its cash in a mix of financial products, based on its 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 2023 comprised US$256.5 million in United States Dollars and US$5.0 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.30 Cash and Borrowings
Cash Flow and Cash

17 Inventories

US$'000	2023	2022
Bunkers	**122,720**	112,370
Lubricating oil and others	**12,009**	12,091
	134,729	124,461

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.

18 Assets held for sale

US$'000	2023	2022
At 1 January	**19,884**	–
Transfer from PP&E (Note 11)	**6,034**	34,284
Disposals	**(25,918)**	(14,400)
At 31 December	**–**	19,884

Accounting policy

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

19 Trade and other payables

US$'000	2023	2022
Trade payables (a)	**104,669**	80,793
Accruals and other payables	**102,912**	120,746
Receipts in advance (b)	**53,350**	60,331
	260,931	261,870

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

(a) Trade payables

At 31 December, the ageing of trade payables based on due date is as follows:

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

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$51.6 million (2022: US$59.3 million). Receipts in advance of US$59.3 million as at 31 December 2022 were fully recognised as revenue in 2023.

20 Borrowings

US$'000	2023	2022
Non-current		
Bank loans (a)	**199,774**	256,248
Convertible bonds (b)	**32,667**	–
Other borrowings (c)	**21,698**	24,555
	254,139	280,803
Current		
Bank loans (a)	**43,404**	54,384
Convertible bonds (b)	**–**	32,664
Other borrowings (c)	**2,857**	10,757
	46,261	97,805
Total	**300,400**	378,608

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 14).

Please refer to Note 24(b) for reconciliation of borrowings.

For relevant information of global interest rate benchmark reform, please refer to Note 14(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.

20 Borrowings (continued)

(a) Bank loans

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

(i) Mortgages over certain owned vessels with net book value of US$918,903,000 (2022: US$973,321,000) (Note 11(b)); and

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

These bank loans are repayable as follows:

US$'000	2023	2022
Within one year	**43,404**	54,384
In the second year	**49,539**	53,144
In the third to fifth year	**146,880**	180,408
After the fifth year	**3,355**	22,696
	243,178	310,632
Average effective interest rate for the year (after hedging)	**5.2%**	3.9%

(b) Convertible bonds

	2023		2022	
US$'000	**Principal amount**	**Liability component**	Principal amount	Liability component
3.0% coupon due 2025	**33,610**	**32,667**	34,110	32,664

The carrying value of convertible bonds approximate their fair values.

On 23 May 2023, an aggregate principal amount of US$500,000 of convertible bonds were converted into 2,612,033 shares (Note 22(a)).

Key terms	
Issue size	US$175.0 million
Issue date	10 December 2019
Maturity date	10 December 2025
Coupon – cash cost	3.0% p.a. payable semi-annually in arrears on 10 June and 10 December
Effective interest rate	4.7% charged to income statement
Redemption price	100%
Conversion price converting bonds into shares	HK$1.45 (with effect from 11 August 2023) (Note)
Conversion at bondholders' option	Anytime on or after 20 January 2020
Bondholder put date for redemption at 100% of the principal amount	On 10 December 2023, each bondholder had the right to require the Group to redeem all or some of the bonds unconditionally ("Put Option Right"). At 31 December 2022, the convertible bonds are classified as current liabilities as they are regarded as falling due on the put date. At 31 December 2023, they are classified as non-current liabilities after the put date.

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

Accounting policy

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

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

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

20 Borrowings (continued)

(c) Other borrowings

The Group's other borrowings related to two (2022: four) owned vessels with net book value of US$33,479,000 (2022: US$59,118,000) (Note 11(b)). They 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	2023	2022
Within one year	**2,857**	10,757
In the second year	**2,786**	2,857
In the third to fifth year	**18,912**	7,813
After the fifth year	**–**	13,885
	24,555	35,312
Average effective interest rate for the year (after hedging)	**4.2%**	4.3%

21 Lease liabilities

US$'000	2023	2022
At 1 January	**93,291**	60,429
Additions	**29,821**	73,945
Lease modification	**6,819**	17,396
Repayments	**(64,287)**	(58,218)
Exchange differences	**208**	(261)
At 31 December	**65,852**	93,291
Non-current	**26,603**	33,389
Current	**39,249**	59,902
	65,852	93,291

The lease liabilities are repayable as follows:

US$'000	2023	2022
Within one year	**39,249**	59,902
In the second year	**12,214**	26,054
In the third to fifth year	**14,389**	6,971
After the fifth year	**–**	364
	65,852	93,291

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.

22 Share capital

	2023 Number of shares	2023 US$'000	2022 Number of shares	2022 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**5,260,541,023**	**52,464**	4,811,327,272	47,858
Shares granted to employees in the form of restricted share awards (b)	**17,741,000**	**5,049**	4,404,000	1,978
Shares issued upon conversion of convertible bonds (a)	**2,612,033**	**26**	434,107,751	4,341
Shares issued upon grant of restricted share awards (b)	**–**	**–**	14,412,000	144
Shares transferred back to trustee upon lapse of restricted share awards (b)	**(341,000)**	**(79)**	(670,000)	(148)
Shares purchased by trustee of the SASs (b)	**(16,730,000)**	**(4,822)**	(3,040,000)	(1,709)
At 31 December	**5,263,823,056**	**52,638**	5,260,541,023	52,464

(a) Shares issued upon conversion of convertible bonds

On 23 May 2023, 2,612,033 shares were issued upon the conversion of the convertible bonds in an aggregate principal amount of US$500,000 at a conversion price of HK$1.50 per share (Note 20(b)).

(b) Restricted share awards

Restricted share awards under the Company's SASs were granted to Executive Directors and certain employees. The SASs 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 equivalents to the grantee at its discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares are lapsed or forfeited, they will be held by the trustee and can be utilised for future awards.

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

000' shares	2023	2022
At 1 January	**69,236**	78,811
Granted	**17,741**	18,816
Vested	**(30,777)**	(27,721)
Lapsed	**(341)**	(670)
At 31 December	**55,859**	69,236

Out of the 55,859,000 unvested restricted share awards as at 31 December 2023 and according to the vesting schedule, 25,545,000 shares, 14,708,000 shares and 15,606,000 shares will be vested on 14 July 2024, 14 July 2025 and 14 July 2026 respectively.

p.72-73 Report of the Directors
Share Award Schemes

22 Share capital (continued)

(b) Restricted share awards (continued)

The fair value of the restricted share awards is determined by the closing share price on the date which the Company and employees agreed the terms and conditions of the share awards arrangement. The fair value of the shares granted during the year was HK$2.2 (2022: HK$3.2) 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:

	2023		2022	
Sources of shares granted	Number of granted shares awards	Related movement US$'000	Number of granted shares awards	Related movement US$'000
Shares purchased by the trustee of the SASs on the Stock Exchange funded by the Company	16,730,000	4,822	3,040,000	1,709
Shares transferred from the trustee	1,011,000	227	1,364,000	269
Shares issued	–	–	14,412,000	144
	17,741,000	5,049	18,816,000	2,122

p.71 Report to the Directors
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 70), 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.

23 Reserves

2023

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits	Total
	Other reserves									
At 1 January	427,507	(56,606)	2,558	(8,641)	6,340	(1,830)	779,938	1,149,266	705,625	1,854,891
Comprehensive income										
Profit attributable to shareholders	-	-	-	-	-	-	-	-	109,379	109,379
Other comprehensive income										
Cash flow hedges										
– fair value gains	-	-	-	-	1,222	-	-	1,222	-	1,222
– fair value (gains)/losses transferred to income statement	-	-	-	-	(3,777)	-	-	(3,777)	-	(3,777)
Currency translation differences	-	-	-	-	-	28	-	28	-	28
Total comprehensive income	-	-	-	-	(2,555)	28	-	(2,527)	109,379	106,852
Transactions with owners in their capacity as owners										
Shares issued upon conversion of convertible bonds (Note 22(a))	499	-	(38)	-	-	-	-	461	-	461
Dividends paid (Note 9)	-	-	-	-	-	-	-	-	(217,861)	(217,861)
Derecognition of equity component upon repurchase and cancellation of convertible bonds	-	-	-	-	-	-	-	-	-	-
Share-based compensation (see Remuneration Report p.69)	-	-	-	5,918	-	-	-	5,918	-	5,918
Share awards granted (Note 22(b))	-	-	-	(4,981)	-	-	-	(4,981)	(68)	(5,049)
Shares issued upon grant of restricted share awards (Note 22(b))	-	-	-	-	-	-	-	-	-	-
Share awards lapsed (Note 22(b))	-	-	-	79	-	-	-	79	-	79
At 31 December	428,006	(56,606)	2,520	(7,625)	3,785	(1,802)	779,938	1,148,216	597,075	1,745,291

2022

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits	Total
	Other reserves									
At 1 January	313,375	(56,606)	13,121	(8,035)	(2,613)	(365)	779,938	1,038,815	744,553	1,783,368
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	701,856	701,856
Other comprehensive income										
Cash flow hedges										
– fair value gains	–	–	–	–	5,879	–	–	5,879	–	5,879
– fair value (gains)/losses transferred to income statement	–	–	–	–	3,074	–	–	3,074	–	3,074
Currency translation differences	–	–	–	–	–	(1,465)	–	(1,465)	–	(1,465)
Total comprehensive income	–	–	–	–	8,953	(1,465)	–	7,488	701,856	709,344
Transactions with owners in their capacity as owners										
Shares issued upon conversion of convertible bonds (Note 22(a))	106,183	–	(8,016)	–	–	–	–	98,167	–	98,167
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(716,196)	(716,196)
Derecognition of equity component upon repurchase and cancellation of convertible bonds	–	–	(2,547)	–	–	–	–	(2,547)	(22,128)	(24,675)
Share-based compensation (see Remuneration Report p.69)	–	–	–	6,857	–	–	–	6,857	–	6,857
Share awards granted (Note 22(b))	–	–	–	482	–	–	–	482	(2,460)	(1,978)
Shares issued upon grant of restricted share awards (Note 22(b))	7,949	–	–	(8,093)	–	–	–	(144)	–	(144)
Share awards lapsed (Note 22(b))	–	–	–	148	–	–	–	148	–	148
At 31 December	427,507	(56,606)	2,558	(8,641)	6,340	(1,830)	779,938	1,149,266	705,625	1,854,891

(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.

24 Notes to the consolidated cash flow statement

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

US$'000	2023	2022
Profit before taxation	**109,100**	702,497
Assets and liabilities adjustments		
Depreciation on vessels and other PP&E	**151,505**	142,080
Depreciation on right-of-use assets	**63,507**	56,475
Gains on disposal of PP&E	**(2,281)**	(16,048)
(Gains)/losses on disposal of assets held for sale	**(8,505)**	80
Net unrealised gains on derivative instruments not qualified as hedges	**4,650**	5,490
Provision for impairment – owned vessels	**15,997**	1,513
Incentives and fees for conversion of convertible bonds	**–**	15,824
Provisions	**–**	7,187
Capital and funding adjustments		
Share-based compensation	**5,918**	6,857
Results adjustments		
Finance costs, net	**8,463**	15,434
Net foreign exchange gains	**(116)**	(448)
Profit before taxation before working capital changes	**348,238**	936,941
Increase in inventories	**(10,268)**	(20,871)
Decrease in trade and other receivables	**17,294**	13,968
(Decrease)/increase in trade and other payables	**(1,202)**	7,212
Cash generated from operations	**354,062**	937,250

(b) Reconciliation of borrowings

US$'000	2023	2022
At 1 January	**378,608**	588,156
Cash flows		
Repayment of bank loans and other borrowings	**(81,325)**	(80,940)
Coupon payment of convertible bonds	**(1,008)**	(1,839)
Repurchase and cancellation of convertible bonds	**–**	(32,669)
Other non-cash movements		
Amortisation of loan arrangement fee	**725**	2,478
Accrued coupon payment of convertible bonds	**1,499**	4,497
Conversion of convertible bonds	**(487)**	(102,508)
Foreign exchange adjustments	**2,388**	1,433
At 31 December	**300,400**	378,608

(c) Cash outflow on all leases

The total cash outflow for all leases is US$688.5 million (2022: US$1,002.3 million).

25 Commitments

(a) Capital commitments

US$'000	2023	2022
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	**25,221**	42,399

(b) Lease commitments

(i) The Group as the lessee – payments

The non-cancellable lease commitment included leases of low-value assets, short-term leases with a term of 12 months or less and long-term leases with a term of over 12 months not yet commenced at 31 December 2023.

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

US$'000	Vessels	Office equipment	Total
At 31 December 2023			
Within one year	**104,794**	**198**	**104,992**
In the second to fifth year	**130,191**	**6**	**130,197**
After the fifth year	**32,737**	**–**	**32,737**
	267,722	**204**	**267,926**
At 31 December 2022			
Within one year	92,050	8	92,058
In the second to fifth year	87,979	7	87,986
After the fifth year	29,033	–	29,033
	209,062	15	209,077

(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	2023	2022
Within one year	**68,665**	71,634
In the second to fifth year	**14,565**	19,120
	83,230	90,754

The Group leases vessels with leases expiring within 1 year to 3 years (2022: within 1 year to 4 years). The lease expiring in 3 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 11 Property, plant and equipment. Revenue arising from assets leased out under operating leases is recognised over time based on daily rate.

26 Financial liabilities summary

This note should be read in conjunction with the Liquidity Risk section on page 61. The maturity profile of the Group's financial liabilities, net-settled derivative financial instruments and gross-settled derivative financial instruments based on the remaining period from the balance sheet date to the contractual maturity date are summarised below. These represented contractual cash flows which include principal and interest elements where applicable.

	Within one year		In the second year		In the third to fifth year		After the fifth year		Total	
US$'000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Borrowings										
Bank loans	**59,482**	72,743	**61,014**	67,231	**159,149**	201,368	**3,484**	24,749	**283,129**	366,091
Convertible bonds	**1,008**	1,023	**34,618**	36,156	**–**	–	**–**	–	**35,626**	37,179
Other borrowings	**3,812**	12,063	**3,801**	3,812	**21,023**	11,404	**–**	20,038	**28,636**	47,317
Lease liabilities	**41,403**	62,625	**13,394**	26,303	**15,517**	7,284	**1**	344	**70,315**	96,556
Derivative financial instruments										
(i) Net-settled (a)										
Interest rate swap contracts	**(2,515)**	(3,141)	**(1,141)**	(1,833)	**(298)**	(1,352)	**–**	–	**(3,954)**	(6,326)
Bunker swap contracts	**2,564**	4,816	**791**	292	**–**	–	**–**	–	**3,355**	5,108
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges										
– outflow	**–**	13,215	**–**	–	**–**	–	**–**	–	**–**	13,215
– inflow	**–**	(10,720)	**–**	–	**–**	–	**–**	–	**–**	(10,720)
– Others										
– outflow	**1,095**	14,946	**547**	–	**–**	–	**–**	–	**1,642**	14,946
– inflow	**(1,038)**	(15,854)	**(519)**	–	**–**	–	**–**	–	**(1,557)**	(15,854)
Net outflow	**57**	1,587	**28**	–	**–**	–	**–**	–	**85**	1,587
Trade and other payables	**207,581**	201,539	**–**	–	**–**	–	**–**	–	**207,581**	201,539

(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.

27 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 68 to 70.

28 Contingent liabilities and contingent assets

The Group had no material contingent liabilities and contingent assets as at 31 December 2023 and 2022.

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.

29 Comparatives

Certain comparative figures have been reclassified to conform to the current year's presentation. In the current year, the Group combined the line item "Provision for vessel impairment" with "Other expenses". As a result, comparative information has been reclassified to conform to this presentation.

30 Principal subsidiaries

As at 31 December 2023, the Company has direct and indirect interests in the following wholly owned principal subsidiaries:

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Shares held directly			
PB Vessels Holding Limited	BVI	US$1,191,118,775	Investment holding
PB Management Holding Limited	BVI	US$12,313	Investment holding
PB Issuer (No.5) Limited	BVI	US$1	Convertible bonds issuer
Shares held indirectly			
Vessel owning and chartering			
Albatross Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Astoria Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Badger Limited	BVI/Int'l	US$1	Vessel owning 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
Chatham Shipping Limited	BVI/Int'l	US$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
Disko Shipping Limited	BVI/Int'l	US$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
Elizabeth River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Esperance Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Finest Solution Limited	HK/Int'l	HK$1	Vessel owning and chartering
Fortune Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Future Sea Limited	HK/Int'l	HK$1	Vessel owning and chartering
Gharapuri Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Gold River Vessel Limited	HK/Int'l	HK$1	Vessel owning and chartering

30 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
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 owning and chartering
Luzon Strait Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Marawah Limited	BVI/Int'l	US$1	Vessel owning and chartering
Matakana Island Limited	HK/Int'l	HK$1	Vessel owning and chartering

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

30 Principal subsidiaries (continued)

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Saldanha Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Scrub Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Seal Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shakespeare Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shark Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Sharp Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Shelter Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Silhouette Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Skomer Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Soko Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Swan River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Tampa Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Texel Island Limited	HK/Int'l	HK$1	Vessel chartering
Turtle Shipping Limited	Republic of the Marshall Islands/Int'l	US$1	Vessel owning
West Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
White Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Zhoushan Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Others			
Pacific Basin Agencies Limited 太平洋航運代理有限公司	HK/Int'l	HK$10	Shipping consulting services
Pacific Basin Handysize Limited	BVI/HK	US$10	Provision of ship management and ocean shipping services
Pacific Basin Handysize (HK) Limited	HK	HK$10	Provision of ship management and ocean shipping services
Pacific Basin Supramax Limited	HK	HK$10	Provision of ship management and ocean shipping services
Pacific Basin (UK) Limited[1]	England and Wales	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$595,285	Shipping consulting services
Pacific Basin Shipping (Canada) Limited	BC, Canada	1 common share without par value	Shipping consulting services
Pacific Basin Shipping (Chile) Limitada	Chile, Santiago	Chilean pesos equivalent to US$6,000	Shipping consulting services
Pacific Basin Shipping DMCC	United Arab Emirates	AE$50,000	Ship management and operation
Pacific Basin Shipping (HK) Limited 太平洋航運(香港)有限公司	HK	HK$20	Ship agency and management services
Pacific Basin Shipping (New Zealand) Limited	New Zealand	100 shares without par value	Shipping consulting services
Pacific Basin Shipping (Singapore) Pte. Ltd.[1]	Republic of Singapore	SGD200,000	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 and Wales	GBP2	Shipping consulting services
Pacific Basin Shipping (USA) Inc.	USA	US$1,000	Shipping consulting services
PB Maritime Personnel Inc.[1]	The Philippines	PHP17,300,000	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 been audited by firms other than PricewaterhouseCoopers. The aggregate net liabilities and net loss for the year attributable to the shareholders of the Group amounted to US$32,879,000 (2022: US$27,092,000) and US$5,929,000 (2022: US$8,504,000) 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", "HK" represents "Hong Kong" and "Int'l" represents "International".

31 Balance sheet and reserve movement of the company

(a) Balance Sheet of the Company

	Note	As at 31 December 2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,329,812**	1,328,322
Current assets			
Prepayments and other receivables		**174**	1,561
Amounts due from subsidiaries		**356,774**	575,036
Cash and cash equivalents		**181**	174
		357,129	576,771
Total assets		**1,686,941**	1,905,093
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	22	**52,638**	52,464
Retained profits		**433,718**	653,496
Other reserves		**1,200,319**	1,198,804
Total equity		**1,686,675**	1,904,764
LIABILITIES			
Current liabilities			
Accruals and other payables		**266**	329
Total liabilities		**266**	329

Approved by the Board of Directors on 29 February 2024.

Stanley Hutter Ryan
Director

Martin Fruergaard
Director

(b) Reserve movement of the Company

US$'000	Other reserves: Share premium	Staff benefits reserve	Contributed surplus	Subtotal	Retained profits	Total
At 1 January 2023	**427,507**	**(8,641)**	**779,938**	**1,198,804**	**653,496**	**1,852,300**
Comprehensive income						
Loss attributable to shareholders	**–**	**–**	**–**	**–**	**(1,849)**	**(1,849)**
Transactions with owners in their capacity as owner						
Share issued upon conversion of convertible bonds (Note 22(a))	**499**	**–**	**–**	**499**	**–**	**499**
Dividends paid (Note 9)	**–**	**–**	**–**	**–**	**(217,861)**	**(217,861)**
Share-based compensation (see Remuneration Report p.69)	**–**	**5,918**	**–**	**5,918**	**–**	**5,918**
Share awards granted (Note 22(b))	**–**	**(4,981)**	**–**	**(4,981)**	**(68)**	**(5,049)**
Share awards lapsed (Note 22(b))	**–**	**79**	**–**	**79**	**–**	**79**
At 31 December 2023	**428,006**	**(7,625)**	**779,938**	**1,200,319**	**433,718**	**1,634,037**
At 1 January 2022	313,375	(8,035)	779,938	1,085,278	649,850	1,735,128
Comprehensive income						
Profit attributable to shareholders	–	–	–	–	722,302	722,302
Transactions with owners in their capacity as owner						
Share issued upon conversion of convertible bonds (Note 22(a))	106,183	–	–	106,183	–	106,183
Dividends paid (Note 9)	–	–	–	–	(716,196)	(716,196)
Share-based compensation (see Remuneration Report p.69)	–	6,857	–	6,857	–	6,857
Share awards granted (Note 22(b))	–	482	–	482	(2,460)	(1,978)
Share issued upon grant of restricted shares awards (Note 22(b))	7,949	(8,093)	–	(144)	–	(144)
Share awards lapsed (Note 22(b))	–	148	–	148	–	148
At 31 December 2022	427,507	(8,641)	779,938	1,198,804	653,496	1,852,300

Loss attributable to shareholders of US$1,849,000 (2022: profit of US$722,302,000) is dealt with in the financial statements of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Pacific Basin Shipping Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 84 to 119, comprise:

- the consolidated balance sheet as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, 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 carrying value of owned vessels and right-of-use assets.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of owned vessels and right-of-use assets *Refer to notes 11 and 12 to the consolidated financial statements.* As at 31 December 2023, the Group has a fleet of owned vessels and right-of-use assets (the "Dry Bulk Vessels"), amounting to US$1,795.2 million and US$56.8 million respectively. Right-of-use asset represents the Group's right (as a lessee) to use an underlying vessel for a lease term. The net asset value of the Group at 31 December 2023 is higher than its market capitalisation. This is considered as an indicator of possible impairment. Management has therefore performed an impairment assessment of the Group's Dry Bulk Vessels. In performing this assessment, the Group continues to separate the Dry Bulk Vessels into three cash-generating units ("CGUs"). The three CGUs comprise Handysize vessels smaller than 30,000 dwt ("Small Handysize"), Handysize vessels equal to or larger than 30,000 dwt ("Large Handysize") and Supramax vessels. Management determines the recoverable amounts of each CGU based on the higher of the assets' value-in-use or fair value less costs of disposal. Value-in-use calculations are based on future discounted cash flows of each CGU which involve significant judgements and assumptions, including forecast utilisation, daily time-charter equivalent ("TCE") rates, service costs, inflation rates and discount rates applied to the future cash flows. The fair value less costs of disposal of the Dry Bulk Vessels is primarily based on the market value of vessels as assessed by independent third-party valuers. An impairment is recognised when the carrying value of an asset exceeds the recoverable amount. Based on the results of the assessment, an impairment charge of US$16.0 million was recorded for the year ended 31 December 2023. We focused on this area due to the significant judgements and estimates involved in determining the recoverable amount of these assets.	We evaluated management's assessment of the recoverable amounts of the CGUs by assessing the valuation methodology. For the value-in-use model, we assessed the future discounted cash flows used in the value-in-use model and the process by which they are prepared, including comparing them to the budget approved by the Board of Directors/latest management forecast, and assessing the underlying assumptions, including: ■ the forecast daily TCE rates were compared with historical actual results and external industry forecasts; ■ the inflation rates of operating expenses and general and administrative expenses were compared with external economic forecasts; ■ the service costs were compared to external market data; ■ the forecast utilisation rates were compared with historical actual results; ■ the discount rate was assessed with our specialist knowledge of discount rates for the industry and with comparable organisations; ■ evaluating the reasonableness of historical budgets and forecasts, this included, 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, independence, capabilities and objectivity of the external valuers used by management; ■ we received the valuation reports and discussed the valuation methodologies and key assumptions with the external valuer; ■ we also benchmarked valuations performed by the valuers to external market data. We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 February 2024

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$'000		**2023**	2022	2021	2020	2019
Results						
Revenue		**2,296,622**	3,281,626	2,972,514	1,470,932	1,585,900
EBITDA		**347,185**	935,131	889,858	184,736	230,704
Underlying profit/(loss)		**119,234**	714,722	698,307	(19,444)	20,534
Profit/(loss) attributable to shareholders		**109,379**	701,856	844,810	(208,228)	25,124
Balance Sheet						
Total assets		**2,432,462**	2,648,685	2,745,432	2,189,527	2,394,235
Total liabilities		**(634,533)**	(741,330)	(914,206)	(1,125,018)	(1,118,303)
Total equity		**1,797,929**	1,907,355	1,831,226	1,064,509	1,275,932
Total cash and deposits		**261,453**	443,877	459,721	234,824	200,244
Net (borrowings)/cash		**(38,947)**	65,269	(128,435)	(629,061)	(662,907)
Cash Flows						
Operating		**353,400**	935,317	850,422	219,613	217,027
Investing		**(61,166)**	63,179	(334,001)	(92,114)	(143,900)
of which Purchase of PP&E		**(252,072)**	(84,718)	(224,483)	(102,031)	(183,984)
Financing		**(389,728)**	(949,128)	(433,027)	(101,572)	(202,146)
Net change in cash and cash equivalents		**(97,494)**	49,368	83,394	25,927	(129,019)
Other Data						
Basic EPS	US cents	**2.10**	13.93	17.90	(4.45)	0.55
Dividends per share	US cents	**1.6**	10.0	9.5	–	0.3
Eligible profit payout ratio		**75%**	75%	54%	–	51%
Operating cash flows per share	US cents	**6.8**	18.5	18.0	4.7	4.8
Equity per share	US cents	**34.2**	36.3	38.0	22.2	27.1
Closing price at year end	HK$	**2.57**	2.64	2.86	1.46	1.64
Market capitalisation at year end	US$'000	**1,731,300**	1,781,600	1,764,800	902,000	993,000

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CORPORATE INFORMATION

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Company Secretary
Ms. Mok Kit Ting, Kitty, CPA
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Listing Venue & Listing Date
The Stock Exchange of Hong Kong Limited
14 July 2004

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Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors
Holman Fenwick Willan

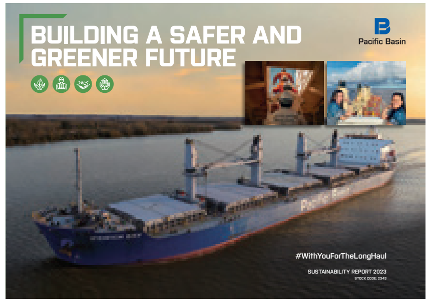
Stock Code
Stock Exchange: 2343.HK
Bloomberg: 2343 HK
Reuters: 2343.HK

Total Shares in Issue
5,263,823,056 as at 31 December 2023

Website
www.pacificbasin.com

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

Sustainability Report 2023



Both our Annual Report and
Sustainability Report are now available at
www.pacificbasin.com/ar2023

Please send us your feedback
via our online feedback form

Pacific Basin Shipping Limited
(*incorporated in Bermuda with limited liability*)
(Stock Code: 2343)

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

ANNUAL REPORT 2023

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