Pacific Basin

Annual Report 2020

Stock Code: 2343

Our Pacific Basin Crew are our Heroes at Sea

#WithYouForTheLongHaul

Our heroes at sea, enduring the Covid-19 crew change crisis, we thank and salute you

Governments' measures to contain the Covid-19 pandemic around the world continue to make it very difficult for ship owners to change crews and get their seafarers home, leaving tens of thousands stuck at sea beyond their original contract periods. We continue to pursue every effort to reunite our seafarers with their families, if necessary deviating our ships, paying premium prices for air tickets home, and putting up our crews in hotel rooms for long layovers and quarantine. Thankfully we have successfully changed and repatriated many of our crews in recent months. Thanks to our seafarers' remarkable patience and professionalism, combined with our wide-ranging business continuity initiatives, our service to customers has continued seamlessly and substantially uninterrupted throughout the pandemic.

113 owned ships
trading at sea continuously throughout the pandemic

4,000+ crew
have served on our owned ships since the pandemic began

3,000 shipments
completed in 2020

We have engaged vigorously with and urged governments and other authorities for solutions to enable the safe repatriation of seafarers and, in January 2021, Pacific Basin signed the Neptune Declaration on Seafarer Wellbeing and Crew Change which defines four main actions to facilitate crew changes and keep global supply chains functioning:

The Neptune Declaration on Seafarer Wellbeing and Crew Change

- Recognise seafarers as key workers and give them priority access to Covid-19 vaccines
- Establish and implement gold standard health protocols based on existing best practice
- Increase collaboration between ship operators and charterers to facilitate crew changes
- Ensure air connectivity between key maritime hubs for seafarers

While we repeat our calls and efforts to bring our seafarers home, our daily focus is on looking after our crews' health, safety and wellbeing on board. Our seagoing and shore-based staff and management are doing their utmost to provide our seafarers with support and encouragement so that they remain motivated, feel appreciated, look after each other and do their professional best and always maintain safe operating practices while global lockdown conditions keep them at sea. We have provided our crews upgraded entertainment and sports equipment and access to mental health support.

Acknowledging our seafarers' patience and professionalism and their tireless and vital contribution to our company, our customers and global trade in essential dry bulk cargoes

#CrewChangeCrisis #OurHeroesAtSea #Keyworkers #BringThemHome #PacificBasin #WithYouForTheLongHaul

With You for the Long Haul

We strive to be the first choice partner for customers with a priority to build and sustain long-term relationships. In a cyclical industry like ours, that means offering to customers several key Pacific Basin advantages beyond the scale and quality of our fleet and the reach of our network, such as:

- our financial strength and staying-power
- our staff's shared passion to deliver to the best of their ability and, through thick and thin, to ensure the highest possible degree of customer satisfaction
- our ability and willingness to stand by our commitments
- our commodities expertise, and ability to extend a world-class service and deliver our customers' cargoes safely and reliably

The promise of our Pacific Basin brand, our values and our actions in good times and bad, are summed up in our motto: 'With You for the Long Haul'

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

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

What We Stand For

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

Our Business Principles

1. We are passionate about our customers, our people, our business and our brand
2. We honour our commitments, and we value long-term relationships over short-term gain
3. We offer a personalised, flexible, responsive and reliable service, and look for ways to make it easier to do business with us
4. We target excellence and success through dedication and teamwork, and we see all our colleagues as corporate ambassadors
5. We take a sustainable business approach and promote high standards of safety and environmental stewardship
6. We are caring, good humoured and fair, treat everyone with dignity and respect, and encourage diversity of opinions and cultures

What Our Customers Said About Us in 2020

"During Covid you have not missed a beat. Pacific Basin's service level continues to be very good. Without a doubt you are our best premier shipowner that we prefer to deal with. A competitive partner we can rely on."

"You guys are very professional, amicable and understand the trades. You react quickly, offer great service and you always try to nominate a timely ship. That's priceless for us."

"Your operations team is very efficient, they know their business, they get things done, and we have no problems at all. You get top marks."

"You make it easy for us. All issues just get resolved! You are customer focused, communications are good, you are reactive and proactive, detailed oriented, and easy to talk to."

"Pacific Basin was one owner who understood the precarity of the Covid situation before others. How PB has handled this crisis is exemplary. We have seen fantastic cooperation. We tell others to be like you!"

www.pacificbasin.com
About Us > Vision and Values

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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
- Linkage to related details in our Sustainability Report
- KPI High-level KPIs (Key Performance Indicators)
- Audited Information

The English text of this report shall prevail over the Chinese text in case of any inconsistency

Business Highlights

GROUP

Global Covid-19 containment measures impacted dry bulk trade in the first half of 2020, but the second half saw a strong market recovery

Our core Handysize and Supramax daily TCE earnings outperformed the market indices by

US$1,140 **and** US$3,360

Our operating activity generated a healthy daily margin of

US$1,080 net

over 15,500 operating activity days

Our year-end total available liquidity amounted to

US$362.5m

(cash and committed facilities)

with net gearing of 37%

FLEET

We took delivery of three modern vessels, sold three older, small Handysize ships, and have committed to buy another five modern Ultramax ships

We will own 116 ships after our current commitments deliver, and we have about 250 ships on the water overall

We have covered 94% and 100% of our Handysize and Supramax revenue days for first quarter 2021 at US$10,150 and US$13,380 per day net respectively

Our blended Handysize and Supramax operating expenses remain competitive at US$4,120 per day

OUTLOOK

Global economic recovery is already benefitting the dry bulk freight market in 2021 which has got off to a significantly stronger start than usual at this time of year. The stronger market rates are driven by a broad-based demand recovery for dry bulk commodities with especially strong Chinese demand and global grain trades.

Fleet inefficiencies have also supported recent market strength. Vessels carrying Australian coal have been held up outside Chinese discharge ports, Covid restrictions have disrupted the flow of traffic, and a larger than usual concentration of dry bulk tonnage is in the Pacific.

Deliveries of new ships are expected to reduce further, especially in the second half of 2021 and into 2022, which combined with scrapping will likely result in reduced net fleet growth across the whole dry bulk sector and especially in our segments. The dry bulk orderbook is now the smallest it has been in decades.

We expect the reducing fleet growth and improving demand for commodities to result in stronger average dry bulk freight earnings in 2021 and beyond.

Our healthy balance sheet and liquidity, customer-focused business model, high laden utilisation, strong team, large owned fleet, competitive cost structure and ability to outperform position us well for stronger markets ahead.

Sustainability Report 2020

Our comprehensive Sustainability Report can be found as a standalone document in the Sustainability section of our website at:

www.pacificbasin.com/sr2020 ESG

An Integrated Reporting Framework

In preparing our Annual Report and Sustainability Report, we follow the International <IR> Framework of the International Integrated Reporting Council which enhances the way we think, plan and report the story of our business.

Financial Summary

We booked an annual underlying loss of US$19.4 million due to weaker freight markets in the first half of the year. We made an annual net loss of US$208.2 million, mostly attributable to US$199.6 million of one-off non-cash impairments of our Handysize core fleet.

US$184.7m
EBITDA[1]

US$19.4m
Underlying Loss

US$208.2m
Net Loss incl. US$200m impairment

US$234.8m
Cash Position as at 31 December 2020

	2020 US$ Million	2019 US$ Million
Results		
Revenue	**1,470.9**	1,585.9
Total Time-Charter Equivalent ("TCE") Earnings	**768.3**	865.7
EBITDA [1]	**184.7**	230.7
Underlying (loss)/profit KPI	**(19.4)**	20.5
(Loss)/Profit attributable to shareholders	**(208.2)**	25.1
Balance Sheet		
Total assets	**2,189.5**	2,394.2
Total cash and deposits	**234.8**	200.2
Available committed liquidity	**362.5**	382.8
Net borrowings	**629.1**	662.9
Shareholders' equity	**1,064.5**	1,275.9
Capital commitments	**71.3**	59.8
Cash Flows		
Operating	**219.6**	217.0
Investing	**(92.1)**	(143.9)
Financing	**(101.6)**	(202.1)
Net change in cash and cash equivalents excluding term deposits	**25.9**	(129.0)
Per Share Data	**HK cents**	HK cents
Basic EPS	**(34.5)**	4.3
Dividend KPI	**–**	2.1
Operating cash flows	**36.4**	37.3
Shareholders' equity	**172**	212
Share price at year end	**HK$1.46**	HK$1.64
Market capitalisation at year end	**HK$7.0bn**	HK$7.7bn
Ratios		
Net profit margin	**(14%)**	2%
Return on average equity	**(18%)**	2%
Total shareholders' return	**(10%)**	13%
Net borrowings to net book value of owned vessels KPI	**37%**	35%
Net borrowings to shareholders' equity	**59%**	52%
Interest cover KPI	**5.1X**	5.4X

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

The impairments taken in 2020 relate primarily to our smallest and oldest Handysize vessels and were made after reviews of the carrying values of our owned vessels and right-of-use assets following a significant reduction in market freight rates in the first half of 2020, the uncertain market outlook, and as smaller, older Handysize vessels are no longer fully interchangeable with younger, larger Handysize vessels. The impairments do not impact our operating cash flows, EBITDA or available liquidity, and result in lower depreciation costs, higher EPS and higher return on equity going forward, all things being equal.

Sustainability Highlights

Our responsible actions towards stakeholders and the environment make us competitively stronger and enhance the future value of our business

We invite you to read our Sustainability Report 2020 which can be found in the Sustainability section of our website.

ESG Sustainability Report 2020
www.pacificbasin.com/sr2020

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

Environmental Stewardship

Safety, Workplace and Business Practices

Community Engagement

CG Corporate Governance

What we stand for

- Our customers, our people and our brand
- Honouring our commitments
- Long-term relationships over short-term gain
- Personalised, flexible, responsive, reliable service
- Ease of doing business with us
- Excellence through dedication and teamwork
- A sustainable business approach
- Safety and environmental stewardship
- Care, good humour, fairness and respect

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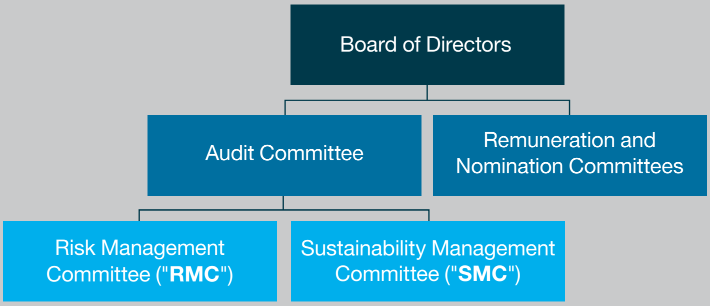
With you for the long haul

CG Enhanced Governance in 2020



- **Sustainability Management Committee established** to further strengthen our sustainability governance and board engagement
- **New environmental KPI targets set and disclosed** to help drive our sustainability performance

Awards

Hong Kong Marine Department Awards 2020	HKICPA Best Corporate Governance Awards 2020	Hong Kong ESG Reporting Awards 2020
Outstanding Performance in 2019 Port State Inspections	Gold Award in non-Hang Seng Index (small market cap) category	Commendation for Excellence in Social Positive Impact

HKQAA awards Pacific Basin a sustainability rating of AA-

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

AA- SUSTAINABILITY HKQAA 2020-2021

SEHK:2343

Fleet in operation	Cargo Volumes	Global Network	Ports Called	Distance Travelled
225	**69.6m**	**12**	**804/110**	**11.9m**
Handysize & Supramax Ships (2020 average)	Tonnes	Offices	Ports & Countries	Nautical Miles

Crew Employed	Shore Staff	Shore Staff Receiving Training	Seafarer Retention	Shore Staff Retention
4,100	**343**	**50%**	**88%**	**94%**
Seafarers	Staff	Received external training	Crew retained	Shore staff retained

Safety First

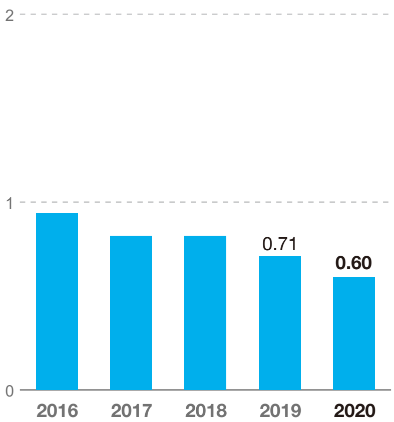
Our day-to-day priority remains the safety of life, ships and the environment. We invest heavily in training and challenge our teams to focus on what really matters and do the right things at all times. Safety comes first!

KPI

Lost Time Injury Frequency

0.60 ↓15% yoy

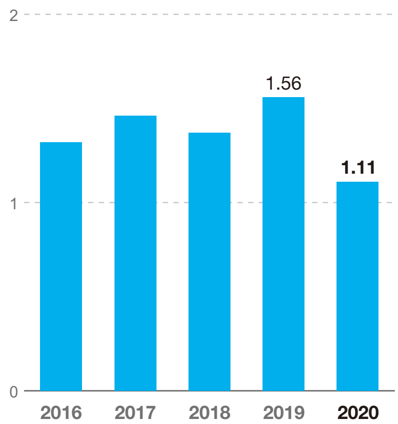
injuries per million man hours



Total Recordable Case Frequency

1.11 ↓ 29% yoy

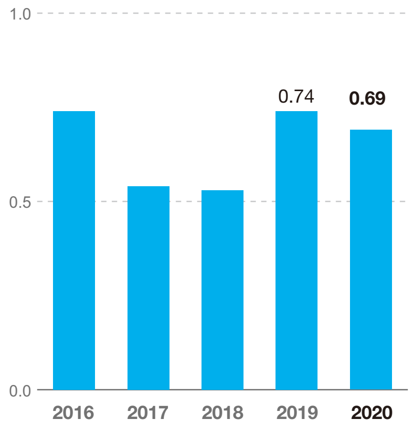
injuries per million man hours



External Inspection Deficiency Rate

0.69 ↓7% yoy

deficiencies per PSC inspection



It is a great credit to our seafarers and our marine safety team that, despite the extra stresses of the global crew change crisis, we registered a further improvement in our main safety KPIs in 2020

We maintain our ships to a high standard, as assessed by Port State Control inspectors

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Safety, Workplace & Business Practices

The Neptune Declaration on Seafarer Wellbeing and Crew Change

Pacific Basin signs Neptune Declaration on Seafarer Wellbeing and Crew Change

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

Inside Front Cover
Our Heroes at Sea

We support our industry's ambitious goals to:

- **improve global shipping's carbon efficiency by 40% by 2030***
- **reduce total greenhouse gas emissions by 50% by 2050***

* Minimum targets relative to 2008

Our owned fleet's carbon intensity (EEOI) continues to reduce

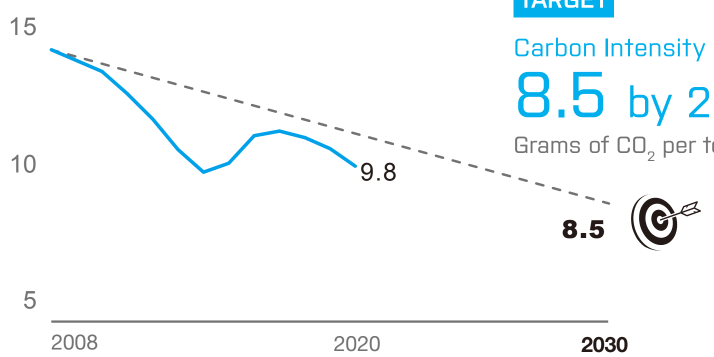
We are on course to meet our IMO-aligned target of a 40% improvement by 2030

TARGET

Carbon Intensity (EEOI)

8.5 by 2030

Grams of CO_2 per tonne-mile



Year-on-year performance of our Environmental KPIs (emissions intensity)

Carbon intensity (EEOI)
9.79 ↓ 6.7%
Grams of CO_2 per tonne-mile

Sulphur (SOx) intensity
0.026 ↓ 78%
Grams SOx per tonne-mile

Nitrogen (NOx) intensity
0.23 ↓ 8%
Grams NOx per tonne-mile

Particulate matter (PM)
0.013 ↓ 24%
Grams PM per tonne-mile

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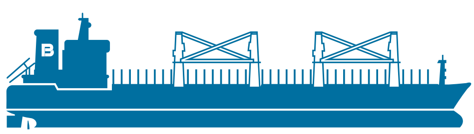
Environment

Our carbon reduction measures

- Maintain our high laden-to-ballast ratio
- Modernise our fleet by trading up to younger, larger, more efficient ships
- Adopt latest energy-efficient operating measures
- Adopt latest energy-efficiency technologies on our ships
- Closely monitor development of potential zero-carbon fuels and vessels
- Voluntarily offsetting our emissions with carbon credits

We are active members of the

Getting to Zero Coalition



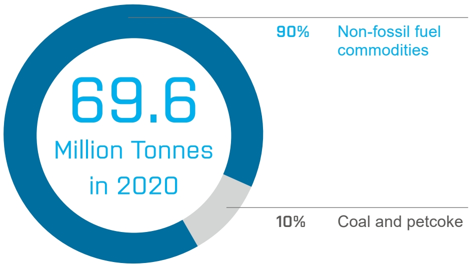
Pacific Basin is well placed in a decarbonising world

As one of the world's largest owners and operators of modern Handysize and Supramax dry bulk vessels, we have the know-how and resources to embrace the coming changes in our industry

90% Laden vs Ballast

We are among the most carbon-efficient companies in our segment partly because our ships are laden with cargo over 90% of the time. That is a significant advantage compared to similar ships which spend more time in ballast

As the world decarbonises, Pacific Basin will continue to carry the non-fossil fuel commodities that will be the mainstay of future global seaborne trade



Customers prefer freight partners who own and manage their own large fleets

- We control and drive the technological and operational measures to continually improve our carbon efficiency and are engaged in the discussion about future zero-carbon fuels and vessels
- We have better control of safety and environmental practices and performance
- We can readily provide environmental data to meet growing disclosure requirements
- We are directly responsible for our seafarers, their wellbeing and compliance with labour standards
- We have better control of hardware and service quality and reliability
- Our fleet scale and interchangeable ships facilitate service flexibility and reliability, anytime and anywhere
- Having our own ships, crews and in-house technical operations enhances responsiveness and seamless service and support for customers
- Our experienced crews and uniform ships are better prepared and equipped for customers' trades
- Our in-house technical operations assure compliance in a heavily regulated industry

Chairman's Statement

We navigated well through a difficult pandemic year and are prepared for the future, hopeful of healthier market conditions in 2021 and beyond.

Navigating a Challenging Pandemic Year

2020 was a gruelling year in which global efforts to contain the Covid-19 pandemic affected the dry bulk freight market, posed practical challenges to our operations and had a real impact on our staff – our seafarers in particular.

Pacific Basin's vessel earnings again outperformed the market and we generated positive operating cash flow. However, given the very weak market in the first half and despite a recovery in the second, we produced an underlying loss for the full year and a significant P&L net loss attributable mostly to the impairment of our Handysize fleet in June.

Effective Platform for a Sustainable Business

Our ability to navigate such challenging periods while still delivering an excellent and seamless service to our customers and safeguarding our financial health speaks volumes about the Pacific Basin platform that we have built over many years. It also reinforces my confidence in our preparedness for the future.

Robust Business Model and Exceptional Fleet

As the market recovered in the second half of 2020, we resumed our fleet growth and renewal activity with commitments to purchase high-quality modern Ultramax ships and sell some of our oldest, small Handysize vessels. Our strategic plan will ensure we always have efficient ships for our trades, with which we can also comply with increasing emissions regulations in the future.

The scale of our fleet and uniform design of our interchangeable and versatile ships enable our experienced colleagues to provide the most reliable freight service to our cargo customers around the world and also enable us to combine our ships and cargoes to achieve high laden utilisation and TCE earnings that outperform the market indices.

Excellent Team, Sensible Values, World-class Industry Reputation

The Company received a number of awards and commendations in 2020 in recognition of excellence in areas ranging from safety and Port State Control inspections, to social positive impact, environmental practices and corporate governance, to investor relations and finance deals.

These awards are indicative of the professionalism of our exceptional team of people, including senior executives, staff and ships' crews whose experience and dedication to delivering excellent service help drive us towards our vision of being the first choice partner for customers and other stakeholders.

We take a thoughtful approach to how we run our business and care for our customers and employees. Our business is people-driven, so success hinges on strong relationships with customers, suppliers and other business partners.

A Strong Sustainability Focus

Success over the long term also depends on responsible, sustainable business behaviour and operating practices, which we believe make us competitively stronger and enhance our financial performance, our reputation and the sustainability and future value of our business.

Our active approach to sustainability has been rooted in our culture and governed by our policies and systems for many years, with a paramount focus on safety and increasing attention to environmental responsibility consistent with evolving industry best practice.

Our sector-leading safety and environmental performance has been driven by our innovative and comprehensive in-house fleet management team, whose technical, marine and crewing experts also enhance our service reliability and support the wellbeing of our 4000+ seafarers. Please see our inside front cover for a review of the global crew change crisis caused by the Covid pandemic and some of the things we do to support our seafarers and push for solutions to the global crisis.

In 2020 we recorded better safety and environmental performance indicators, reflecting a continued gradual improving trend in our injury frequency, Port State Control inspection deficiencies, emissions intensity and other key metrics which have long been among the best by industry standards.

Decarbonisation

IMO's greenhouse gas ("GHG") reduction goals are to improve international shipping's carbon efficiency by at least 40% by 2030 relative to 2008, and then halving our industry's total GHG emissions by 2050 with a view to fully decarbonising within this century.

Our owned fleet's carbon intensity continues to reduce and is currently on course to meet our IMO-aligned target. Our dedicated optimisation team supported by our technical colleagues will continue to research and adopt new fuel-efficiency technologies and operating practices that, together with our ongoing fleet modernisation and utilisation initiatives, will enable us to meet tightening future emissions targets and regulations.

We also keep a close eye on the much longer term goal of complete carbon neutrality in shipping, which will require

the production of green fuels on a massive scale, the creation of global green fuel bunkering logistics and the development of zero emission deep-sea vessels ("ZEVs"). The wide scale roll-out of commercially viable ZEVs needs to start by the end of this decade if our industry is to halve its total GHG emissions by 2050 and fully decarbonise thereafter.

We have also started on the path of carbon offsetting such that, with effect from 2020, our shore-side operations are net carbon neutral, and we will be discussing with our customers the potential for them to offset voyage emissions from the carriage of their cargoes on our ships.

For more on decarbonisation and our involvement in the Getting to Zero Coalition, please see our Sustainability Report.

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Decarbonisation Initiatives

New HKEx Requirements for ESG

In our 2020 Sustainability Report, you will see that we have set and disclosed environmental KPI targets to comply ahead of schedule with new requirements of the Hong Kong stock exchange's Environmental, Social and Governance Guide (the "ESG Guide"). We have also voluntarily disclosed targets for our main health and safety KPIs. These targets help us to meet our strategic goals and regulatory requirements.

Early in the year, we strengthened the Company's sustainability governance structure and Board's oversight of ESG matters by formalising a Sustainability Management Committee which comprises several of our most senior managers and reports to the Audit Committee.

While we have long adopted a sustainable business approach, initiatives like these serve to tighten up our sustainability thinking to ensure we are continuously refining our policies and practices and our conduct in everything we do.

Experienced Board and Strong Governance

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

Our Board continued to evolve during the year, firstly with the retirement in April of our longest serving Independent Non-executive Director, Daniel Bradshaw, who we thank for the excellent legal, maritime and other expertise that he brought to our Board.

John Williamson joined the Board as a new Independent Non-executive Director in November. John has considerable financial and governance experience which will be beneficial to Pacific Basin's business and development and qualifies him to assume the position of Chairman of the Audit Committee with effect from our 2021 AGM.

We will bid a sad farewell to our outgoing CEO Mats Berglund who, as announced in January, has decided to retire on 30 July 2021. Mats led the Company's exit from all non-core business segments and guided the significant growth of our core Handysize and Supramax dry bulk business over his nine-year tenure. He will be leaving behind a strong and focused company with an excellent team, efficient cost structure and a clear strategy. The Board thanks Mats for all his contributions to Pacific Basin and wishes him all the best for his retirement in his native Sweden.

Mats' successor Mr. Martin Fruergaard will take over as the new CEO on 31 July. Martin is currently CEO of Ultragas and previously occupied senior positions in Maersk Bulk Carriers, Maersk Tankers (including gas carrier operations) and Maersk Drilling. The Board is impressed with Martin's lifelong maritime experience and proven leadership credentials and is confident that Pacific Basin's prominent position in the minor bulk segments will continue to develop and prosper under Martin's leadership.

Robust Strategy and Well Positioned for the Future

The market recovery going into 2021 has been remarkable and, as Mats explains in the Chief Executive's Review, we expect the reducing fleet growth and improving demand for commodities to result in stronger average dry bulk freight earnings in 2021 and beyond.

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

On behalf of the Board, I thank for your valued support of Pacific Basin.

David Turnbull

Chairman

Hong Kong, 25 February 2021

Chief Executive's Review

Our overall competitiveness enabled us to navigate the worst of the Covid-19 turbulence in 2020 and positions us well for stronger markets ahead.

2020 Financial Results

In a year dominated by the global Covid-19 coronavirus pandemic, we made an underlying loss of US$19.4 million (2019: US$20.5 million underlying profit), while achieving a positive EBITDA of US$184.7 million (2019: US$230.7 million).

Our underlying results were negatively impacted by markedly weaker dry bulk market freight rates in the first half of the year due to global efforts to contain the pandemic while the dry bulk fleet continued to grow. However, the second half saw a significant market recovery which has led to a strong start to 2021.

We made a net loss of US$208.2 million (2019: US$25.1 million profit), substantially attributable to US$199.6 million of one-off non-cash impairments of our Handysize core fleet. Basic EPS was negative HK34.5 cents.

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Financial Statements

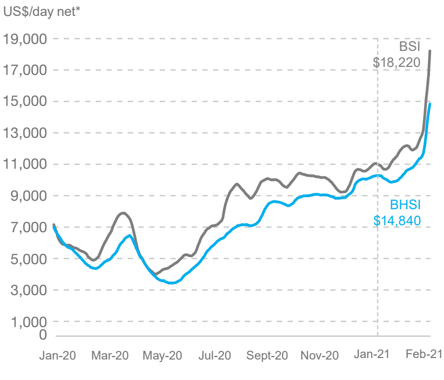
As described in our interim report, the impairments relate primarily to our smallest and oldest Handysize vessels and were made after reviews of the carrying values of our owned vessels and right-of-use assets following a significant reduction in market freight rates in the first half of 2020, the uncertain market outlook, and as smaller, older Handysize vessels are no longer fully interchangeable with younger, larger Handysize vessels. The impairments do not impact our operating cash flows, EBITDA or available liquidity, and result in lower depreciation costs, higher EPS and higher return on equity going forward, all things being equal.

A Year of Two Halves for Dry Bulk Shipping

Economic activity in the first half of 2020 was disrupted by measures to contain the Covid outbreak initially in China and then, as Chinese activity gradually returned, elsewhere around the world as the pandemic spread. This severely impacted the dry bulk market, driving freight earnings down to their lowest second-quarter average in 50 years.

However, dry bulk demand and freight earnings started to improve significantly from May and have continued to strengthen into 2021. This improvement has been driven largely by strong growth in Chinese imports of dry bulk commodities, particularly iron ore and soybeans. The global grain trade overall has been strong thanks to good harvests in north and south America and as trade in grain and other food-based commodities is less affected by economic and industrial activity. Countries' efforts to apply more targeted measures to contain the pandemic and enable economic activity also helped the freight market in the second half.

Significant Rate Increases Since May 2020



* excludes 5% commission
Source: Baltic Exchange, data as at 23 February 2021

Coal was the only large commodity group to suffer sustained weakness in 2020 before improving late in the year as Indian and Chinese coal imports returned.

Higher than expected newbuilding deliveries undermined the market in the first half of 2020 but net fleet growth eased in the second half with supply growth further reduced by fleet inefficiencies associated with trade tensions and Covid-related crew change challenges. Further slowing of net fleet growth is expected in the next few years.

Thanks mainly to the resurgent demand, dry bulk freight rates have been stronger than usual throughout the holiday season and into 2021 despite new Covid waves affecting major countries around the world.

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Market Review

Competitive on Every Level

Our core business generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$7,860 and US$11,140 net per day in 2020, which were down 18% and 5% year on year.

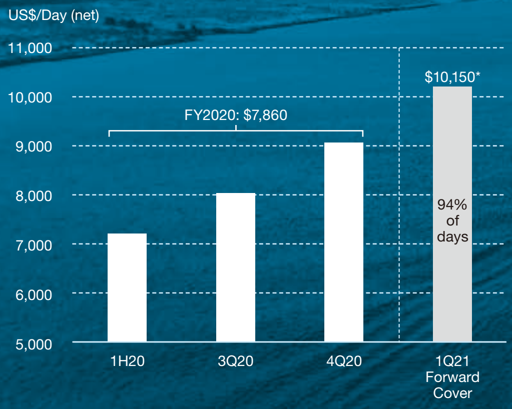
Our average net daily Handysize and Supramax TCE earnings outperformed the BHSI (tonnage adjusted) and BSI spot market indices by US$1,140 and US$3,360 respectively in the year. Our outperformance narrowed in the second half, which is typical in a rising freight market due to the lag between spot market fixtures and execution of voyages.

Our Supramax outperformance was particularly strong due to our successful management of the beneficial bunker price spread on our scrubber-fitted ships early in the year. So far, we have

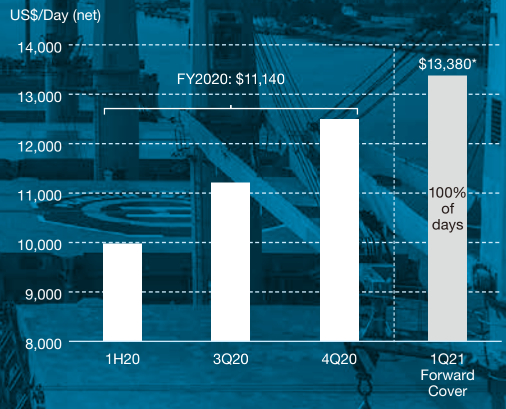
Positive Trend Continues

Our TCE earnings were below break-even in the first half of 2020, recovered to around break-even levels in the third quarter, and were above break-even in the fourth quarter and going into 2021.

PB Handysize Performance



PB Supramax Performance



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

recovered 44% of our original scrubber investment including realised bunker price spread hedges.

The Atlantic market where the majority of our Supramaxes are trading was significantly stronger during the year than the Pacific market where the majority of our Handysizes are trading, which also explains our overall level of outperformance compared to the spot market indices in 2020.

Our operating activity generated a healthy margin of US$1,080 net per day over 15,500 operating activity days in the year.

Page 16
Our Performance

Our ship operating expenses ("Opex") of US$4,120 per day, general and administrative ("G&A") overheads of US$730 per day and financing costs of US$780 per day remain well controlled and very competitive compared to our peers.

Our earnings and cost competitiveness is supported by scale benefits, good systems, strict cost control and a robust business model that we have refined over many years.

Resumption of our Fleet Growth Strategy

In view of the generally much improved conditions and outlook, we resumed our strategy to grow and renew our owned fleet by buying larger, high-quality, modern second-hand vessels.

We are focusing especially on adding Supramax and Ultramax ships, as we believe size creep and pressure to lower transportation costs and emissions per tonne-mile will continue to drive this segment. In November we signed an agreement to acquire four high-quality 2015-built Ultramax ships at what we consider to be an attractive price. The ships are due to be delivered by late April 2021. All four are fitted with scrubbers and ballast water treatment systems, and two are equipped to carry logs. In February 2021, we agreed to purchase one more second-hand Ultramax.

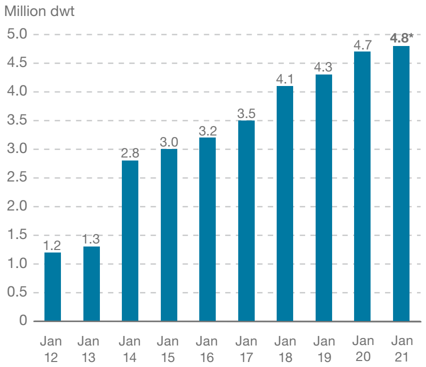
In Handysize, we are trading up our smaller, older ships to newer vessels with larger carrying capacity and longer asset lives.

We are still avoiding contracting newbuildings with traditional fuel oil engines due to the continued gap between newbuilding and second-hand prices, their low return, and the uncertainty over new environmental regulations and their impact on future vessel designs and technology.

In 2020, we took delivery of three modern second-hand vessels (one Handysize and two Supramax) and completed the sale of three older, small Handysize vessels, with four more leaving our fleet in the first four months of 2021.

We will own 116 ships after our current sale and purchase commitments are delivered. Including chartered ships, we had an average of 225 Handysize and Supramax ships overall on the water in 2020.

Pacific Basin Owned Fleet Capacity since 2012



* including commitments to purchase 5 vessels and sell 4 vessels that have delivered in the year to date or are scheduled to deliver in the first half of 2021

The number of ships we have on long-term charter continues to reduce as we replace them with owned ships with lower break-even costs and chartered ships typically on one-year charters or less.

Strong Balance Sheet with Diverse Funding Sources

In June 2020 we closed a US$30.1 million bilateral 7-year reducing revolving credit facility secured against three unmortgaged vessels, and in December we renewed a US$50 million unsecured short-term revolving credit facility. During the year we sold and leased back two unmortgaged vessels raising a further US$33.2 million in cash. These facilities reinforce our already competitive vessel break-even levels and funding flexibility.

Our five recent Ultramax acquisitions delivering in the first half of 2021 will initially remain unmortgaged.

Our access to low-cost capital represents a significant advantage, as our fleet is financed through long-term facilities at the most competitive cost in our industry.

As at 31 December 2020, we had US$363 million of available liquidity, and our net borrowings of US$629 million were 37% of the net book value of our owned vessels.

Page 20
Funding
Cash flow, liquidity, borrowings, etc

Crew Change and other Pandemic Impacts on our Operations

Having implemented wide-ranging business continuity initiatives, our business has been fully operational throughout the pandemic. While incurring Covid-related additional costs and delays, our service to customers has continued seamlessly and substantially uninterrupted, as commended in feedback through our annual customer survey.

However, governments' Covid restrictions around the world continue to make it very difficult for ship owners to change crews and get their seafarers home, leaving tens of thousands stuck at sea beyond their original contract periods. We continue to pursue every effort to reunite our seafarers with their families and we have successfully changed and repatriated many of our crews in recent months.

Inside Front Cover
Our Heroes at Sea

Our seagoing and shore-based staff and management continue to do their utmost to provide our seafarers with support and encouragement so that they remain motivated, feel appreciated, do their professional best and always maintain safe operating practices while global lockdown conditions keep them at sea.

Environmental Regulations and Decarbonisation

The IMO 2020 global 0.5% sulphur limit took effect on 1 January 2020. Our fleet complies mostly by using low-sulphur fuel, while the majority of our owned Supramax vessels complies by operating exhaust gas scrubbers. Our ships made the fuel switch without any major unplanned operational disruption, as we prepared thoroughly to ensure compliance and seamless service delivery to our customers.

We are well on track to fitting all our owned vessels with ballast water treatment systems by the end of 2022 to comply with the Ballast Water Management Convention ahead of schedule.

The industry-wide discussion about how shipping will decarbonise and meet the IMO's ambitious greenhouse gas reduction goals gained visible momentum in 2020, and we are actively involved in this discussion including via regular working group meetings of the Getting to Zero Coalition. We are following closely which of the possible replacement fuels and propulsion technologies will be right for us, and we look forward to adopting new fuel and propulsion technologies when practical and economically-viable options with an appropriate global bunkering infrastructure become readily available.

Until then, we will progress our decarbonisation initiatives, including maintaining our high laden-to-ballast ratio, continuing to modernise our fleet by gradually trading up to younger, larger, more energy-efficient ships, and investing in fuel-efficiency technologies and operating practices, such as slow steaming, engine tuning, latest weather routing services, trim and draft optimisation and many other voyage optimisation initiatives. These efforts will enable us to further reduce our existing fleet's carbon intensity.

In the short term, what the industry can and should do to reduce GHG emissions and improve profitability is to slow down existing ships and refrain from ordering new ships with old technology.

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Post-pandemic recovery in Chinese industrial production and extensive stimulus in other key economies, driving a rebound in global economic activity and catch-up demand for dry bulk commodities
- Slower optimal vessel operating speeds due to increased fuel cost
- Limited new ship ordering and deliveries due to uncertainty over environmental regulations and future vessel designs, leading to tighter supply
- Increased scrapping of poor quality and poorly designed tonnage facing onerous environmental regulations and expensive maintenance and upgrade costs

THREATS

- Expanding or renewed Covid-19 containment measures further impacting global economic activity and the trade in dry bulk commodities
- Lingering effects of high net fleet growth in recent years, combined with continued minimal scrapping and improved fleet efficiencies and hence increased capacity availability post pandemic
- Periods of low fuel prices supporting faster ship operating speeds which increases supply
- Tariffs and protectionism driving local production at the expense of global trade

We have offset our 2020 carbon emissions from our global offices and shore-side activities by buying carbon credits generated by Hong Kong power company CLP's windfarms and related community projects in India. Our next step will be to offer our cargo customers the opportunity to voluntarily purchase carbon credits to offset emissions from the transportation of their cargoes on Pacific Basin vessels starting in 2021.

Sustainability Report Page 18
Decarbonisation Initiatives

Market Outlook

In January, the IMF projected global growth to expand by 5.5% in 2021 and 4.2% in 2022 compared to a 3.5% contraction in 2020, citing expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies, albeit amid continuing Covid-related uncertainty.

Some of these economic drivers are already benefitting the dry bulk freight market which has got off to a significantly stronger start in 2021 than usual at this time of year.

The stronger market rates to date are driven by a broad-based demand recovery for dry bulk commodities, evidenced also by generally higher commodity prices. In the Atlantic, European scrap exports and grain and soybean exports from the Americas were particularly strong for the start of the year, while good volumes of iron ore have been coming out of both Brazil and Australia. We are also encouraged by increased US agricultural products export sales especially to China where the swine population is recovering following the African Swine Fever epidemic. In the Pacific, Australian grain exports and a recovery in coal out of Indonesia and Australia have been key drivers. For 2021 overall, Clarksons projects global seaborne grain trade to grow by about 1.3% and minor bulk trade to rebound even more strongly.

Fleet inefficiencies have also supported recent market strength. Vessels carrying Australian coal have been held up outside Chinese discharge ports, Covid restrictions have disrupted the flow of traffic, and a larger than usual concentration of dry bulk tonnage is in the Pacific.

Newbuilding deliveries are expected to reduce further – especially in the second half of 2021 and into 2022 – which combined with scrapping will likely result in reduced net fleet growth across the whole dry bulk sector and especially in our segments. The dry bulk orderbook is now the smallest it has been in decades.

We expect new orders to remain restrained despite stronger freight rates, discouraged by the continued gap between newbuilding and second-hand prices as well as the uncertainty over future environmental regulations and their impact on future vessel designs and technology.

Clarksons estimates minor bulk tonne-mile demand to grow 4.9% in 2021 and 3.7% in 2022, while the combined Handysize and Supramax fleet is expected to grow around 1.8% net in 2021 and 0.4% in 2022, which bodes well for our market.

Well Positioned for the Future

The market has staged a remarkable recovery from May 2020 onwards and, although Covid uncertainty remains, the roll out of vaccine programmes and extensive stimulus around the world should help to drive global economic activity.

We expect the reducing fleet growth and improving demand for commodities to result in stronger average dry bulk freight earnings in 2021 and beyond.

Our healthy balance sheet and liquidity, customer-focused business model, high laden utilisation, strong team, large owned fleet, competitive cost structure and ability to outperform helped us to ride out the challenging period last year and positions us well for stronger markets ahead.

I am very proud of the way we as a team have developed and positioned our business during my nine-year tenure as CEO and it has been an honour serving with Pacific Basin over this period. As announced in January, I have decided to retire and return to my native Sweden, and I am confident that Martin Fruergaard will be an excellent new CEO for Pacific Basin.

I would like to thank all Pacific Basin stakeholders for your continued support over the past year. On behalf of all Pacific Basin staff and board members, I extend our deepest appreciation to our extraordinarily loyal and capable seafarers who we thank and commend sincerely for their determination and professionalism on board our ships during the global pandemic while waiting to be relieved and repatriated. They are our Pacific Basin Heroes at Sea.

Mats Berglund
Chief Executive Officer

Hong Kong, 25 February 2021

Market Review

Market Rates are Now Well Above First Quarter Levels of the Last Five Years

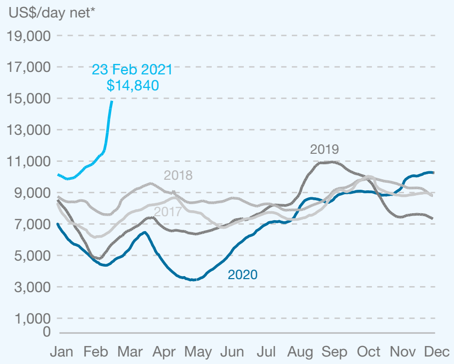
US$6,720 net ⬇ 13%

BHSI 38K (tonnage adjusted) Handysize 2020 average market spot rate

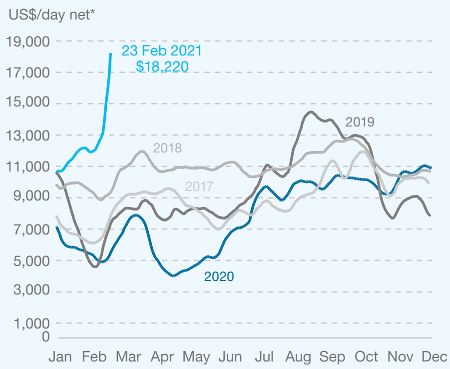
US$7,780 net ⬇ 18%

BSI 58K Supramax 2020 average market spot rate

Handysize Market Spot Rates in 2017–2021



Supramax Market Spot Rates in 2017–2021



* Indices exclude 5% commission

Source: Baltic Exchange (BHSI 38,000 dwt (tonnage adjusted) and BSI 58,000 dwt), data as at 23 February 2021

Annual average Handysize and Supramax spot market rates in 2020 declined 13% and 18% year on year respectively. However, 2020 was a year of two very different halves for dry bulk.

Seasonal weakness early in the year was compounded by Covid containment measures in China. Following a brief recovery in March as Chinese activity gradually returned, the market weakened again from late March as the pandemic spread, driving freight rates to their lowest levels since early 2016. Freight earnings improved significantly from May onwards.

High fleet growth also weighed on the market, peaking around the middle of the year before starting to ease in the second half.

The freight market has been much stronger than usual going into 2021 despite renewed Covid-related lockdowns in many countries around the world.

Dry Bulk Demand Improved Significantly from May Onwards

The first five months of 2020 saw weaker demand for some minor bulks, such as log exports from New Zealand which were hard hit by the country's ports lockdown. Nickel ore volumes also reduced sharply after Indonesia's ban on nickel ore exports took effect in January, and steel exports from China reduced due to strong domestic demand. Global coal trade volumes also fell as lockdown measures impacted energy consumption.

Dry bulk demand improved significantly from May onwards as Chinese demand for commodities improved and countries applied more targeted measures to contain the pandemic and enable economic activity.

Recovery in minor bulk trades, and strong global trade in grain, soybean and other food-based commodities less affected by economic and industrial activity (including record high South American exports and then strong North American exports) also contributed to a much stronger second half of the year. Iron ore export activity from both Brazil and Australia continued to normalise throughout the year following the major infrastructure and weather disruptions of 2019. Coal was the only large commodity group to suffer sustained weakness during most of 2020 before improving late in the year.

Clarksons estimates minor bulk tonne-mile demand contracted by 1.5% in 2020, with demand growth estimated to recover to 4.9% in 2021 and 3.7% in 2022.

DEMAND DRIVERS

2020 Chinese Import Volumes

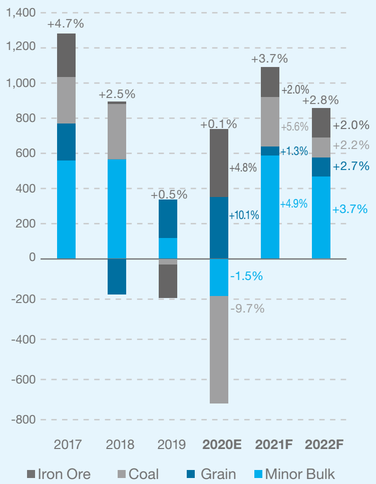
Iron Ore	⬆	+9.3%
Coal	⬆	+1.4%
Grain	⬆	+34.0%
Minor Bulks*	⬇	-3.6%

* Chinese imports of 6 minor bulks including logs, fertiliser, bauxite, nickel, copper concentrates & manganese ore

Source: China Customs

Annual Change in Global Dry Bulk Tonne-mile Demand

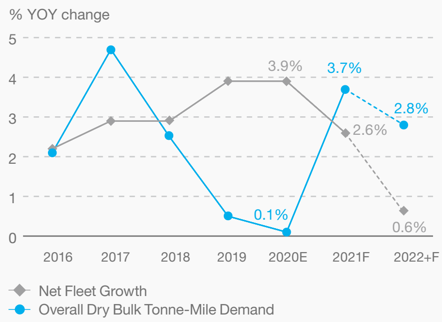
YOY change in Billion tonne-miles



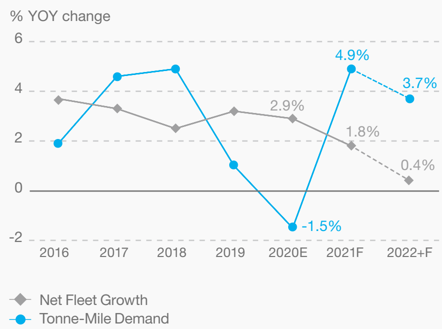
Source: Clarksons Research, data as at January 2021

Positive Demand and Supply Balance Expected Ahead

Overall Dry Bulk Demand & Supply



Minor Bulk Demand and Handysize/Supramax Supply



Source: Clarksons Research, data as at January 2021

Net Fleet Growth is Expected to Reduce Going Forward

+3.9%

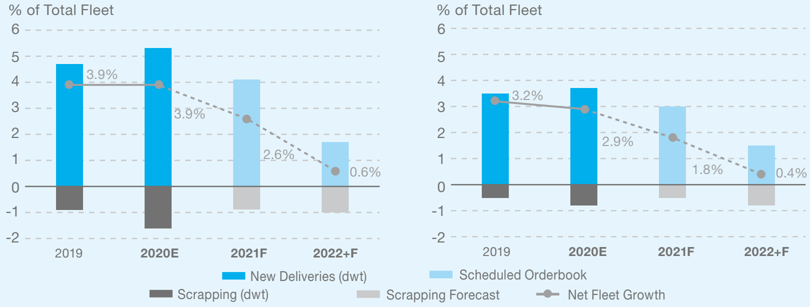
Overall dry bulk capacity 2020

+2.9%

Global Handy/Supra capacity 2020

Overall Dry Bulk Supply Development

Handysize/Supramax Supply Development



Source: Clarksons Research, data as at January 2021

The global dry bulk fleet grew 3.9% net in 2020, similar to 2019.

Capacity grew faster in the first half of the year because of heavier deliveries of newbuildings (particularly in the larger Capesize and ore carrier segments) due to regulatory changes, and because of Covid-driven shutdowns at South Asian scrapyards.

After peaking in the second quarter, newbuilding deliveries slowed resulting in reduced net fleet growth in the second half. Total scrapping increased marginally in the second half with increased scrapping in the Handysize, Supramax and Panamax segments outweighing a slight reduction in Capesize scrapping.

The global fleet of Handysize and Supramax ships in which we specialise grew by 2.9% in 2020.

Further slowing of global net fleet growth is expected in the next few years as the orderbook reduces and scrapping potentially increases due to the fleet ageing and tightening of environmental regulation, boding well for the market outlook.

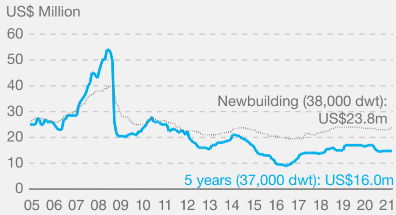
Second-hand Ship Values have Bottomed Out

US$16m -5.9%

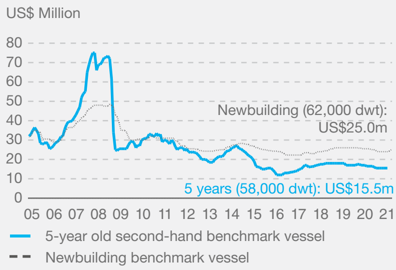
Second-hand Handysize YOY

Vessel values declined in the weak first half of 2020 but have since edged up, supported by the firmer freight market and vessel sales activity. Clarksons Research currently values benchmark five-year old Handysize ships at US$16 million.

Handysize Vessel Values



Supramax Vessel Values



Source: Clarksons Research, data as at 19 February 2021, 58k dwt as at 31 December 2020

VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

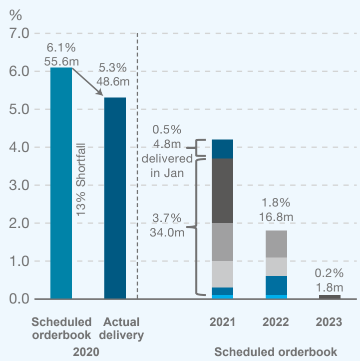
Dry Bulk Orderbook is Down to its Lowest in Decades

New ship ordering in 2020 remained concentrated in the Panamax and Capesize segments and was significantly lower than in recent years.

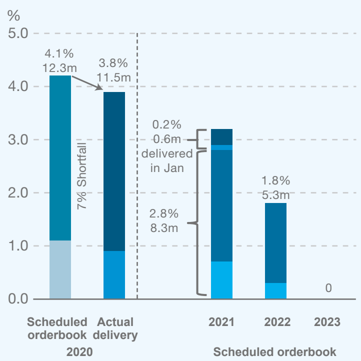
The combined Handysize and Supramax orderbook now stands at 4.6% of the existing fleet, and the overall dry bulk orderbook at 5.7% is now the smallest it has been in decades, which presents real potential for a rebalancing of fundamentals in the next few years.

New ship ordering is expected to remain restrained despite stronger freight rates, discouraged by the continued gap between newbuilding and second-hand prices as well as uncertainty over future environmental regulations to meet IMO's ambitious greenhouse gas reduction targets and their impact on future vessel designs.

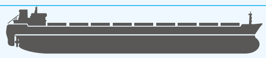
Orderbook by Year



Combined Orderbook: Handysize & Supramax



Source: Clarksons Research, data as at 1 February 2021

		ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	2020 SCRAPPING AS % OF 1 JANUARY 2021 EXISTING FLEET
	Handysize (25,000–41,999 dwt)	3.4%	11	10%	0.9%
	Supramax (incl. Ultramax) (42,000–64,999 dwt)	5.1%	11	7%	0.8%
	Panamax & Post-Panamax (65,000–119,999 dwt)	5.9%	11	8%	0.4%
	Capesize (incl. VLOC) (120,000+ dwt)	6.7%	9	2%	3.3%
	Total Dry Bulk > 10,000 dwt	5.7%	11	6%	1.6%

Our Performance

Our business generated an underlying loss of US$19.4 million (2019: underlying profit of US$20.5 million) in a year of two very different halves for dry bulk shipping, dominated by the global pandemic. We generated daily earnings that outperformed the BHSI and BSI and continued to maintain good control of our vessel operating costs.

Operating Performance

US$ Million	1H20	2H20	2020	2019	Change
Core business Handysize contribution	(16.0)	12.3	**(3.7)**	47.6	>-100%
Core business Supramax contribution	5.0	20.0	**25.0**	17.0	+47%
Operating activity contribution	12.5	4.2	**16.7**	13.9	+20%
Post-Panamax contribution	2.1	2.2	**4.3**	4.1	+5%
Performance before overheads	3.6	38.7	**42.3**	82.6	-49%
Adjusted total G&A overheads	(30.0)	(31.2)	**(61.2)**	(61.2)	–
Tax and others	(0.2)	(0.3)	**(0.5)**	(0.9)	+44%
Underlying (loss)/profit	(26.6)	7.2	**(19.4)**	20.5	>-100%
Vessel net book value (incl. assets held for sale)	1,729.4	1,677.6	**1,677.6**	1,875.1	-11%

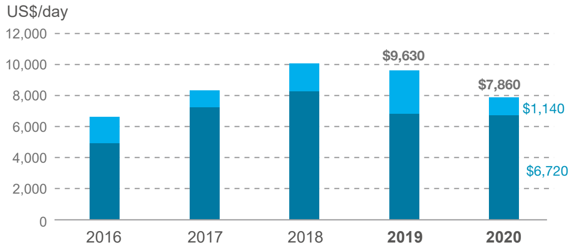
+/- Note: In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

CORE BUSINESS

Handysize

TCE EARNINGS AND OUTPERFORMANCE KPI

US$1,720/day average premium in last 5 years



Handysize Performance
Baltic Handysize Index (BHSI) (tonnage adjusted since 2020)

Note: Historical data has not been restated to split operating activity from core business

TCE EARNINGS KPI

US$7,860 per day (net)

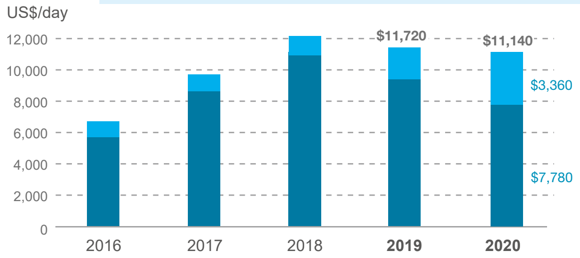
OUTPERFORMANCE VS MARKET KPI

US$1,140 per day (net)

Supramax

TCE EARNINGS AND OUTPERFORMANCE KPI

US$1,490/day average premium in last 5 years



Supramax Performance
Baltic Supramax Index (BSI)

Note: Historical data has not been restated to split operating activity from core business

TCE EARNINGS KPI

US$11,140 per day (net)

OUTPERFORMANCE VS MARKET KPI

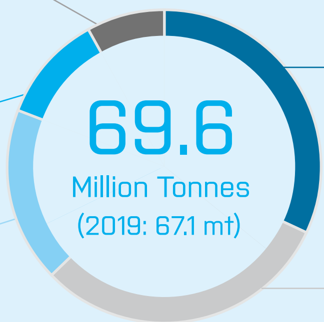
US$3,360 per day (net)

- Our core business generated:
  - Handysize daily earnings of US$7,860 on 34,120 revenue days.
  - Supramax daily earnings of US$11,140 on 14,120 revenue days.
- Our Handysize contribution reduced due to weak minor bulk market conditions in the first half, despite our outperformance compared to spot market indices and our good cost control.
- Our Supramax outperformance in the first half was particularly strong and our Supramax contribution increased year on year due primarily to the significant scrubber benefit that we realised early in the period.
- The Atlantic market where the majority of our Supramaxes are trading was significantly stronger than the Pacific market where the majority of our Handysizes are trading, which also explains our overall level of outperformance compared to the spot market indices in 2020.
- Our outperformance compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

Starting from 2020, we compare our Handysize TCE performance against the new 38,000 dwt Baltic Handysize Index, tonnage-adjusted to the average vessel size of our core Handysize fleet.

Our Cargo Volumes in 2020

Minerals	**8%**
Salt	4%
Sand & Gypsum	3%
Soda Ash	1%
Energy	**11%**
Coal	6%
Petcoke	4%
Wood Pellets	1%
Metals	**18%**
Ores	7%
Concentrates	6%
Alumina	4%
Others	1%

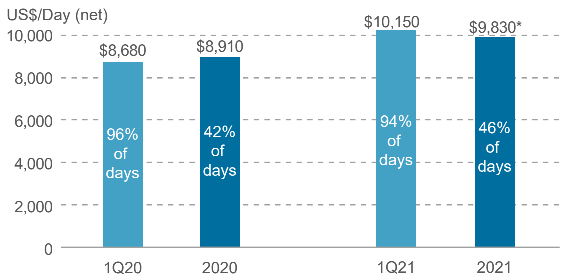


Agricultural Products & Related	**32%**
Grains & Agricultural Products	20%
Fertiliser	8%
Sugar	4%
Construction Materials	**31%**
Cement & Cement Clinkers	12%
Logs & Forest Products	10%
Steel & Scrap	9%

Handysize

FORWARD CARGO COVER

US$10,150 per day (net) in 1Q 2021



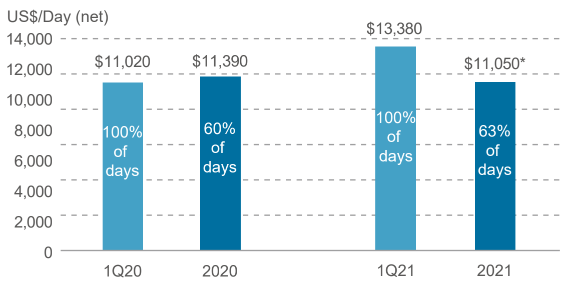
As at mid-February, indicative TCE only as voyages are still in progress.

*Note that our Handysize cover for the rest of the year is backhaul heavy, meaning that a significant share of our covered days are made up of lower TCE backhaul voyages. When combined with better earning fronthaul voyages, the overall TCE is typically higher.

Supramax

FORWARD CARGO COVER

US$13,380 per day (net) in 1Q 2021



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

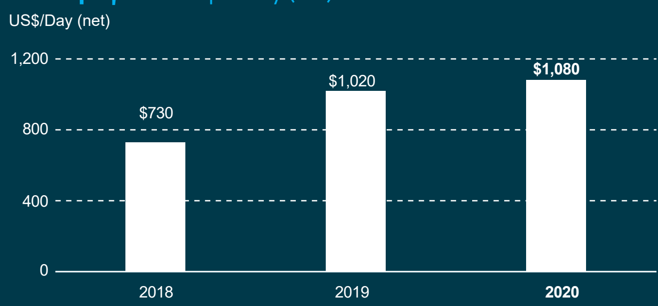
*Note that our Supramax cover for the rest of the year is backhaul heavy (see Handysize note above) and excludes any scrubber benefit, currently about US$1,200 per day.

- We have covered 94% and 100% of our Handysize and Supramax vessel days for the first quarter of 2021 at US$10,150 and US$13,380 per day net respectively.
- We have covered 46% and 63% of our 35,540 Handysize and 20,210 Supramax vessel days currently contracted for full year 2021 at US$9,830 and US$11,050 per day net respectively. (Cargo cover excludes operating activity.)

OPERATING ACTIVITY

MARGIN KPI

US$1,080 per day (net)



- Our operating activity generated a margin of US$1,080 net per day over 15,500 operating activity days in 2020 on short-term ships that we chartered specifically to carry spot cargoes.
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships (when our core ships are unavailable), thereby making a margin and contributing to our group results regardless of whether the market is weak or strong.

Page 19
TCE and Margin Explanation
How we now present TCEs generated by our core business and margins generated by our operating activity

- In August, the United States announced its intention to terminate the bilateral United States-Hong Kong agreement providing reciprocal tax exemption on international shipping income with effect from 2021. Had such US tax on our shipping activities in US waters been payable in 2020, the impact would have been less than US$150 per day on our daily core business TCE and operating activity margin. We continue to investigate solutions to reduce or eliminate any impact on our company.

Core Business Vessel Costs

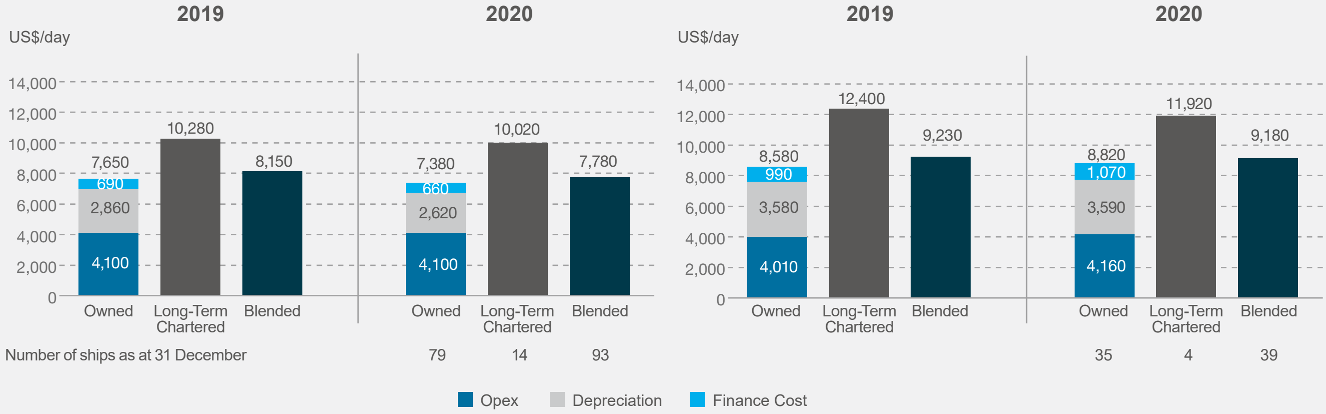
Daily Vessel Costs (Before G&A Overheads)

Handysize

US$ 7,780 per day (blended)

Supramax

US$ 9,180 per day (blended)



Owned Vessel Costs

- **Operating expenses**

  Our daily vessel operating expenses ("Opex") were substantially unchanged for Handysize and increased by 4% for Supramax compared to 2019 mainly due to increased crew travel costs and delivery costs of stores and spares. Our Opex remained at very competitive levels as a result of efficient management, good cost control and scale benefits, including operational and procurement cost efficiencies.

  Our blended Handysize and Supramax Opex averaged US$4,120 per day (2019: US$4,080).

  During the year, our fleet of owned vessels experienced on average 1.0 days (2019: 0.9 days) of unplanned technical off-hire per vessel.

- **Depreciation**

  Our daily depreciation costs (including capitalisation of dry-docking costs) decreased for Handysize mainly due to the impairment taken in June 2020.

- **Finance costs**

  Our daily finance costs were substantially unchanged. Our blended Handysize and Supramax finance costs averaged US$780 per day (2019: US$770).

Reducing Long-term Chartered Vessel Costs

The long-term chartered vessel daily costs mainly comprise the depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months. The long-term chartered vessel costs reduced to US$10,020 and US$11,920 for Handysize and Supramax respectively (2019: US$10,280 and US$12,400) reflecting the combined impact of the redelivery of more expensive vessels, lower cost chartered ships during the year and impairments of Handysize chartered ships which are regarded as right-of-use assets in the financial statements.

US$	2019	**2020**	2021 (future)
Handysize	10,280	**10,020**	9,880
Supramax	12,400	**11,920**	10,990

Blended Costs

Our daily blended costs for owned and long-term chartered vessels reduced to US$7,780 and US$9,180 for Handysize and Supramax respectively (2019: US$8,150 and US$9,230).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads remain unchanged at US$61.2 million (2019: US$61.2 million) due primarily to a decrease in our travel and entertainment costs partly offset by a staff costs increase during the year. Spread across all our vessel days, our daily G&A overheads per ship remain competitive at US$730 (2019: US$730), comprising US$940 and US$520 (2019: US$940 and US$530) per day for owned and chartered ships respectively.

Future Long-Term Chartered Costs

	Handysize		Supramax	
Year	Vessel days	Average cost (US$)	Vessel days	Average cost (US$)
2021	3,720	9,880	960	10,990
2022	2,880	9,680	710	10,710
2023	2,200	10,270	270	10,290
2024	1,660	10,290	–	–
2025	370	10,500	–	–
2026+	–	–	–	–
Total	**10,830**		**1,940**	

Vessel Days

	Handysize		Supramax	
Days	2019	**2020**	2019	**2020**
Core business revenue days	36,220	**34,120**	12,380	**14,120**
– Owned revenue days	29,270	**28,830**	10,090	**12,450**
– Long-term chartered days	6,950	**5,290**	2,290	**1,670**
Short-term core days(1)	5,770	**6,070**	13,270	**12,520**
Operating activity days	6,230	**7,310**	7,970	**8,190**
Owned off-hire days	680	**820**	1,050	**280**
Total vessel days	48,900	**48,320**	34,670	**35,110**

(1) Short-term chartered ships used to support our core business

Our New KPIs

Since the beginning of 2020, we present our commercial KPIs slightly differently to provide investors with a better understanding of how we run our business. For our “core business” (comprising the majority of our total vessel days) we still present our daily vessel earnings in terms of a daily TCE, but we now separate out from this our short-term ship “operating activity” for which the appropriate measure is the daily margin generated.

CORE BUSINESS

Our **“core business”** is to optimally combine our owned and long-term chartered ships with multi-shipment contract cargos 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. The positive (or negative) result on these short-term chartered ships is added to the TCE achieved on our owned and long-term chartered ships.

OPERATING ACTIVITY

We now also disclose the margin per day generated by our **“operating activity”** which is separate and complementary to our core business. Through our operating activity, we provide a service to our customers even if our core ships are unavailable 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.

For our core business, daily TCE revenue is the important KPI, as costs per day are substantially fixed and disclosed.

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.

DERIVING OUR CORE BUSINESS DAILY TCE

$$\frac{\text{Owned + Long-Term Chartered TCE Revenue + Short-Term Chartered (excluding Operating) Result}}{\text{Owned + Long-Term Chartered Revenue Days}}$$

DERIVING OUR OPERATING ACTIVITY DAILY MARGIN

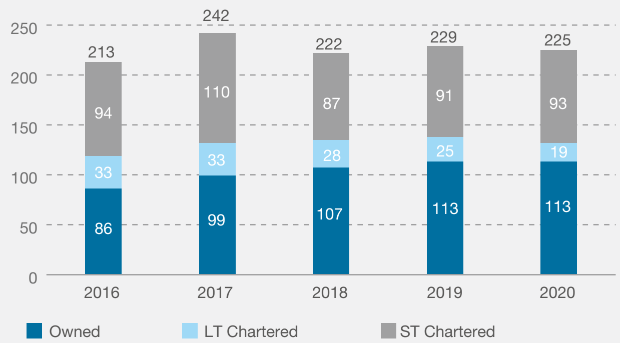
$$\frac{\text{Operating Result}}{\text{Operating Days}}$$

CORE BUSINESS – Key Characteristics
Contract and spot cargoes
Owned and long-term chartered ships Short-term chartered ships carrying contract cargoes
Costs largely fixed and disclosed
Key KPI = TCE per day
Significant leverage and profits in strong market
Asset heavy – predominantly our own crews/quality/safety
Enables reliability, cargo contracts, brand name
Currently about 80%-85% of total vessel days

OPERATING ACTIVITY – Key Characteristics
Spot cargoes
Short-term chartered ships carrying spot cargoes
Costs fluctuate with freight market
Key KPI = Margin per day
Can generate profits also in weak markets
Asset light – third party crews/quality/safety (harder to control quality)
Enhances and expands the service to our customers
Currently about 15%-20% of total vessel days

PACIFIC BASIN FLEET DEVELOPMENT

Average No. of Handysize and Supramax Ships Operated During the Period



- As at 31 December 2020, we owned 79 Handysize and 35 Supramax ships.
- Including owned and chartered vessels, we operated an average of 130 Handysize and 95 Supramax ships in 2020. We had fewer chartered ships especially early in the period due to uncertain market conditions and logistical risks due to the pandemic, but our chartered fleet has since increased and our fleet now comprises about 250 ships overall.
- Out of caution during the uncertain market conditions, we paused our spending on growing our owned fleet with larger, high-quality second-hand acquisitions, but we resumed our ship acquisitions in the fourth quarter in view of the generally much improved market conditions and outlook. We will own 116 ships after our current sale and purchase commitments deliver.
- Excluded above are one owned and one chartered Post-Panamax vessels which are employed under long-term charters.

Funding

Cash Flow and Liquidity

The Group's four main sources of funds are operating cash flows, loans, convertible bonds and equity. The major factors influencing future cash balances are operating cash flows, the purchase and sale of vessels, and drawdown and repayment of borrowings.

We actively manage the cash and borrowings of the Group to ensure sufficient funds are available to meet our Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long term, we aim to maintain a consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of owned vessels – which we believe is appropriate over all stages of the shipping cycle.

The information in this section is presented before the adjustments required by HKFRS 16 "Leases".

Key Developments in 2020

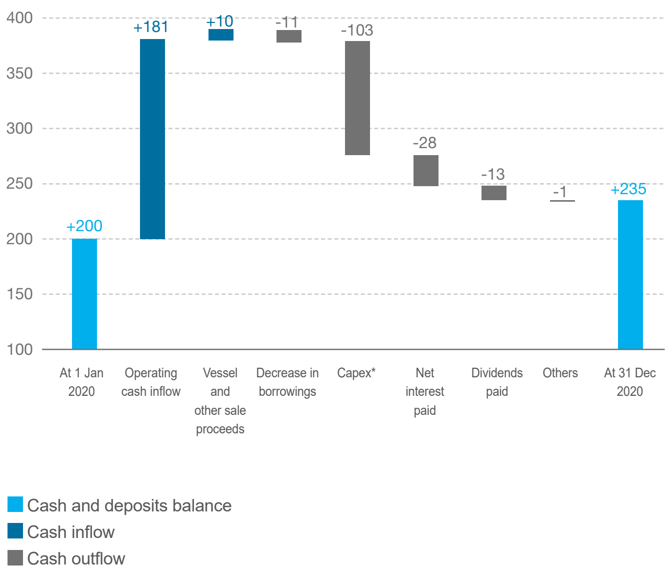
- Our operating cash inflow inclusive of all long and short term charter-hire payments was US$181.5 million, as compared with US$77.5 million in the first half of 2020 and US$173.9 million in the full year 2019.
- In June we closed a new US$30.1 million bilateral 7-year reducing revolving credit facility secured against 3 unmortgaged vessels at an interest cost of LIBOR plus 1.60%.
- In December we renewed our US$50.0 million unsecured 364 day revolving credit facility for a further 364 days.
- During the year we sold and leased back two unmortgaged vessels raising a further US$33.2 million in cash.
- Our net cash outflow from borrowings was US$11.5 million in the year after we drew down US$166.2 million net under our committed facilities while making net repayments of US$177.7 million.
- During the year we incurred capital expenditure of US$103.4 million in cash, of which:
  (a) we paid US$38.4 million for one second-hand Handysize and two second-hand Supramaxes which were delivered into our fleet in 2020; and
  (b) we paid US$65.0 million for dry dockings and the installation of ballast water treatment systems and scrubbers.
- In addition to the above cash payments for ships, we issued new shares at HK$1.8 per share equivalent to a value of US$11.9 million to the ship sellers for two of the vessels that we committed to purchase in September 2019 and that delivered in 2020.
- In November, we purchased four second-hand Ultramaxes for US$67.0 million. In February 2021 we purchased one additional second-hand Ultramax for US$13.5 million. These vessels will be paid for in cash and delivered into our fleet in the first half of 2021.

As at 31 December 2020:

- The Group's cash and deposits were US$234.8 million and we had a 37% net gearing ratio.
- Our available undrawn committed facilities were US$127.7 million.
- We had three unmortgaged vessels.

Cash Inflow and Outflow in 2020

US$ Million



* excluding Capex of US$11.9 million funded by equity

Operating Cash Inflows
US$181.5m
↑ US$7.6m YoY

Cash and Deposits
US$234.8m
↑ US$34.6m YoY

Available Undrawn Committed Facilities
US$127.7m

Net Finance Cost
US$33.4m
↑ US$1.2m YoY

Net Borrowings to Net Book Value of Owned Vessels
37%
↑ 2% YoY

Average Interest Rate (P/L)
3.5%
↓ 0.6% YoY

Liquidity and Borrowings

The available liquidity and drawn borrowings is analysed as follows:

US$ Million	2020	2019	Change
Cash and deposits (a)	**234.8**	200.2	+17%
Available undrawn committed facilities	**127.7**	182.6	-30%
Total available liquidity	**362.5**	382.8	-5%
Current portion of borrowings	**(88.7)**	(127.0)	
Non-current portion of borrowings	**(775.2)**	(736.1)	
Total borrowings (b)	**(863.9)**	(863.1)	0%
Net borrowings (b)-(a)	**(629.1)**	(662.9)	-5%
Net borrowings to shareholders' equity	**59%**	52%	
Net borrowings to net book value of owned vessels KPI	**37%**	35%	

We invest our cash in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong and Singapore.

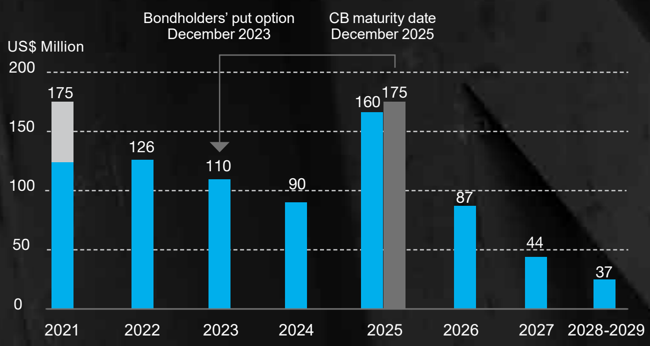
The Group's cash and deposits at 31 December 2020 comprised US$232.4 million in United States Dollars and US$2.4 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts. This maintains liquidity to meet the Group's working capital needs and any vessel purchase commitments.

During the year, we achieved a 1.0% return on the Group's cash.

Business
Funding
Strategy
Governance
Financial Statements

Borrowings and Undrawn Committed Facilities

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



We arrange financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. The aggregate borrowings and undrawn committed facilities of the Group at 31 December 2020, including the liability component of the convertible bonds, amounted to US$991.6 million (31 December 2019: US$1,045.8 million) and are mainly denominated in United States Dollars.

- US$50.0 million unsecured 364-day revolving credit facility
- Secured borrowings and undrawn committed facilities (US$778.7 million)
- Convertible bonds (face value US$175.0 million, book value US$162.9 million, bondholders' put option December 2023)

Borrowings and Undrawn Committed Facilities – US$828.7 million (2019: US$885.1 million)

The overall decrease in secured borrowings is mainly due to scheduled loan amortisation, partially offset by the closing of one new revolving credit facility and the sale and lease back on two additional vessels.

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 2020:

- The Group's secured borrowings were secured by 112 vessels with a total net book value of US$1,632.5 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/L impact:

A decrease in interest to US$27.0 million (2019: US$33.2 million) was mainly due to a decrease in average interest rates.

Certain borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

Convertible Bonds Liability Component – US$162.9 million (2019: US$160.7 million)

As at 31 December 2020 there remained the 3.0% p.a. coupon December 2025 convertible bonds with an outstanding principal of US$175.0 million and a prevailing conversion price of HK$2.34 per share.

Currently US$22.2 million of the original convertible bonds proceeds has been used to replenish the cash used as the cash consideration for the purchase of two vessels pursuant to the four-ship acquisition transaction as announced on 17 September 2019, US$27.2 million has been used as the cash consideration for the purchase of the other two vessels of the said transaction, US$16.8 million has been used to purchase a second-hand Supramax delivered to the Group in early 2020 and further to our announcement on the 27 November 2020 US$67.0 million will be used to purchase the four second-hand Ultramax vessels due to be delivered to the Group in early 2021. Additionally, US$13.5 million will be used to pay for our most recent acquisition in February 2021 and the balance of US$26.7 million has been used for general corporate purposes including but not limited to vessel operating expenses, vessel charter- hire, the service of the Group's financial obligations, office administrative expenses and vessel and non-vessel equipment expenditures.

P/L impact:

The US$7.4 million (2019: US$3.8 million) interest expense of the convertible bonds outstanding during the period is calculated at an effective average interest rate of 4.7% (2019: 5.3%).

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 31 December 2020	Finance costs 2020	Finance costs 2019	Change
Borrowings (including realised interest rate swap contracts)	3.3%	3.3%	701.0	**27.0**	33.2	+18%
Convertible bonds (Note)	4.7%	3.0%	162.9	**7.4**	3.8	-96%
	KPI 3.5%	KPI 3.2%	863.9	**34.4**	37.0	+7%
Other finance charges				**1.8**	0.7	
Total finance costs				**36.2**	37.7	+4%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **5.1X**	5.4X	

Note: The convertible bonds have a P/L cost of US$7.4 million and a cash cost of US$5.3 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. During the year, all our interest rate swap contracts qualified for hedge accounting as cash flow hedges and US$2.3 million of interest rate swap contract expense was realised. As at 31 December 2020, 65% (2019: 74%) of the Group's borrowings were on fixed interest rates. We currently expect about 59% and 61% of the Group's existing borrowings will be on fixed interest rates as at 31 December 2021 and 2022 respectively, assuming all revolving credit facilities are fully drawn.

What We Do

Pacific Basin has built a strong name as a world leading owner and operator of modern Handysize and Supramax dry bulk ships

Our shipping 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. Our team comprises 4,100 seafarers and 343 shore staff in 12 key locations around the world.

Our Fleet

(as at 31 January 2021)

	Vessels in operation			Total	Total Capacity	Average Age
	Owned[1, 2]	Long-term Chartered	Short-term Chartered[3]		(million DWT) Owned	Owned
Handysize	77	15	41	133	2.6	12
Supramax	36	4	77	117	2.1	9
Post-Panamax	1	1	–	2	0.1	10
Total	**114**	**20**	**118**	**252**	**4.8**	**11**

[1] Including 1 vessel we committed to purchase in 2020 that delivered in February 2021
[2] Excluding an additional 4 vessels purchased and 2 sold that are scheduled to deliver in the first half of 2021
[3] Average number of short-term and index-linked vessels operated in January 2021

Page 19
Average number of Handysize and Supramax ships operated in 2020

Page 74 and 84
Financial Statements Note 11 & 20
Net book value of our owned vessels and assets held for sale as at 31 December 2020

Strategic Model

≈250 Ships

Exceptional Fleet

We operate the world's largest fleet of interchangeable high-quality Handysize and Supramax ships, equipping us for efficient trading and reliable service any time and anywhere.

12 Offices

Experienced Team

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

500+ Customers

Customers First

Our customer-focused business model has driven innovative customer engagement and service at a local level, solid service reliability, enhanced customer satisfaction and an excellent reputation globally.

Key value delivered:

- Delivering value for our customers
- Our ability to outperform market TCE earnings
- Delivering long-term shareholder value with attractive returns over the shipping cycle

Market-Leading Customer Focus & Service

Priority to build and sustain long-term customer relationships

Solution-driven approach ensures accessibility, responsiveness and flexibility for customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit

Comprehensive Global Office Network

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

Large Fleet & Versatile Ships

Fleet scale and interchangeable high-quality ships facilitate service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless integrated service and support for customers

Strong Corporate & Financial Profile

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Strong cash position and track record set us apart as a preferred counterparty

Hong Kong listing, scale and balance sheet facilitate access to capital

Responsible observance of stakeholder interests and commitment to sustainability and good corporate governance

Matters of Key Strategic Focus

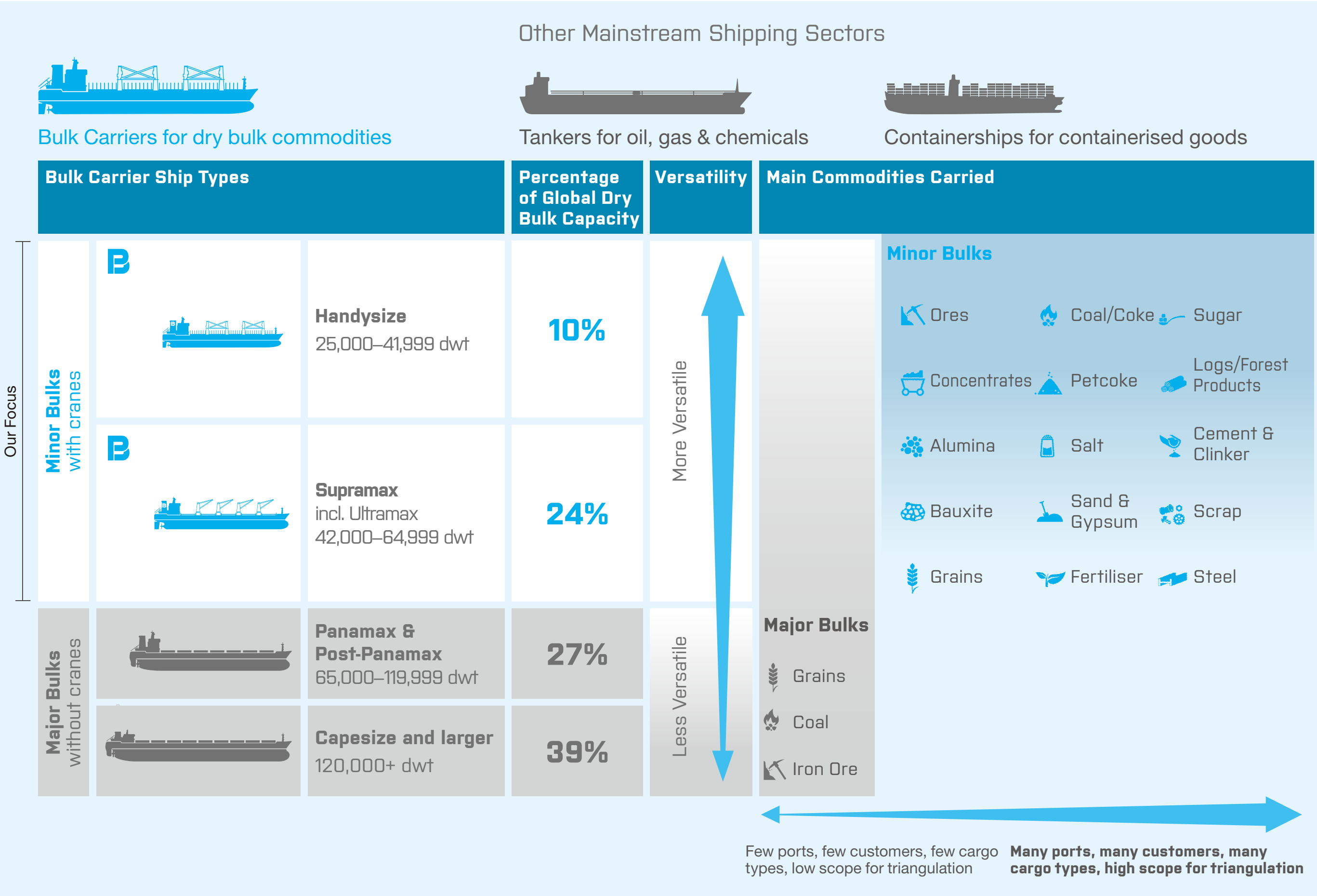
What We're Doing to Deliver Our Strategy

Page 28
Our Resources in Action

Page 30
Strategy Delivery & Risks

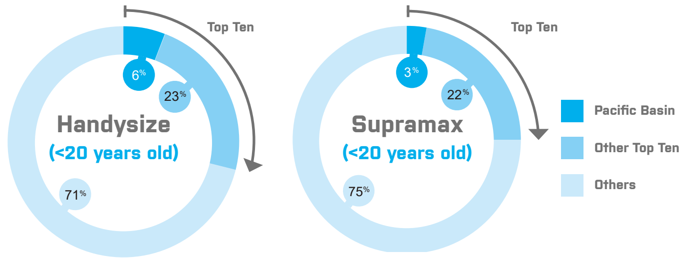
Understanding Our Core Market

The Dry Bulk Sector



Why We Focus on Minor Bulks

- 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 operate approximately 6% of global 25-42,000 dwt Handysize ships of less than 20 years old

We operate approximately 3% of global 42-65,000 dwt Supramax ships of less than 20 years old

Source: Pacific Basin, Clarksons Research

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, enabling triangular trading and thus high vessel utilisation. This segment requires versatile self-loading and discharging ("geared") ships of "handy" proportions to allow them access to the many ports around the world restricted by shallow water, locks, narrow channels and river bends.

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

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

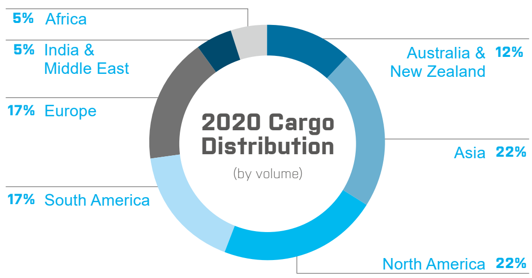
Our earnings reliability is further enhanced by the fact that global Handysize capacity has experienced only relatively modest growth in the past decade compared to the much larger expansion of the major bulk fleets.

Our Worldwide Network and Trading Areas

12 office locations include:

- 10 commercial offices
- 3 technical & crewing offices

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



A Focused Approach – Offering Benefits of Diversification

Focused on segment and size	Diversified geography, customers and cargoes	500+ customers globally	Our largest customer represents only 5% of our volumes	Our top 25 customers represent 36% of our volumes

Long-term Challenges and Opportunities

Fragmented Market

The minor bulk sector is highly fragmented, but our scale sets us apart as a major freight provider able to offer reliability and flexibility for customers while benefiting from scale economies such as lower bulk purchasing costs and higher ship and fleet utilisation.

Environmental Considerations and Regulation

Our drive for fuel efficiency ensures that emissions concerns are aligned with our strategy, and our award-winning in-house technical operation ensures we meet all regulatory requirements and industry best practices.

Utilising Data for Better Decision-Making

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

Market Cycles and Volatility

Our business model, know-how and understanding of shipping cycles enable us to outperform throughout the cycle, manage our balance sheet, and remain a strong and reliable counterparty for our customers even in weak market conditions.

Limited Supply of Seafarers and Shore-based Talent

Our industry is challenged by a short supply of seafarers and shipping executives, but the strength of our employer brand, industry network and personnel function allows us to attract and retain the staff we need.

Page 13
Dry Bulk Market Outlook
Possible market drivers in the medium term

Our Resources in Action

We attach great importance to cultivating resources and relationships (our stores of value or "Capitals") which, leveraging our business model and strategy, propel us towards our vision, benefit our customers with a market-leading service and benefit our shareholders with attractive long-term returns over the shipping cycle

Our capitals – the resources and relationships we rely on

Physical Capital

Our Fleet – ≈250 Ships*

	Vessels in operation Owned[1, 2]	Vessels in operation Chartered	Total
Handysize	77	56	133
Supramax	36	81	117
Post-Panamax	1	1	2
Total	114	138	252

Human Capital

Optimal combination of people, competencies, capabilities and experience

4,100 seafarers & 343 staff ashore

Our Global Office Network

12 offices, including 10 chartering/commercial offices positioning us close to our customers

Page 26 Understanding Our Core Market
Our Worldwide Network

Social Capital and Relationship Capital

Responsible relationships within and between our communities, stakeholder groups and other networks

- Partner-customers
- Suppliers
- Regulators and policy makers
- Local communities
- Investors
- Finance providers

Intellectual Capital

Accumulation of knowledge and development of systems, processes and procedures, through experience and a culture of education and continuous improvement

Financial Capital

The pool of funds that is:
- generated through operations and obtained through debt, convertible bonds and equity
- managed as cash, lending facilities and other resources controlled by the Group

Natural Capital

The environmental resources (such as air, water, minerals and energy) that enable us to conduct our business

How we create or protect value

High-quality Ships

Expansion and renewal of our fleet through investment in ships of the best design and build quality

Scale and Interchangeability

Fleet scale provides network and economic advantages

In-house Technical Operations

Integrated team of technical services and crewing managers taking care of our vessels and our seafarers

Team Productivity

Investment in crew and staff training and wellbeing

Being Local

Regional offices across six continents position us near our customers

Being Global

Worldwide network of offices and trade routes facilitates comprehensive market intelligence and global solutions for customers

Stakeholder Engagement & Wellbeing

Regular multi-level engagement and responsible operating practices to broaden and deepen our relationships with stakeholders and enhance their wellbeing through good corporate social responsibility

Effective Business Model & Systems

Home-grown value-accretive business model, systems, procedures, know-how, efficiency focus, cost-consciousness and intangibles

Considered Treasury Activity

Continuous management of financial resources and funding

Environmental Responsibility

Observing or exceeding regulatory requirements and industry standards on environmental impact

Our Vision

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

* Data as at 31 January 2021
1 Including 1 vessel we committed to purchase in 2020 that delivered in February 2021
2 Excluding an additional 4 vessels purchased and 2 sold that are scheduled to deliver in the first half of 2021

This spread and the following Strategy Delivery & Risks pages follow closely the categorisation of capitals and their flow through the value creation process as recommended by the International Integrated Reporting Council in its International <IR> Framework

Matters of key strategic focus

Strategic Model p.25

Investing in Our Fleet p.30

- We already operate the largest Handysize fleet, and will carefully consider further opportunities to acquire quality Handysize and Supramax vessels which easily fit into our operating model and further improve our scale and ability to optimise our performance
- We are increasing the proportion of owned ships in our fleet to reduce our average daily vessel costs, and facilitate greater control
- Our technical team strives to ensure safety and maximise availability so our ships are always operationally ready

Outcome

Optimal operational ship design and efficiency

Increased economies of scale and vessel utilisation Outperformance p.16

Optimal scheduling and flexibility for customers

Enhanced technical and service reliability for customers Customers p.25

Enhanced health and safety, quality and cost control Sustainability p.4-5

Investing in Our People p.31

We strive to develop and motivate our teams to enhance safety, productivity, customer satisfaction and job fulfilment

Deepening Our Relationships p.32

We are increasing customer engagement by connecting with a larger number of customers at a local level to enhance our relationships and increase our access to cargoes

Outcome

Safeguarding and enhancing quality, effectiveness and availability of our teams of staff on shore and at sea Sustainability p.5

Meaningful customer partnerships and better understanding of and response to customer needs

Access to comprehensive market intelligence and cargo opportunities

Optimal trading (cargo combinations) and positioning of our fleet Outperformance p.16

Our Mission

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

Safeguarding Health & Safety p.33

Eliminating injury, navigation and pollution incidents through training

Evolving Management & Governance Practices p.34

Refining management decision-making, risk mitigation and board governance procedures and considerations

Outcome

Builds understanding, trust and support between Pacific Basin and our staff, customers, tonnage providers, suppliers, investors, financiers, communities and other stakeholders

Sustainability p.5
Governance p.38
Investors p.57

Maximising Efficiencies and Controlling Costs p.35

We know how to optimally match our large fleet and cargo systems to maximise utilisation, availability and punctuality, and we leverage our scale and other efficiencies to control our vessel opex and G&A costs

Outcome

Sector-leading service delivery

Maximising vessel earnings, minimising costs without impacting safety, and generating consistently respectable financial performance through the cycle

Strong brand and reputation Outperformance p.16

Enhancing Corporate and Financial Profile p.36

We continue to work within our financial gearing targets, maintain the Group's financial health, and strive for best-in-class reporting, transparency and corporate stewardship

Outcome

Sound financial liquidity to fund investments and meet payment obligations and covenants

Optimal balance of financial capital sources benefits shareholders and enhances returns

Funding p.20
Investors p.57

Safeguarding the Environment p.33

We minimise our environmental impact through continual training and environmentally efficient practices and technologies

Outcome

Sector-leading efforts to minimise consumption of natural resources and impact on the environment Environment p.6-7

Business
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Strategy Delivery and Risks

1. Investing in Our Fleet

2020

Objectives

Manage our business for a more volatile market in 2020, continue to conduct our business efficiently and safely, and assess attractive second-hand ship acquisition opportunities.

Strategy Delivery and Performance

In 2020, we took delivery of three modern ships that we committed to acquire in 2019 and sold three older, smaller ships. We will own 116 ships after our current sale and purchase commitments deliver in the first half of 2021, including five modern Ultramax ships we agreed to buy in November 2020 and February 2021 and the sale of older Handysizes. Fleet renewal equips us with larger and increasingly fuel-efficient ships and helps to maintain our TCE outperformance and competitive owned vessel daily break-even levels. We have reduced our long-term chartered fleet to about 8% of our total fleet, relying more on our growing fleet of owned ships supplemented by short-term and index-linked charters.

2021

Objectives

Manage our business for what we believe will be improving markets, and continue to conduct our business efficiently and safely.

Our strategy is to renew and grow our owned fleet with larger, high-quality modern second-hand acquisitions, focusing especially on adding Supramax ships and trading up our smaller, older Handysize ships to newer Handysizes with larger carrying capacity and longer life. We will continue to avoid contracting newbuildings.

We will continue our preparations to comply with environmental and other regulations.

Risk/Impact[1]

Market Risk

Adverse financial impacts include:

- earnings volatility;
- cost volatility including fuel prices, interest rates and other operating expenses;
- exchange rate volatility in the currencies we use; and
- US-China trade tensions affecting freight market sentiment and status of Hong Kong, such as the suspension of US-Hong Kong reciprocal tax exemption of shipping income and increasing cost of trades.

Change from last year: ↑

Mitigating Measures

Our large fleet scale and uniformity enable us to achieve high laden utilisation and TCE earnings that outperform the market indices in our core business. Our operating activity should generate a margin throughout the shipping cycle complementing our core business.

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

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

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

The Group constantly reviews optimal vessel operating speed to maximise voyage contribution.

Page 80
Financial Statements Note 16
Derivative Assets and Liabilities for our use of derivative financial instruments to manage volatility in freight rates, fuel prices, interest rates and exchange rates.

Vessel Investment, Deployment and Operational Risk

Inappropriate vessel investment timing, deployment and operations may lead to an uncompetitive cost structure and reduced margins. Vessel values vary significantly through shipping cycles, and we need competitively priced, high-quality vessels to provide our services to customers.

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

Change from last year: →

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

- acquiring modern Japanese-built or designed second-hand vessels; and
- chartering vessels from quality shipowners.

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

Sustainability Report Page 33
Pacific Basin Management System

ESG

[1] The risks, impact and mitigating measures in this Strategy Delivery and Risks section are consistent with the Group's risk register taking into account the outcome of the annual risk assessment by way of an online questionnaire in collaboration with division heads.

2. Investing in Our People

2020

Objectives

Continue with our objectives of achieving improvements in safety performance, staff retention, productivity, job fulfilment and customer satisfaction.

Strategy Delivery and Performance

The Covid-19-related global crew change crisis dominated our people agenda in 2020. We pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on our crews' health, safety and wellbeing on board during this stressful time for seafarers. We provided comprehensive support (including mental health support) so our seafarers felt appreciated, motivated and healthy while lockdown restrictions kept them at sea. Despite this tremendous extra stress on our crews, we recorded improved safety performance indicators in 2020 and higher retention figures (both at sea and ashore), reflecting the effectiveness of our investment in our employees and their engagement and satisfaction.

2021

Objectives

Continue to provide necessary support to our seafarers while unable to disembark due to countries' measures to contain the pandemic. Continue every effort to get our seafarers home. Continue with our permanent objectives of achieving improvements in safety performance, staff retention, productivity, job fulfilment and wellbeing and to achieve our vision to be a leading ship owner/operator in dry bulk shipping and the first choice partner for staff and all our stakeholders.

Risk/Impact	Mitigating Measures
Succession Risk Inadequate succession planning may lead to prolonged executive searches, disruption to our strategic momentum and the business, and undermine stakeholder confidence within the Group. **Change from last year:** →	Our Group's dedicated HR department oversees 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 has a clear vision, mission and business principles with which to equip any potential Board, management and staff successors to lead the business forward. The succession process in which Mr. Martin Fruergaard will replace Mr. Mats Berglund as the new CEO (refer to page 38 for more details) ensures adequate handover of responsibilities, transition of knowledge and hence continuity of management.
Employee Engagement 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. **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 we use diverse manning sources for seafarers to engage our diversified crew pools in several countries; ■ regularly reviewing salary structure to ensure that it remains adequate to attract and retain the best talent; ■ offering regular training for staff ashore and at sea not only to ensure they are able to perform their jobs but also to help improve professional fulfillment; ■ implementing annual staff performance appraisals, incentives and other initiatives to encourage, retain and otherwise engage staff; and ■ during the Covid-19-related global crew change crisis, we pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on their health, safety and wellbeing on board during this stressful time for seafarers, providing comprehensive support including mental health support. Sustainability Report Page 38 Safety, Workplace & Business Practices Training & Development

3. Deepening Our Relationships

2020

Objectives

To increase customer engagement and partnership at a local level and further improve the customer experience by streamlining systems and processes, thereby enhancing our access to cargoes, drawing on a global team and office network that is unmatched in the dry bulk sector.

Strategy Delivery and Performance

In 2020, we carried 70 million tonnes (2019: 67 million tonnes) for over 500 customers, generating full-time employment for our 83,430 vessel days (2019: 83,570 vessel days). Through our global network of 12 regional offices and an expansive customer engagement programme, we continue connect with a larger number of customers at a local level, despite Covid-19-related travel restrictions, thanks to our widespread use of video and other digital communications.

2021

Objectives

To further improve the customer experience through regular customer engagement and close partnership at a local level (using more communications technology to compensate for much reduced in-person contact), 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.

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; ■ derivatives counterparties; and ■ banks and financial institutions. **Change from last year:**	Our global office network enables us to know our counterparties better. We take measures to limit our credit exposure by: ■ transacting with a diverse range of counterparties with successful track records and sound credit ratings; ■ actively assessing the creditworthiness of counterparties; ■ performing sanction checks on counterparties, including a self-developed mobile search tool and systematic daily screening of our active counterparties, to ensure the Group complies with international sanctions legislation; and ■ obtaining refund guarantees from newbuilding shipyards. Page 83 Financial Statements Note 17 Trade and other receivables
Customer Satisfaction and Reputation Risk Poor service may lead to impaired brand value and reputation as a trusted counterparty, which could restrict our access to customers, cargoes, high-quality vessels, funding and talent. **Change from last year:**	Our global office network positions us close to our customers enabling direct and frequent customer engagement, a clear understanding of their needs and localised customer service. Our fleet scale and uniformity, complemented by our comprehensive in-house technical operations, enhance our ability to deliver a high-quality and reliable service. Customer engagement includes surveys and regular telephone or face-to-face contact to gather feedback with a view to further improve customer satisfaction.
Banking Relationships Risk Poor loan administration and relationships with banks may limit our funding sources. **Change from last year:**	We have a dedicated treasury function that develops and maintains our relationships with a diverse group of reputable banks worldwide through regular senior management contact.

4. Safeguarding Health, Safety And Environment

2020

Objectives

Through training, continue our objectives of substantially eliminating injury, navigation and pollution incidents, minimising our environmental impact and promoting a healthy and supportive work environment at sea and ashore.

Strategy Delivery and Performance

In 2020, we made a smooth transition under the IMO 2020 low-sulphur regulations, we further strengthened our sustainability governance and programme with the establishment of a Sustainability Management Committee ("SMC") and we set and have disclosed Environmental KPI targets and steps to achieve them. Despite the stresses of the Covid-19-related global crew change crisis, we improved our Lost Time Injury Frequency ("LTIF") to 0.60, our lowest LTIF in 15 years, and our external Port State Control inspection deficiency rate was 0.69. These statistics are among the best in the industry and represent the value of our specific focus on staff training and wellbeing.

2021

Objectives

Through continued investment in training, wellbeing, systems, procedures and technology, to substantially eliminate injury, navigation and pollution incidents, minimise our environmental impact, reduce our GHG and other emissions, and promote a healthy and supportive work environment at sea and ashore.

Sustainability Report Page 36
Safety, Workplace & Business Practices
Health & Safety Performance in 2020

Risk/Impact

Safety Risk

Inadequate safety and operational standards, piracy and other causes of accidents may lead to loss of life, severe damage to property and our vessels, and impact the Group's reputation among seafarers, customers and other stakeholders. Covid-19 pandemic restricted our inability to change crew leading to possible strike and deterioration in safety and quality.

Change from last year: →

Mitigating Measures

Our commitment to the safe operation of our ships is manifested through a proactive system ashore and at sea – the Pacific Basin Management System – enhanced by well-conceived training and maintenance programmes and innovative initiatives to ensure our vessels are in good condition and in all respects safe to trade.

Our high quality attention to safety is evidenced by an excellent safety record and our several safety-related awards in recent years.

During the Covid-19-related global crew change crisis, we pursued every effort to disembark and repatriate our crews stuck at sea beyond their original contract periods, and enhanced our focus on their health, safety and wellbeing on board during this stressful time for seafarers, providing comprehensive support including mental health support.

Sustainability Report Page 33
Safety, Workplace & Business Practices
Health & Safety

Environment Risk

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

Change from last year: ↑

Sustainability Report Page 16
Environment

The Sustainability Management Committee was formed during the year to strengthen our sustainability governance and board engagement, and KPI targets were set to drive performance.

We continually assess and adopt technology and operational measures to improve our ships' fuel efficiency. Our active fleet renewal programme adds to our fleet new ships with increasingly fuel-efficient design and latest innovations and technical enhancements to reduce atmospheric emissions. We are members of the Getting To Zero Coalition committed to exploring ways to decarbonise our industry. We also partnered with CLP to offset carbon emissions from our global shore-side operations starting in 2020, including all office activities, commuting and business and crew travel.

All our vessels comply with regulations set out by the International Maritime Organization (IMO) and coastal states, including Ballast Water Management (BWM) Convention, 2020 Global Sulphur Limits, EU CO_2 MRV regulations, etc.

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

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, including hull and machinery, war risk, protection and indemnity, 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

2020

Objectives

Refine management decision-making, risk mitigation and board governance procedures and considerations. Ensure all new recruits are trained to fully observe our risk management and governance procedures. Uphold best-in-class levels of transparency and stakeholder confidence.

Strategy Delivery and Performance

Our risk management team continued to raise emerging risk and control awareness among staff in 2020. Initiatives included refining counterparty due diligence policies, anti-bribery training for both shore staff and seafarers, and implementing a company-wide Business Continuity Plan ("BCP") to better prepare for severe business and systems disruption.

We received the Gold Award in the small market capitalisation category at the HKICPA's Best Corporate Governance Awards. We have adopted the latest ESG reporting guidelines issued by The Stock Exchange of Hong Kong Limited.

Page 37
News and Achievements

2021

Objectives

Understanding our emerging risks in the changing shipping market and establish effective mitigating controls to underpin our commitment to sustainable business. We always seek to refine management decision-making, risk mitigation and board governance procedures and considerations. We strive to continue to uphold our best-in-class levels of board governance, business transparency and stakeholder confidence.

Risk/Impact	Mitigating Measures
IT Security Risk Our business processes rely heavily on IT systems (including cloud-based) and daily communications ashore and at sea. Failure of a key IT system, targeted attacks on our system, or a breach of security could result in communications breakdown and business disruption. **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 BCP system in place and have arranged company-wide drills and BCP webinars to manage a total IT systems shutdown. We also carry commercial crime insurance to cover financial loss due to cyber-crimes. 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 cloud-service providers' internal controls including their independent assurance reports. Vessel hardware and systems are reviewed periodically to maximise system efficiency and security.
Corporate Governance Risk Inadequate corporate governance measures may adversely impact the diligence, integrity and transparency of our risk assessment, decision-making and reporting processes and undermine stakeholder confidence. **Change from last year:** →	The Group is committed to good corporate governance to meet the requirements of our business and stakeholders. The Audit Committee, Risk Management Committee and Sustainability Management Committee proactively ensure the overall corporate governance, risk management framework and sustainability strategy of the Group. Internal procedures are in place to ensure compliance with all relevant local and international laws and regulations in the places we trade, including comprehensive regulations enacted by the International Maritime Organization (and enforced by its member countries) and international sanctions legislation. Our commitment to anti-bribery practices and high standards of corporate governance has been certified by TRACE, and is underscored by our admission as a member of the Maritime Anti-Corruption Network (MACN). Regular anti-bribery trainings were organised to shore-based staff and seafarers. The Board and relevant employees receive regular governance training to ensure a high standard of corporate governance. Page 38 Corporate Governance
Investor Relations Risk Lack of transparency or adequacy in our external communications could undermine stakeholder confidence in our Group. **Change from last year:** →	We have a dedicated investor relations function as well as policies and guidelines on information disclosure and communication with the public. We publish financial reports or trading updates quarterly and keep the public informed of material developments guided by Corporate Governance Code best practices, and our website is updated regularly with company news and financial information. Page 57 Investor Relations

6. Maximising Efficiencies & Controlling Costs

2020

Objectives

Continue careful costs control and, where possible, cost reduction by leveraging our scale and reputation as a safe counterparty. Explore scope for more efficient scheduling and trading of our fleet and cargo matching. Gradually renew our fleet with ships of modern, efficient designs well suited for our trades.

Strategy Delivery and Performance

We maintained competitive daily vessel operating expenses of US$4,120 in 2020 without impacting maintenance or safety primarily through scale benefits and other efficiencies. Our total G&A overheads remained unchanged year on year with increased staffing overheads offset by a decrease in travel and entertainment costs due to Covid-19 restrictions. Our daily G&A cost on a per-vessel basis remained unchanged.

Page 18
Core Business Vessel Costs

2021

Objectives

Especially in the expectation of continued freight market volatility, continue careful cost control and, where possible, cost reduction by leveraging our scale and reputation as a safe counterparty. Explore scope for more efficient scheduling and trading of our ships and optimal matching of our large fleet and cargo systems to maximise utilisation, availability and punctuality. Gradually renew our fleet with ships of modern and efficient designs well suited for our trades.

Risk/Impact

Operational Efficiency Risk

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

Change from last year:

Mitigating Measures

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

Other key measures to enhance efficiency include:

- regular review and upgrade of IT systems, evaluation and procurement of new software, applications and hardware to ensure alignment with the business environment and requirements and promote effective system integrations across our operations;
- appropriate documentation of business policies and procedures to ensure process consistency and best practices;
- proper vendor vetting procedures to ensure the stable and sustainable supply of services and goods; and
- outsourcing 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, misallocation of resources, safety issues, business disruption, customer dissatisfaction, supplier alienation and loss of opportunities.

Change from last year:

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

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

Variances from resource planning and cost estimations are regularly monitored to enable effective optimisation of business performance and cost efficiency.

7. Enhancing Corporate & Financial Profile

2020

Objectives

Continue to work within our financial gearing targets, maintain the financial health of the Group, and strive for best-in-class reporting, transparency and corporate stewardship.

Strategy Delivery and Performance

We continue to maintain conservative gearing and benefit from access to capital generated through operations, debt, convertible bonds and equity. The valuable access we have to diverse sources of external funding at the most competitive cost in our industry gives comfort to customers and shareholders alike which contributes to the strong corporate profile that makes Pacific Basin a preferred partner for many stakeholders. In 2020, we arranged new or renewed revolving credit facilities and committed borrowings, further enhancing our balance sheet and liquidity position.

At year end, our gearing ratio was 37% (net borrowings to net book value of our owned fleet) and we were in compliance with our bank covenants.

2021

Objectives

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.

Continue to leverage our business model and strategy to deliver attractive long-term returns to our shareholders over the shipping cycle.

Risk/Impact

Mitigating Measures

Liquidity Risk A

Insufficient financial resources (such as bank borrowing facilities) may negatively impact the Group's ability to meet its payment obligations as they fall due.

Change from last year:

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

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

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Financial Statements Note 28
Financial Liabilities Summary

Page 20
Funding

Capital Management Risk A

Weakness in our financial management capability and insufficient capital could impact (i) our ability to operate as a going concern, (ii) our ability to provide adequate returns to shareholders, and (iii) other stakeholders' ability and willingness to support the Group.

Change from last year:

Page 32
Strategy Delivery and Risks
Deepening Our Relationships – Banking Relationships Risk

To achieve an optimal capital structure, we conduct regular reviews on:

- future capital requirements and capital efficiency;
- prevailing and projected profitability;
- projected operating cash flows; and
- projected capital expenditure and expectations for strategic investment opportunities.

Our dividend policy is to pay out a minimum of 50% of net profits excluding disposal gains for the full year, with the remainder of the profits retained as capital for future use.

Our Board of Directors 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.

Page 3
Financial Summary

News and Achievements

2020

Jan

- PB joins Getting to Zero Coalition

Getting to Zero Coalition

- Delivery of "Ursula", a 61,400 dwt, Imabari 2012-built Ultramax

Feb

- 2019 Annual Results Announcement
- Our oldest owned Handysize ship "Pacific Logger", passed her Port State Control inspection in New Zealand with flying colours

Mar

- Customer event in London
- Delivery of "Seal Island", a 35,900 dwt, Shikoku 2015-built Handysize and "King Island", a 57,600 dwt, Tsuneishi 2015 built Supramax

Apr

May

- Master and Crew of "Honey Island" receive the Gold Award for the best performing PB owned ship in Port State Control inspections in 2019
- Delivery of "Sandy Bay", a 40,000 dwt, Shikoku 2020-built Handysize
- PB crew photo competition

- Annual General Meeting held under strict Covid procedures
- Retirement of our longest serving INED, Mr. Dan Bradshaw
- Virtual Analyst Day
- Marine Money Equity-Linked Deal of the Year Award 2019, for our $175 million Convertible Bond (2025)
- 1Q20 Trading Update

Jun

- Pacific Basin closes new US$30,100,000 secured revolving credit facility

Jul

- Gharapuri Island crew saves life of an ocean rower from a sinking kayak off Morocco
- 2020 Interim Results

Aug

- Delivery of "Stanley Bay", a 40,000 dwt, Shikoku 2020-built Handysize

Sep

- First Virtual Investor Day

Oct

- 6th Hong Kong Investor Relations Association (HKIRA) IR Awards
  - Best IR Company (Small category)
  - Best Annual Report (Small Cap category)
- Delivery of "Egret River", a 63,600 dwt, Tsuneishi 2017-built Ultramax
- 3Q20 Trading Update
- Pacific Basin raises US$33,200,000 through sale and lease back of two vessels

Nov

- Mr. John Williamson joins our Board as non-executive Director effective 2 November
- Acquisition of four modern Ultramax vessels with delivery by late April 2021. All are over 61,000 dwt 2015-built Kawasaki designs built by NACKS in China

Dec

- Pacific Basin's global shore-side operations went carbon neutral! We partnered with CLP which is supplying our carbon offset programme with carbon credits derived from CLP's windfarms in India.
- HKICPA 2020 Best Corporate Governance Awards
  - Gold award (non-Hang Seng Index Small Capitalisation)
- 2020 HK ESG Reporting Award (HERA)
  - Excellence in Social Positive Impact
- IR Magazine Greater China Awards 2020
  - Best Annual Report (Small Cap) for the 3rd consecutive year
- Renews US$50,000,000 unsecured 364 day revolving credit facility

2021

January 2021
Pacific Basin signs Neptune Declaration on Seafarer Wellbeing and Crew Change

Corporate Governance

Accountability

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

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

Throughout the year ended 31 December 2020, the Group has complied with all code provisions of the Code as set out in Appendix 14 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). The Group adopts all the recommended best practices under the Code except that the Group publishes a quarterly trading update, instead of quarterly financial results. The Board considers this format provides shareholders with the key information to assess the performance, financial position and prospects of the Group's business following on from the full year and interim results.

The Board of Directors

Board Composition And Responsibilities

As at the date of this Annual Report, the Board comprises ten Directors (two of whom are female): the Chairman, two Executive Directors and seven Independent Non-executive Directors ("INEDs"). The number of INEDs exceeds the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The Board of Directors has expertise in the areas of shipping, commodities, accounting, corporate finance, financial services, law and marine technology and is collectively responsible for directing and supervising the affairs of the Group. The biographical details of each Board member are set out in the "Our Directors" section of this Annual Report.

All Directors have disclosed to the Company the number and nature of offices they hold in Hong Kong or overseas listed companies or organisations and other significant commitments, as well as the identity of such public companies or organisations. During the year ended 31 December 2020, 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.

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

- **Dynamic Board Composition**

  Since listing in 2004, there have been a total of 24 Board members, and currently the Board comprises 10 members.

  During the last five years, the changes in the number of Executive Directors and Independent Non-executive Directors are as follow:

	At 1 Jan 2016	Movements		At 31 Dec 2020
Executive Directors	4	-2	+1	3
Independent Non-executive Directors	5	-1	+3	7
	9	-3	+4	10

- **Board Nomination and Diversity**

  The Nomination Committee applied the nomination criteria and principles of appointment according to the Company's Nomination Policy and the Board Diversity Policy in identifying people suitably qualified to become Board members.

  The Board recognises the importance of diversity in its composition to bring significant benefits in enhancing its decision-making ability. Diversity incorporates a number of different aspects, such as industry and professional experiences, cultural and educational background, gender and age.

Sustainability Report Page 43
Diversity & Equal Opportunity

In November 2020, Mr. John Williamson was appointed as an Independent Non-executive Director and has become a member of the Audit Committee. Mr. Williamson brings with him strong financial and governance experience.

In January 2021, Executive Director and Chief Executive Officer Mr. Mats Berglund tendered his formal retirement notice and will offer himself for re-election at the 2021 AGM to serve on the Board until 30 July 2021. The Company has appointed Mr. Martin Fruergaard as his successor who will join the Board on 2 July 2021. Further details can be found in the Company's announcement dated 20 January 2021.

In addition, both Mr. Patrick Paul and Mr. Alasdair Morrison have indicated their intention to retire at the conclusion of the 2022 AGM if re-elected at the 2021 AGM. The Board intends to appoint Mr. Williamson as the Chairman of the Audit Committee with effect from the conclusion of the 2021 AGM.

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

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

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

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

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

- **Role of the INEDs**

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

- **Assessment of INEDs' Independence**

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

  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. However, given that Dr. Tikka occupies a non-executive role in both companies and she and Mr. Berglund each hold less than 1% of the number of 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.

  In addition, in light of Mr. Williamson's current position as an independent non-executive director of Hong Kong Exchanges and Clearing Limited (HKEX), in order to properly address any potential conflict of interest that may arise, Mr. Williamson will not be involved in any way in any communications with The Stock Exchange of Hong Kong Limited or the Securities and Future Commission in relation to any listing compliance matter of the Company as long as he remains a director of HKEX.

- **INEDs' Period of Office**

  The Board selects INEDs based on their qualification and experience and hence their ability to contribute to the affairs of the Group, and of overriding importance is their possession of a mindset that is independent and constructively challenges management's views. Although some INEDs do not necessarily have a shipping background, their familiarity with the business and the industry over the years has enabled them to contribute to the management of the risks involved as well as add to the diversity of the skills and perspectives of the Board. Independence from executive management is particularly important as the Group has no controlling shareholder. Continuity of the INEDs provides stability to the Board's decision-making process, compensating for any turnover in the executive management team. The Board believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities as referred earlier. The Board, however, recognises the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives. Over the last six years, a total of four INEDs have been appointed. The Board has and will continue to periodically seek new INEDs to join the Board so as to sustain its source of independent views.

Directors' Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills as required by the Code. With the assistance of the Company Secretary, all Directors receive updates on legal, compliance and regulatory issues of Hong Kong, updates on the industries and the markets in which the Group operates as well as updates on significant changes in financial accounting standards. Relevant reading materials were also identified by the Company Secretary during the year and records of training of all Directors have been provided to the Company Secretary.

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

Board Evaluation

The Board has carried out a self-assessment this year led by the Chairman by way of a questionnaire to evaluate its own performance during the year with an aim of ensuring continuous improvement in its functioning which in turn would influence and impact the business. Directors' feedback was analysed and discussed in meetings. The evaluation concluded that the Board operated effectively during the year.

The Board considers that its composition, size and structure are appropriate to the Group's business needs, reflecting a diversity of perspectives and a desirable combination of skills and experience. Succession planning continues to receive close monitoring and the Board will undertake appropriate recruitment having regard to the retirement plan of individual directors.

The Board and its members' responsibilities

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

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

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

Board Committees

The Board has established the Audit, Remuneration and Nomination Committees in accordance with the Code and all members of these three Board Committees are INEDs.

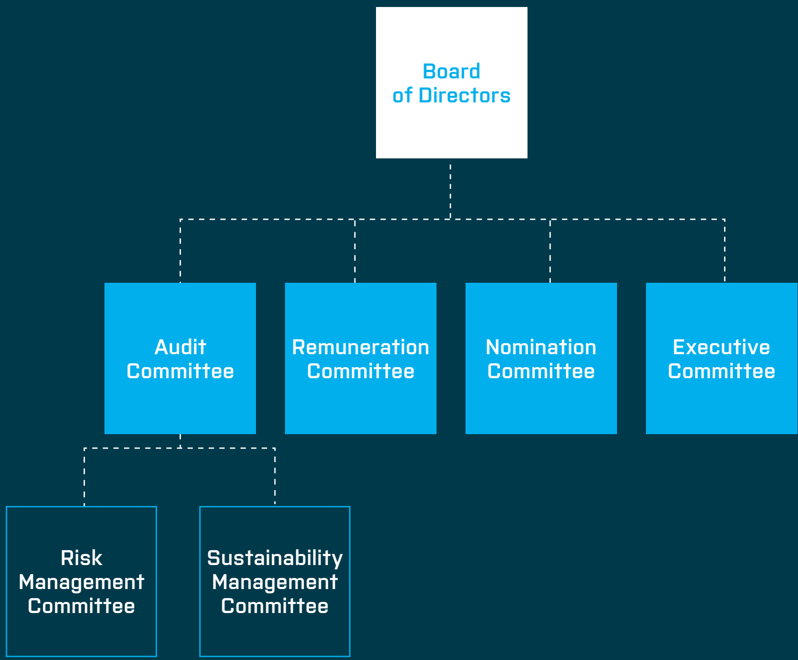
The Board also operates through an Executive Committee to streamline the decision-making process of the Company in certain circumstances. The terms of reference of these Board Committees are available on the Company's website.

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; and

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



Board, Board Committee and General Meetings in 2020

The meetings schedule of the Directors and Board Committees is planned a year in advance 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. The attendance of each Director at Board meetings, Committee meetings and general meeting in 2020 are set out below. The Board continued to record healthy attendance at Board and Board Committee meetings demonstrating strong commitment of the Directors in discharging their duties.

	Annual General Meeting	Board	Audit[1] Committee	Remuneration Committee	Nomination Committee
Executive Directors					
David M. Turnbull (Chairman)	1	5/5			
Mats H. Berglund (Chief Executive Officer)	1	5/5			
Peter Schulz (Chief Financial Officer)	1	5/5			
Independent Non-executive Directors					
Patrick B. Paul	0	5/5	4/4	2/2	2/2
Robert C. Nicholson	0	5/5	4/4	2/2	2/2
Alasdair G. Morrison	1	5/5	4/4		
Irene Waage Basili	0	5/5		2/2	2/2
Stanley H. Ryan	0	5/5		2/2	2/2
Kirsi K. Tikka	0	5/5	4/4		
John M.M. Williamson (appointed on 2 November 2020)		1/1	1/1		
Daniel R. Bradshaw (retired on 11 April 2020)	0	1/1	1/1		
Total number of meetings held in 2020	**1**	**5**	**4**	**2**	**2**

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

The Audit Committee

Membership

Chairman: Patrick B. Paul

Members: Robert C. Nicholson, Alasdair G. Morrison, Kirsi K. Tikka and John M.M. Williamson (since 2 November 2020)

Main Responsibilities

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

Work Done in 2020

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 2019 full year audit and the 2020 interim review and the audit strategy memorandum;
- review of the 2019 Annual Report and accounts and the 2020 interim report and accounts with a recommendation to the Board for approval;
- review of the Risk Management Committee reports including the internal audit work plan for 2020 and the testing results and the effectiveness of the risk management and internal control systems of the Group;
- review of the proposed changes to the terms of reference of the Audit Committee with a recommendation to the Board for approval;
- review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting function;
- approval of the terms of reference of the Sustainability Management Committee;
- review of the Sustainability Management Committee report, in particular the appropriateness of the environmental KPI targets; and
- review of the adequacy of the Group's marine related and other insurance covers.

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

The Remuneration Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili and Stanley H. Ryan, Daniel R. Bradshaw (until 8 April 2020)

Main Responsibilities

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

Work Done in 2020

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

- approval of the 2020 year-end bonuses, salary review for 2021 and restricted share awards for the Executive Directors and certain higher paid employees; and
- approval of the grant of restricted share awards to certain staff members; and
- made recommendation to the Board on the remuneration of Mr. Martin Fruergaard as the new CEO.

The Nomination Committee

Membership

Chairman: Robert C. Nicholson

Members: Patrick B. Paul, Irene Waage Basili and Stanley H. Ryan, Daniel R. Bradshaw (until 8 April 2020)

Main Responsibilities

1. Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendation on any proposed changes to the Board to complement the Group's corporate strategy.
2. Report to the Board on compliance with the Stock Exchange's rules and guidelines on Board composition from time to time.
3. Identify individuals suitably qualified to become Board members and make recommendation to the Board on the selection of individuals nominated for directorship.
4. Assess the independence of the Company's Independent Non-executive Directors.
5. Make recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer based on an evaluation of scope and responsibility of the position and the advice from external recruitment consultants if considered appropriate.

Work Done in 2020

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

- review of the structure, size and composition of the Board;
- review of the Board succession plan and update on the strategy of INED renewal program;
- review of the operation of the Board in the current pandemic situation and travel restriction;
- made recommendation to the Board on the appointment of Mr. John Williamson as a new INED; and
- conducted a search for suitable CEO candidates and identified and recommended to the Board the appointment of Mr. Martin Fruergaard as the new CEO and Executive Director.

The Executive Committee

Membership

Chairman: Chief Executive Officer

Members: Chairman of the Board, Chief Financial Officer and two senior executives

Main Responsibilities

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

Work Done in 2020

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

- announcement of the issue of new shares to fulfil the grant of restricted share awards to certain employees;
- closing revolving credit facilities of an aggregate of US$81 million;
- acquisition of four second-hand Ultramax vessels for an aggregate consideration of US$67 million for cash and the related announcement;
- disposal of four smaller and older Handysize vessels;
- announcement of the appointment of Mr. John Williamson as an INED with effect from 2 November 2020;
- the conversion price adjustment of the Group's convertible bonds due 2025 and the related announcement in April 2020; and
- announcement of further precautionary measures for the 2020 annual general meeting.

Risk Management & Internal Controls

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

Framework

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

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

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

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

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

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

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

- **Performance**
  The Group identifies, assesses and prioritises the risks that are most relevant to the Group's success according to their likelihood and impacts. Based on the risk assessment, mitigation plans or controls enhancement are developed and implemented by individual business units. The result of this process is reported to the Board by the RMC annually.

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

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

The Risk Management Committee

Membership

Chairman: Mats H. Berglund

Members: Chief Financial Officer, Director of Chartering, Director of Risk, Risk and Internal Audit Manager

Main Responsibilities

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

Work Done in 2020

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:

- audit and review internal controls based on the audit plan;
- 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;
- report to the Audit Committee the management of the marine related and other insurances;
- report by way of deep dive review to the Board the management of vessel sales and purchase;
- assist in the enhancement of the Group's Environmental, Social and Governance (ESG) Reporting in light of the upgraded ESG Guide of the HKEX;
- conduct in-house anti-bribery training for shore-based employees to further bolster the Group's anti-corruption culture;
- conduct business continuity drills and webinars to simulate a situation of business disruption in the event of a shutdown of essential IT systems;
- review and assess the impact of Covid-19 pandemic on our business;
- review and assess the impact of Hong Kong political instability on our business; and
- review and assess the potential impact of the suspension of the US-Hong Kong reciprocal tax exemption on shipping income.

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 risk profile and related mitigating measures, new risks and other proposal in risk management are evaluated and documented in the Group's risk register. The impact of risks, mitigants and recommendations are communicated to the relevant business divisions.

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

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

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What We Do

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Investor Relations
Survey Feedback

Effectiveness of the Risk Management and Internal Control Systems

The RMC reports at least twice a year to the Audit Committee which regularly assesses the effectiveness of the risk management and internal control systems as the Group develops. Such systems are crucial for the fulfillment of the Group's business objectives. The Audit Committee reviews how management designs, implements and monitors those systems, the findings, recommendations and 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 2020, the Board, with confirmation from management, considers the risk management and internal control systems effective and adequate. No significant areas of concern were identified.

Sustainability Management

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

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

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

Sustainability Governance

The Board is responsible among other things for 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 Stock Exchange's Rules governing the listing of securities.

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

The Board delegates to the Audit Committee (now comprising five Independent Non-executive Directors) more specific responsibility for reviewing the effectiveness of the Group's sustainability initiatives, and reviewing the work of the Sustainability Management Committee ("SMC").

SMC Formed in 2020

The Group's SMC was formed in 2020 and comprises the CEO, CFO and six senior executives from different functions. It will report to the Audit Committee at least twice a year, and is responsible for reviewing, assessing and enhancing the Group's sustainability policies, strategies and performance, and ensuring the Group is in full compliance with ESG requirements. This approach affirms and enables the Group's commitment to sustainability, and ensures that members with different backgrounds and expertise are represented to deliver meaningful outcomes.

In 2020, the SMC met three times and reported to the Audit Committee on work done during the year.

Day-to-day Implementation

Day-to-day execution of sustainability initiatives and sustainable business practice lies with managers across the business, most notably the Fleet Director (supported by his senior managers covering technical operations, fleet personnel and risk, safety & security), the Commercial Operations Director, the CFO and the Human Resources and Administration Director.

The Sustainability Management Committee

Membership

Chairman: Chief Financial Officer

Members: Chief Executive Officer, Director of Chartering, Director of Operations, Director of Fleet Management, Director of Group HR & Admin, Director of Corporate Affairs, Director of Risk, Manager of Risk Management

Main Responsibilities

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

Work Done in 2020

The SMC met three times during the year and reported to the Audit Committee on the Group's sustainability programme and performance. The work undertaken included:

- review and discussion about the materiality assessment of ESG topics and risks with reference to the Company's strategy and industry relevance;
- review of the proposed environmental KPI targets and steps to achieve them with a recommendation to the Board for approval;
- review and assessment of opportunities for carbon offsetting in the shipping industry;
- reviewed and recommended enhanced supply chain ESG management initiatives; and
- review of the terms of reference of the Sustainability Management Committee.

Sustainability Report Page 12
Sustainability Governance

Compliance with ESG Guide

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

2030 Environmental KPI Targets

In 2020, to support the Group's long-term sustainability strategy and to comply early with new requirements of the ESG Guide, SMC implemented environmental KPI targets endorsed by the Board, details of which can be found in Pacific Basin's Sustainability Report. Setting and disclosing these targets is key to improving the Group's ESG performance and the overall sustainability of its business.

Sustainability Report Page 13
2030 Environmental KPI Targets

Handling Inside Information

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

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

Directors – Remuneration and Share Ownership

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

Directors' Securities Transactions

The Board of Directors has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 of the Listing Rules (the "Model Code").

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

Senior Management and Staff's Securities Transactions

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

Having made specific enquiry, the Board confirms that all senior managers and staff who have been notified and provided with the Dealing Rules have fully complied with the required standards set out in the Dealing Rules during the year except that one senior manager traded in the Company's securities during an eligible period prior to the receipt of the written approval from the Company. The senior manager was given a letter explaining the gravity of such a breach of the Dealing Rules and was reminded that prior written approval must be received before such transactions can proceed.

Auditor's Remuneration

Remuneration paid to the Group's external auditor, for services provided for the year ended 31 December 2020 is as follows:

		US$'000
Audit	Non-audit	Total
762	61	823

Our Shareholders

Details of shareholder type and shareholding can be found on page 59 of this Annual Report.

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Investor Relations
Our shareholding structure

Shareholder Communications Policy

The Company has established a Shareholder Communications Policy with the objective of enabling shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company. The Board of Directors has the responsibility to review the Policy regularly to ensure its effectiveness. Details of the Policy can be found on the Company's website.

www.pacificbasin.com
Sustainability > Corporate Governance

Shareholders Meeting

The Company held one general meeting during the reporting year.

The annual general meeting was held on 8 April 2020 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 2019;
- declaration of a final dividend of HK2.1 cents per share for the year ended 31 December 2019.
- re-election of Directors;
- authorising the Board to fix Directors' remuneration;
- re-appointment of Messrs. PricewaterhouseCoopers as auditor for the year ended 31 December 2020 and authorising the Board to fix their remuneration;
- granting a general mandate to issue shares; and
- granting a general mandate to buy back shares.

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

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

Public Float

At the date of this Annual Report, based on information that is publicly available to the Company and within the knowledge of the Directors, approximately 98.35% of the Company's total issued share capital is held by the public.

Shareholders' Rights

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

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

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

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

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

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

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

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

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Corporate Information

* Please refer to page 104 for the Company's registered office and principal office addresses

Planned Financial Calendar in 2021

25 February	2020 annual results announcement
12 March	2020 Annual Report
13 April	First quarter 2021 trading update
12-15 April	Book closure for determining entitlement to attend and vote at the AGM
15 April	Annual General Meeting
29 July	2021 interim results announcement
13 October	Third quarter 2021 trading update

Our Directors

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

Executive Directors

1 David M. Turnbull (age 65)

Chairman

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

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

Term of office:
Appointed INED in May 2006

Appointed Chairman in January 2008 and Executive Director in July 2008

Current term expires at the 2023 AGM

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

Committee membership:
Executive Committee

2 Mats H. Berglund (age 58)

Chief Executive Officer

Mr. Berglund joined Pacific Basin as Chief Executive Officer in 2012. He previously served with Swedish family owned conglomerate Stena 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. Between March 2011 and May 2012, he served as chief financial officer and chief operating officer at Chemoil Energy, a Singapore-listed global trader of marine fuel products.

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

Advanced Management Program at Harvard Business School in 2000

Term of office:
Appointed Executive Director in June 2012
Current term expires at the 2021 AGM

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

INED of New York-listed Ardmore Shipping Corporation

Committee membership:
Chairman of Executive Committee

3 Peter Schulz (age 48)

Chief Financial Officer

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

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

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

Term of office:
Appointed Executive Director on 30 July 2018

Current term expires at the 2022 AGM

External appointments:
None

Committee membership:
Executive Committee

Independent Non-executive Directors

4 Patrick B. Paul (age 73)

Independent Non-executive Director

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

Education & qualifications:
Oxford University: Master of Arts degree

Fellow of the Institute of Chartered Accountants in England and Wales

Term of office:
Appointed INED in March 2004

Current term expires at the 2021 AGM

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

Committee membership:
Chairman of Audit Committee

Remuneration and Nomination Committees

5 Robert C. Nicholson (age 65)

Independent Non-executive Director

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

Education & qualifications:
University of Kent

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

Term of office:
Appointed INED in March 2004
Current term expires at the 2022 AGM

External appointments:
None

Committee membership:
Chairman of Remuneration and Nomination Committees

Audit Committee

6 Alasdair G. Morrison (age 72)

Independent Non-executive Director

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

Education & qualifications:
Cambridge University: Master of Arts degree

Program for Management Development at Harvard Business School

Term of office:
Appointed INED in January 2008

Current term expires at the 2021 AGM

External appointments:
Senior advisor of Bain Capital Asia

Committee membership:
Audit Committee

7 Irene Waage Basili (age 53)

Independent Non-executive Director

Mrs. Basili held various managerial positions in the shipping industry, including Western Bulk Carriers Holding ASA. From 1999 to 2007 she held positions in Wallenius Wilhelmsen Logistics, first as a manager of contracting and strategy and later as commercial director in 2004. From 2007 to 2011, Mrs. Basili 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 2008 to 2014, the chief executive officer of GC Rieber Shipping from March 2011 to April 2017, a director and 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 INED in May 2014

Current term expires at the 2023 AGM

External appointments:
Chief executive officer of Shearwater Geoservices

Committee membership:
Remuneration and Nomination Committees

8 Stanley H. Ryan (age 59)

Independent Non-executive Director

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

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

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

Term of office:
Appointed INED in July 2016

Current term expires at the 2022 AGM

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

Senior advisor of McKinsey & Company

Committee membership:
Remuneration and Nomination Committees

9 Kirsi K. Tikka (age 64)

Independent Non-executive Director

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 INED in September 2019

Current term expires in September 2022

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

Committee membership:
Audit Committee

10 John M.M. Williamson (age 62)

Independent Non-executive Director

Mr. Williamson held senior roles with NatWest Securities and was managing director and head of infrastructure & operational risk in Morgan Stanley Asia before joining Search Investment Group in 2007 where he became its senior managing director from 2012 to 2018. Mr. Williamson has been an independent non-executive director of Hong Kong Exchanges and Clearing Limited ("HKEX") since 2008 and is currently the chairman of its board risk committee and a member of its board executive, audit, corporate social responsibility, remuneration, and risk management committees.

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

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 INED in November 2020

Current term expires in November 2023 subject to re-election at the 2021 AGM

External appointments:
INED of Hong Kong-listed HKEX and Nasdaq-listed Provident Acquisition Corp.

Non-executive chairman of UK Tote Group Limited

Committee membership:
Audit 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 51 to 52 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 343 shore-based staff at 31 December 2020 (2019: 345) and over 4,100 seafarers during the year (2019: 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 and therefore imposing straight financial measures for both salary adjustments and bonus determination would likely provide less meaningful and less predictable incentives and, as such, is not considered appropriate. The Board seeks to obtain a balance of all the above mentioned factors.

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

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

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

Remuneration for the Years Ended 2020 and 2019

31 December 2020	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension US$'000	Total payable US$'000	Share-based compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	395	33	2	430	260	690
Mats H. Berglund	–	1,096	115	2	1,213	606	1,819
Peter Schulz	–	533	66	2	601	311	912
	–	2,024	214	6	2,244	1,177	3,421
Independent Non-executive Directors							
Patrick B. Paul	116	–	–	–	116	–	116
Robert C. Nicholson	109	–	–	–	109	–	109
Alasdair G. Morrison	103	–	–	–	103	–	103
Irene Waage Basili	103	–	–	–	103	–	103
Stanley H. Ryan	103	–	–	–	103	–	103
Kirsi Kyllikki Tikka	103	–	–	–	103	–	103
John M.M. Williamson [1]	17				17		17
Daniel R. Bradshaw[2]	28	–	–	–	28	–	28
	682	–	–	–	682	–	682
Total Directors' remuneration	682	2,024	214	6	2,926	1,177	4,103
Other Employees	–	143,143[4]	5,293	3,158	151,594	4,404	155,998
Total remuneration	682	145,167	5,507	3,164	154,520	5,581	160,101

31 December 2019	Directors fee US$'000	Salaries US$'000	Bonuses US$'000	Pension US$'000	Total payable US$'000	Share-based compensation US$'000	Total payable and charged US$'000
Executive Directors							
David M. Turnbull	–	391	50	2	443	259	702
Mats H. Berglund	–	1,088	260	2	1,350	598	1,948
Peter Schulz	–	517	190	2	709	340	1,049
	–	1,996	500	6	2,502	1,197	3,699
Independent Non-executive Directors							
Patrick B. Paul	113	–	–	–	113	–	113
Robert C. Nicholson	106	–	–	–	106	–	106
Alasdair G. Morrison	100	–	–	–	100	–	100
Daniel R. Bradshaw	100	–	–	–	100	–	100
Irene Waage Basili	100	–	–	–	100	–	100
Stanley H. Ryan	100	–	–	–	100	–	100
Kirsi Kyllikki Tikka [3]	27	–	–	–	27	–	27
	646	–	–	–	646	–	646
Total Directors' remuneration	646	1,996	500	6	3,148	1,197	4,345
Other Employees	–	135,732[4]	5,654	3,001	144,387	4,641	149,028
Total remuneration	646	137,728	6,154	3,007	147,535	5,838	153,373

Note:

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

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

(3) Dr. Tikka was appointed as an Independent Non-executive Director on 2 September 2019.

(4) Salaries of Other Employees includes crew wages and other related costs of US$109.5 million (2019: US$104.5 million), which are classified as cost of services in the income statement.

For the year 2020, the five individuals whose emoluments were the highest in the Group were the three Executive Directors and two employees (2019: two Executive Directors and three employees). The emoluments of the highest paid individuals who are not Executive Directors are set out below and fell within the following bands.

	2020 US$'000	2019 US$'000
Salaries	732	1,008
Bonuses	171	353
Pension	133	199
Total Payable	1,036	1,560
Share-based compensation	350	731
Total payable and charged	1,386	2,291

Emolument bands	2020	2019
HK$5,000,001 to HK$5,500,000	1	0
HK$5,500,001 to HK$6,000,000	1	1
HK$6,000,001 to HK$6,500,000	0	2

During the year, the Group did not pay the Directors any inducement to join or upon joining the Group. No Directors waived or agreed to waive any emoluments during the year.

Accounting Policies on Employee Benefits

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 these 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 the 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 a 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 2020.

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

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

The business review of the Group for the year ended 31 December 2020 is set out on pages 1 to 19 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 2020 is set out in the "Sustainability Highlights" section of this Annual Report and a comprehensive Sustainability Report 2020 is available on our website.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 61. In view of the Group's reported net loss for the year ended 31 December 2020, the Board recommends not to pay out a dividend.

Distributable Reserves

Distributable reserves of the Company at 31 December 2020, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US$9.9 million.

Donations/Sponsorships

Charitable and other donations and sponsorships made by the Group during the year amounted to US$39,000.

Share Capital and Pre-emptive Rights

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

During the reporting year, a total of 74,979,762 ordinary shares were issued which include (i) an aggregate of 51,793,762 shares issued to Helmstar Shipping S.A. and Ever Bright Shipping S.A. and Keishin Kaiun Co., Ltd. in March 2020 as partial consideration upon delivery of their two vessels to the Group pursuant to the vessel acquisition contracts entered into and announced by the Company in September 2019; and (ii) 23,186,000 shares issued in March 2020 to fulfil the granting of the Company's restricted awards under the Company's 2013 Share Award Scheme.

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

Convertible Bonds

Details of the convertible bonds issued by the Group are set out in Note 22(b) to the financial statements.

Purchase, Sale or Redemption of Securities

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

2013 Share Award Scheme ("SAS")

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

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

Maximum Number of Shares

The total number of shares which may be or already have been issued by the Company or transferred to the trustee of the SAS in satisfaction of the Awards granted under the SAS must not, in aggregate, exceed 10% of the issued share capital of the Company as at the first date of each financial year during the term of the SAS (equivalent to 478,887,127 shares as at 1 January 2021). There were 77,209,000 unvested restricted awards under the SAS which represents 1.61% of the issued share capital of the Company as at 25 February 2021.

Vesting of Awards

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

Limit for Each Eligible Participant

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

New Shares to be Issued

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

Procedure of Granting Restricted Awards

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

Awards Granted

Details of the grant of long-term incentives and the history and movements of the outstanding incentives under the SAS during the year ended 31 December 2020 are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 31 Dec 2020	Unvested at 1 Jan 2020	Granted during the year [1]	Vested and/or lapsed [2]	Vesting in 2021	Vesting in 2022	Vesting in 2023
Directors										
David M. Turnbull	5-Aug-08	11,231	(7,524)	3,707	4,048	1,249	(1,590)	1,180	1,278	1,249
Mats H. Berglund	1-Jun-12	24,322	(15,623)	8,699	9,391	2,931	(3,623)	2,768	3,000	2,931
Peter Schulz	21-Aug-17	7,982	(3,443)	4,539	4,005	1,683	(1,149)	1,168	1,688	1,683
		43,535	(26,590)	16,945	17,444	5,863	(6,362)	5,116	5,966	5,863
Other Employees				60,264	64,246	25,006	(28,988)	18,856	20,519	20,889
				77,209	81,690	30,869	(35,350)	23,972	26,485	26,752

Notes:

(1) the closing price of the shares of the Company immediately before the grant of 29,544,000 on 3 March 2020 and 1,325,000 on 21 December 2020 were HK$1.23 and HK$1.46 respectively.

(2) 29,037,000 shares vested in July 2020 according to the vesting schedule. In addition, 3,131,000 shares vested due to the retirement of one employee and 3,182,000 shares lapsed due to the resignation of four employees.

Directors

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

	Date of Appointment	Term of Appointment
Executive Directors		
David M. Turnbull, Chairman	17 May 2006	3 years until 2023 AGM
Mats H. Berglund, CEO	01 June 2012	3 years until 2021 AGM
Peter Schulz, CFO	30 July 2018	3 years until 2022 AGM
Independent Non-executive Directors		
Patrick B. Paul	25 March 2004	3 years until 2021 AGM
Robert C. Nicholson	25 March 2004	3 years until 2022 AGM
Alasdair G. Morrison	01 January 2008	3 years until 2021 AGM
Irene Waage Basili	01 May 2014	3 years until 2023 AGM
Stanley H. Ryan	05 July 2016	3 years until 2022 AGM
Kirsi K. Tikka	02 September 2019	3 years until September 2022
John M.M. Williamson	02 November 2020	3 years until November 2023, subject to re-election at the 2021 AGM

Notes:

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

In accordance with the Company's Bye-law 86(2), Mr. John M.M. Williamson who was appointed by the Board during the year shall retire at the 2021 AGM. In addition, Messrs. Mats H. Berglund, Patrick B. Paul, Alasdair G. Morrison and Stanley H. Ryan shall retire at the 2021 AGM by rotation pursuant to the Company's Bye-laws 87(1) & (2). All retiring directors, being eligible, offer themselves for re-election. Executive Director and Chief Executive Officer Mr. Mats Berglund has tendered formal retirement notice in January 2021 and will offer himself for re-election at the 2021 AGM, and if re-elected, to serve on the Board until 30 July 2021. It is proposed that both Mr. Patrick Paul and Mr. Alasdair Morrison will retire at the conclusion of the 2022 AGM if re-elected at the 2021 AGM.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming 2021 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transaction, Arrangement and Contracts

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

Director's Indemnities

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

Biographical Details of Directors

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

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 2020, 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 2020	31 Dec 2019
David M. Turnbull [1]	8,726,000	3,955,190[2]	Long	12,681,190	0.26%	0.22%
Mats H. Berglund [1]	22,322,000	0	Long	22,322,000	0.47%	0.41%
Peter Schulz [1]	7,982,000	129,000[3]	Long	8,111,000	0.17%	0.14%
Patrick B. Paul	380,000	0	Long	380,000	less than 0.01%	less than 0.01%
Alasdair G. Morrison	0	1,674,380[4]	Long	1,674,380	0.03%	0.00%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 54 of this Report.

(2) 3,118,000 shares and another 837,190 shares in the form of convertible bonds due 2025 at nominal value of US$250,000 are held respectively by two trusts of which Mr. Turnbull is a beneficiary.

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

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

All the interests stated above represent long positions. No short positions and shares under equity derivatives held by Directors were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2020.

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2020, 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 2020	31 Dec 2019
M&G Plc	Interest of corporation controlled	Long	347,764,000	7.26%	Not applicable
Pzena Investment Management, LLC	Investment manager/ Beneficial owner	Long	327,295,435	6.83%	Not applicable
Citigroup Inc.[1]	Interest of corporation controlled/ Approved lending agent	Long Short	286,503,011 5,465,857	5.98% 0.11%	5.53% 0.05%
Aggregate of Standard Life Aberdeen plc affiliated investment management entities	Investment manager	Long	244,203,500	5.10%	Not applicable
Invesco Asset Management Limited	Investment manager	Long	239,877,000	5.01%	Not applicable

Notes:

(1) The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (5,470,754 shares) and Approved lending agent (281,032,257 shares).

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at 31 December 2020, 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.

Management Contracts

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

Major Customers and Suppliers

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

Connected Transactions

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

Compliance with the Corporate Governance Code

Throughout the year, the Group has been fully compliant with all code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report.

Audit, Remuneration, Nomination, Executive and Risk Management Committees

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

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming 2021 AGM.

Public Float

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has complied with the Listing Rules requirement to have at least 25% of the Company's total issued share capital held by the public.

By Order of the Board

Mok Kit Ting, Kitty

Company Secretary

Hong Kong, 25 February 2021

Investor Relations

Creating Value for Shareholders

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

We are social distancing during Covid-19, but we don't let that interfere with our business or our engagement with stakeholders. In April 2020, we organised a virtual call to explain the new TCE reporting presentation with analyst. In September 2020, we held our first virtual Investor Day. We presented and answered questions about our customer-focused business model, the dry bulk market and challenges during the Covid pandemic, and commercial and technical management of our owned ships. It was a great opportunity to convey a deeper understanding of our business and engage online with many investors around the world.

During the year, we received six awards for investor relations and corporate governance including Best IR Company and Best Annual Report in our region and sector. We are grateful for all these votes of confidence cast by the investment community in recognition of our commitment to transparent and responsible business practices and accountability to our shareholders.

www.pacificbasin.com
About Us > Awards

Stakeholder Engagement

We proactively engage with a broad range of institutional and retail investors as well as media and other interest groups.

Communication Channels

We believe that the transparency stimulated by active stakeholder engagement builds recognition of our brand and ultimately enhances shareholder value. We facilitate engagement through several channels:

Financial Reporting

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

www.pacificbasin.com/ar2020
Interactive Online Annual Report and Feedback Form

Shareholder Meetings and Hotlines

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

tel: +852 2233 7000

e-mail: ir@pacificbasin.com

Investor Perception Studies

We conduct annual consultation of investors and analysts for feedback on our group strategy, executive management team, reporting and our corporate communications, investor relations and ESG programmes by way of telephone and online surveys.

Vessel Tours

Ship visits for analysts, investors, bankers, press and guests are organised during vessel port calls, dry-dockings or at ship naming ceremonies.

Roadshows and Investor Day

Roadshows are conducted following results announcements and trading updates. In September 2020, we held our first virtual Investor Day.

Investor Meetings

In 2020, we talked to 524 (2019: 746) shareholders and investors.

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, especially after results announcements. A significant number of key brokers publish reports on the Group.

Company Website – www.pacificbasin.com

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

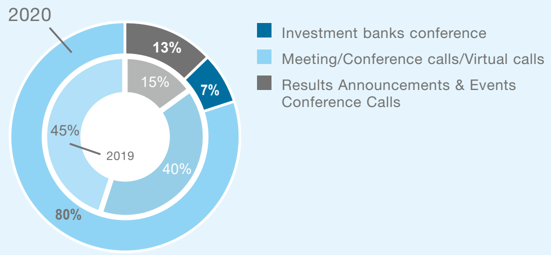
- Group profile
- Fleet profile
- Strategic and business models
- Service highlights for customers
- Board of Director's biographical data
- Board Committees' Terms of Reference
- Governance, risk management and sustainability
- Financial reports and company news
- Financial information excel downloads
- 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

Type of Investor Meetings



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

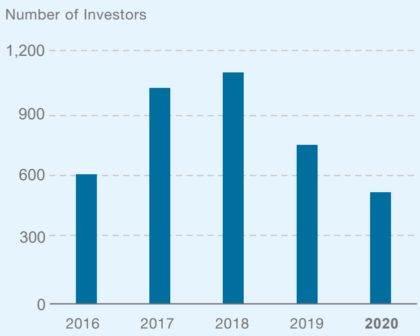
KPIs Measuring Investor Relations Performance KPI

Investor Engagement – 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.

10 analysts covered Pacific Basin in 2020 (2019: 10)

43 research reports on Pacific Basin in 2020 (2019: 50)

Number of Investors We Engaged



Investor Perception Studies – We gauge feedback on our Annual Report, management team, investor relations programme, corporate governance and group strategy through an annual written, online and verbal investor study.

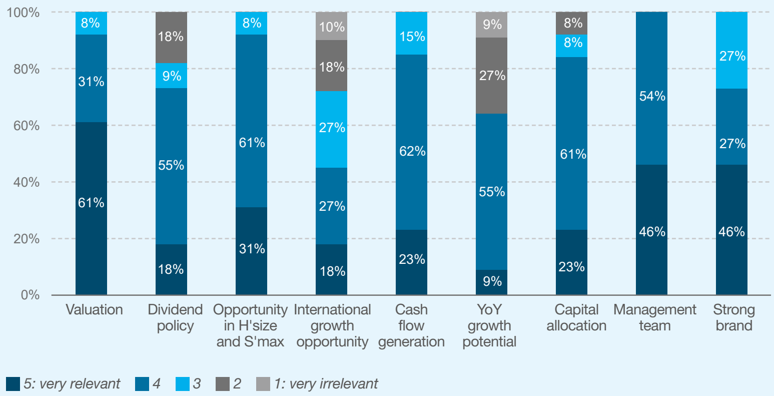
Our 2020 Investor Perception Study, all respondents consider Pacific Basin management to be good at articulating strategy, and agree that we effectively communicate management's plans to address the Company's strategic challenges. This year, we also asked the investors for views on our ESG development and board diversity.

Key Investor Concerns in 2020

- Covid-19 impact on dry bulk market and crew change matters
- IMO 2020 and new greenhouse gas emission regulations on shipping and our strategy to address them
- Demand and supply balance
- Freight rate seasonality and sustainability
- Impact of trade disputes on dry bulk trade
- Our fleet expansion plan

Feedback extracted from 2020 Investor Perception Study:

Most Compelling Reasons for Investing in Pacific Basin



100% of respondents consider Pacific Basin management good at articulating strategy

100% of respondents agree that we effectively communicate plans to address strategic challenges

Share and Convertible Bond Information

The Company's Shares and Convertible Bonds in issue at 31 December 2020:

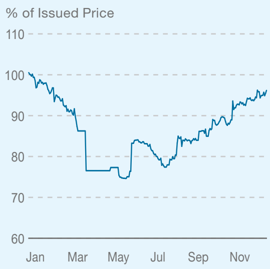
- 4,788,871,272 ordinary shares, each with a par value of US$0.01
- US$175 million of 3.0% coupon Convertible Bonds due 2025

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

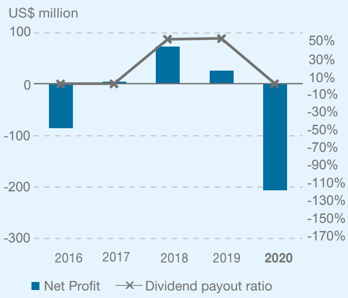
Page 103
Market Capitalisation

PB Share Price Performance vs Hang Seng Index in 2020

Convertible Bonds Due 2025 Price Performance in 2020



Net Profit and Dividend Payout Ratio

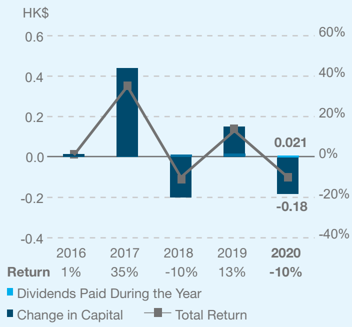


Shareholder Return and Dividend

Our goal is to create long-term value for our shareholders over the shipping cycle by way of both appreciation in share price and dividends. In 2020, our total shareholders' return was -10%.

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

Total Shareholders' Return

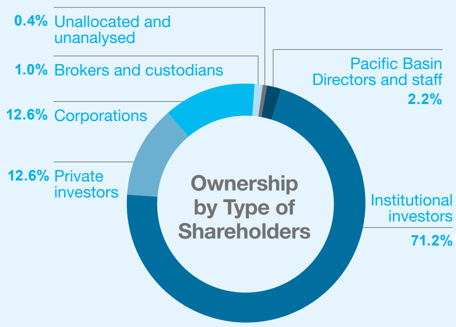


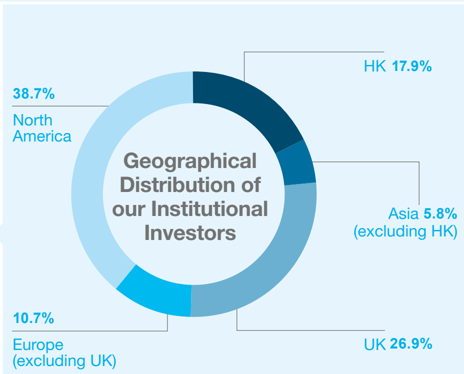
Our Shareholders

As at 31 December 2020, Nasdaq was able to analyse the ownership of about 99.93 % of the Company's share capital. Institutional Investors still accounted for the largest portion of the Company's shareholder base, owning nearly 3.41 billion shares or 71.16% of our share capital.

We were able to identify 2,330 shareholders as at 31 December 2020. 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 ISC
<=500	167	7.17%	4,190	0.00%
501-1,000	28	1.20%	26,216	0.00%
1,001-100,000	608	26.09%	31,212,575	0.65%
100,001-500,000	935	40.13%	215,712,614	4.50%
>=500,001	592	25.41%	4,541,915,677	94.85%
Total	**2,330**	**100.00%**	**4,788,871,272**	**100.00%**





We Welcome Both Institutional Investors and Retail Investors

We listen carefully to the views and feedback we receive from all investors. About 71% of our shareholders are institutional investors, while 13% are private or retail investors who hold our shares through brokers and custodians.

A Q&A and dialogue with our Board of Directors is arranged at our Annual General Meeting for the benefit of any investors who choose to attend.

Live webcast and audio calls of our results announcements are streamed on our website, enabling overseas investors, media and the public to listen in to our presentations and ask questions. An archive of calls and transcripts is available on our website.

Our Bondholders

Our bondholders comprise a range of institutional investors including portfolio fund managers, fixed income, mutual and equity fund holders, as well as private investors.

Group Performance Review

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

US$ Million	Note	2020	2019	Change*
Revenue		**1,470.9**	1,585.9	-7%
Bunker, port disbursement & other voyage costs		**(702.6)**	(720.2)	+2%
Time-charter equivalent ("TCE") earnings	1	**768.3**	865.7	-11%
Owned vessel costs				
Operating expenses	2	**(174.6)**	(167.4)	-4%
Depreciation	3	**(125.3)**	(127.5)	+2%
Net finance costs	4	**(33.4)**	(32.2)	-4%
Chartered vessel costs				
Non-capitalised charter costs	5	**(358.8)**	(417.1)	+14%
Capitalised charter costs	5	**(33.9)**	(38.9)	+13%
Operating performance before overheads		**42.3**	82.6	-49%
Adjusted total G&A overheads	6	**(61.2)**	(61.2)	0%
Taxation and others		**(0.5)**	(0.9)	+44%
Underlying (loss)/profit		**(19.4)**	20.5	>-100%
Vessel impairment	7	**(199.6)**	–	
Closed-out gains on fuel price hedges	8	**8.3**	–	
Unrealised derivative income	9	**4.3**	7.8	
Disposal loss of vessels	10	**(1.8)**	(5.1)	
Write-back of provisions		**–**	1.9	
(Loss)/profit attributable to shareholders		**(208.2)**	25.1	>-100%
EBITDA		**184.7**	230.7	-20%
Net profit margin		**(14%)**	2%	-16%
Return on average equity employed		**(18%)**	2%	-20%

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

Notes

1. Total time-charter equivalent ("TCE") earnings decreased by 11% mainly reflecting weaker market conditions in the first half of the year.
2. Total operating expenses of our owned vessels increased by 4% due to higher crew travel costs and delivery costs of stores and spares during the Covid pandemic.
3. Depreciation of our owned vessels decreased by 2% mainly as a result of the impairment of our Handysize fleet made in June 2020.
4. Net finance costs are substantially unchanged.
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. Overall charter costs reduced mainly due to weaker market conditions in the first half of the year.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount is substantially unchanged.
7. As a result of the significant reduction in market freight rates and the uncertain market outlook in the first half of the year, one-off non-cash impairments on the Group's Handysize core fleet were made.
8. The closed-out gains mainly relate to the bunker swap contracts entered into since 2018 to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that have been fitted with scrubbers. As the spread has reduced significantly, all contracts were closed out in the first half of 2020 locking in the gains on the position.
9. The unrealised derivative income mainly represents the positive mark-to-market on our regular bunker swap contracts.
10. The loss relates to disposal of our smaller, older Handysize vessels.

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

Pages 61 to 98 comprise the audited financial statements

Financial Statements

Consolidated Income Statement

	Note	2020 US$'000	2019 US$'000
		For the year ended 31 December	
Revenue	4, 15	**1,470,932**	1,585,900
Cost of services	5, 15	**(1,434,059)**	(1,513,427)
Gross profit		**36,873**	72,473
Vessel impairment	5	**(199,604)**	(1,513)
Indirect general and administrative overheads	5	**(6,112)**	(6,040)
Other income and gains	6	**1,427**	1,867
Other expenses	5	**(2,100)**	(3,585)
Finance income	7	**2,979**	5,716
Finance costs	7	**(39,657)**	(42,681)
(Loss)/profit before taxation		**(206,194)**	26,237
Tax charges	8	**(2,034)**	(1,113)
(Loss)/profit attributable to shareholders		**(208,228)**	25,124
Earnings per share for (loss)/profit attributable to shareholders (in US cents)			
Basic earnings per share	10(a)	**(4.45)**	0.55
Diluted earnings per share	10(b)	**(4.45)**	0.54

Consolidated Statement of Comprehensive Income

	2020 US$'000	2019 US$'000
	For the year ended 31 December	
(Loss)/profit attributable to shareholders	**(208,228)**	25,124
Other comprehensive income Items that may be reclassified to income statement		
Cash flow hedges		
– fair value losses	**(5,936)**	(7,010)
– transferred to income statement	**(1,738)**	2,068
Currency translation differences	**805**	85
Total comprehensive (loss)/income attributable to shareholders	**(215,097)**	20,267

Consolidated Balance Sheet

	Note	As at 31 December 2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,665,242**	1,875,352
Right-of-use assets	12	**65,778**	77,835
Subleasing receivables	13	**–**	1,915
Goodwill	14	**25,256**	25,256
Derivative assets	16	**4,026**	1,464
Trade and other receivables	17	**4,947**	25,487
Restricted bank deposits	18	**51**	51
		1,765,300	2,007,360
Current assets			
Inventories	19	**78,095**	90,381
Subleasing receivables	13	**1,915**	6,692
Derivative assets	16	**15,410**	2,495
Trade and other receivables	17	**77,898**	82,714
Assets held for sale	20	**16,136**	4,400
Cash and deposits	18	**234,773**	200,193
		424,227	386,875
Total assets		**2,189,527**	2,394,235
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	24	**47,490**	47,039
(Accumulated losses)/retained profits	25	**(11,330)**	208,698
Other reserves	25	**1,028,349**	1,020,195
Total equity		**1,064,509**	1,275,932
LIABILITIES			
Non-current liabilities			
Borrowings	22	**775,149**	736,101
Lease liabilities	23	**50,089**	53,770
Derivative liabilities	16	**13,564**	13,090
Trade and other payables	21	**895**	2,123
		839,697	805,084
Current liabilities			
Borrowings	22	**88,736**	127,050
Lease liabilities	23	**26,744**	39,137
Derivative liabilities	16	**7,667**	1,937
Trade and other payables	21	**161,366**	143,949
Taxation payable		**808**	1,146
		285,321	313,219
Total liabilities		**1,125,018**	1,118,303

Approved by the Board of Directors on 25 February 2021.

Mats H. Berglund
Director

Peter Schulz
Director

Consolidated Statement of Changes in Equity

	Note	For the year ended 31 December 2020 US$'000	2019 US$'000
At 1 January		**1,275,932**	1,231,209
Change in accounting policy		**–**	(4,371)
Restated total equity at 1 January		**1,275,932**	1,226,838
Total comprehensive (loss)/income attributable to shareholders		**(215,097)**	20,267
Transactions with owners in their capacity as owners			
Shares issued as Vessel Consideration Shares, net of issuing expenses	24(a)	**11,917**	38,650
Dividends paid	9	**(12,894)**	(21,825)
Share-based compensation		**5,581**	5,838
Shares purchased by trustee of the SAS	24(b)	**(930)**	(1,279)
Derecognition of equity component upon redemption and cancellation of convertible bonds		**–**	(5,678)
Equity component of convertible bonds issued		**–**	13,121
At 31 December		**1,064,509**	1,275,932

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2020 US$'000	2019 US$'000
Operating activities			
Cash generated from operations	26(a)	**221,985**	217,514
Taxation paid		**(2,372)**	(487)
Net cash generated from operating activities		**219,613**	217,027
Investing activities			
Purchase of property, plant and equipment		**(102,031)**	(183,984)
Disposal of property, plant and equipment		**3,426**	9,184
Additions of assets held for sale		**(1,397)**	–
Disposal of assets held for sale		**6,717**	6,276
Receipt of subleasing receivables – principal element	13	**6,692**	6,401
Subleasing receivables interest received	7	**116**	252
(Increase)/decrease in term deposits		**(8,500)**	12,500
Bank interest received	7	**2,863**	5,464
Decrease in restricted bank deposits		**–**	7
Net cash used in investing activities		**(92,114)**	(143,900)
Financing activities			
Drawdown of bank loans and other borrowings	26(b)	**245,852**	316,676
Repayment of bank loans and other borrowings	26(b)	**(257,396)**	(458,681)
Interest on borrowings and other finance charges paid		**(31,259)**	(35,696)
Repayment of lease liabilities – principal element	23	**(41,549)**	(44,717)
Interest on lease liabilities paid	7	**(3,396)**	(5,022)
Dividends paid	9	**(12,894)**	(21,825)
Payment for shares purchased by trustee of the SAS	24(b)	**(930)**	(1,279)
Proceeds from issuance of new convertible bonds, net of issuing expenses		**–**	173,398
Payment for redemption and cancellation of convertible bonds		**–**	(125,000)
Net cash used in financing activities		**(101,572)**	(202,146)
Net increase/(decrease) in cash and cash equivalents		**25,927**	(129,019)
Exchange gains/(losses) on cash and cash equivalents		**153**	(32)
Cash and cash equivalents at 1 January		**200,193**	329,244
Cash and cash equivalents at 31 December	18	**226,273**	200,193
Term deposits at 1 January		**–**	12,500
Increase/(decrease) in term deposits		**8,500**	(12,500)
Cash and deposits at 31 December	18	**234,773**	200,193

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 25 February 2021.

Pages 8-19
Business
Our Performance & Market Review

Page 104
Corporate Information
Registered Office Address

1.2 Presentation of the notes to the financial statements

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

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

Principal Accounting Policies

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

Critical Accounting Estimates and Judgements

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

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

- Financial risk management in Risk Management section
  - Market Risk – Page 30
  - Credit and Counterparty Risk – Page 32
  - Liquidity Risk – Page 36
  - Capital Management Risk – Page 36
- Employee benefits in Remuneration Report – Pages 51-52

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 2020 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) and assets held for sale, 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 Group has adopted early the following amendment to the accounting standards for the accounting period commencing 1 January 2020:

HKFRS 16(Amendment)	Covid-19-Related Rent Concessions

The adoption of this amendment to standard does not result in any significant impact on current or future periods.

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

2.3 Accounting policies navigator

Accounting policies	Location
Assets held for sale	Note 20
Borrowings	Note 22
Cash and cash equivalents	Note 18
Consolidation	
Joint operation	Note 15
Subsidiaries	Note 2.4
Contingent liabilities and contingent assets	Note 31
Convertible bonds	Note 22(b)
Current and deferred income tax	Note 8
Derivative financial instruments and hedging activities: i) cash flow hedges, and ii) derivatives not qualifying for hedge accounting	Note 16
Dividends	Note 9
Employee benefits	Remuneration Report (p.52)
Financial assets at fair value through profit or loss	Note 16
Financial guarantee contracts	Note 30
Foreign currency translation	Note 2.5
Goodwill	Note 14
Impairment of i) investments and non-financial assets and ii) financial assets	Note 5
Inventories	Note 19
Leases	
Lease liabilities	Note 23
Non-lease component of leases	Note 5
Right-of-use assets	Note 12
Subleasing	Note 13
Operating leases where the Group is the lessor	Note 27(b)(ii)
Offsetting financial instruments	Note 16
Property, plant and equipment ("PP&E") including: i) vessels and vessel component cost, ii) other property, plant and equipment, iii) subsequent expenditure, iv) depreciation, v) residual values and useful lives, and vi) gains or losses on disposal	Note 11
Provisions	Note 2.6
Revenue recognition for freight and charter-hire and other revenue	Note 4
Segment reporting	Note 4
Share capital	Note 24
Trade receivables	Note 17
Trade payables	Note 21

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

2.4 Consolidation

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

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

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

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

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

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

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(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 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 14

4 Revenue and segment information

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

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

Accounting policy

Segment reporting

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

Revenue recognition

Revenue comprises the fair value of the consideration for the services rendered in the ordinary course of the Group's activities. Revenue is shown net of rebates and discounts and after eliminating sales within the Group.

(i) Freight and charter-hire

The Group generates revenue from shipping activities, the principal sources of which are derived from Handysize and Supramax vessels.

Revenues from Handysize and Supramax vessels are derived from a combination of voyage charters and time charters. Revenue from a voyage charter is recognised over time, which is determined on a time proportion method of the voyage from loading to discharging. Revenue from a time charter is recognised overtime based on daily rate.

(ii) Other revenue

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

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

5 Expenses by nature

US$'000	2020	2019
Vessel – related expenses		
Vessel charter costs (a)	358,807	417,107
Port disbursements and other voyage costs	352,724	338,895
Bunker consumed	336,285	381,418
Vessel depreciation		
– owned vessels	125,314	127,477
– right-of-use assets	30,931	34,622
Employee benefit expenses – crew wages & other related costs (c)	109,470	104,529
Vessel operating expenses	54,478	53,499
Lubricating oil consumed	10,659	9,465
Net losses/(gains) on bunker swap contracts	692	(7,954)
	1,379,360	1,459,058
General and administrative overheads (b)		
Employee benefit expenses including directors' emoluments (c)	50,631	48,844
Other PP&E depreciation		
– right-of-use assets	2,284	1,954
– owned other PP&E	1,551	1,857
Net foreign exchange losses	1,228	330
Auditors' remuneration		
– audit	762	787
– non-audit	61	70
Office lease expenses	668	796
Other general and administrative expenses	3,626	5,771
	60,811	60,409
Other expenses		
Provision for impairment (d)		
– owned vessels	194,557	1,513
– right-of-use assets	4,113	–
– assets held for sale	934	–
Losses on disposal of assets held for sale	1,247	174
Losses on disposal of PP&E	571	3,392
Net losses on forward foreign exchange contracts	264	–
Net losses on forward freight agreements	18	19
	201,704	5,098
The sum of the above reconciles to the following items in the income statement. (i) Cost of services, (ii) Indirect general and administrative overheads, (iii) Vessel impairment and (iv) Other expenses	1,641,875	1,524,565

5 Expenses by nature (continued)

(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.

The vessel charter costs included variable lease payments on an index-linked basis amounting to US$3.7 million (2019: US$3.4 million).

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

US$'000	2020	2019
Direct G&A overheads included in cost of services	**54,699**	54,369
Indirect G&A overheads	**6,112**	6,040
Total G&A overheads	**60,811**	60,409

(c) Employee benefit expenses

Total employee benefit expenses amounted to US$160.1 million (2019: US$153.4 million). Please refer to Remuneration Report p.51 for details.

(d) Provision for impairment

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. 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, being 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 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. 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.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Non-lease component of leases

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

6 Other income and gains

US$'000	2020	2019
Government subsidies (a)	1,407	–
Gain on termination of office lease	20	–
Write-back of other payable	–	1,500
Write-back of disposal cost provisions	–	367
	1,427	1,867

(a) Government subsidies related to cash subsidies from government in respect of Covid-19 relief measures which are grants with conditions having been satisfied.

7 Finance income and finance costs

US$'000	2020	2019
Finance income		
Bank interest income	(2,863)	(5,464)
Subleasing receivables interest income	(116)	(252)
	(2,979)	(5,716)
Finance costs		
Interest on borrowings		
Bank loans	22,907	31,684
Convertible bonds	7,438	3,796
Other borrowings	1,833	1,925
Interest on lease liabilities		
Vessels	2,983	4,243
Other PP&E	413	779
Net losses/(gains) on interest rate swap contracts	2,287	(487)
Other finance charges	1,796	741
	39,657	42,681
Finance costs, net	36,678	36,965

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 countries in which the Group operates. Income from non-shipping activities is subject to tax at prevailing rates in the countries in which these businesses operate.

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

US$'000	2020	2019
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2019: 16.5%)	**725**	801
Overseas tax, provided at the rates of taxation prevailing in the countries	**363**	434
Adjustments in respect of prior year	**946**	(122)
Tax charges	**2,034**	1,113

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

US$'000	2020	2019
(Loss)/profit before taxation	**(206,194)**	26,237
Tax calculated at applicable tax rates	**(34,063)**	4,274
Income not subject to taxation	**(129,618)**	(149,126)
Expenses not deductible for taxation purposes	**164,769**	146,087
Adjustments in respect of prior year	**946**	(122)
Tax charges	**2,034**	1,113
Weighted average applicable tax rate	**16.5%**	16.3%

Accounting policy

Current income tax

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

Deferred income tax

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

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

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

9 Dividends

	2020			2019		
	HK cents per share	**US cents per share**	**US$'000**	HK cents per share	US cents per share	US$'000
Interim dividend	**–**	**–**	**–**	–	–	–
Final dividend	**–**	**–**	**–**	2.1	0.3	12,710
Total dividends for the year	**–**	**–**	**–**	2.1	0.3	12,710
Dividends paid during the year (a)	**2.1**	**0.3**	**12,894**	3.7	0.5	21,825

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

Accounting policy

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

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

10 Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the Group's (loss)/profit attributable to shareholders by the weighted average number of shares in issue during the year, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares (Note 24(b)).

		2020	2019
(Loss)/profit attributable to shareholders	(US$'000)	**(208,228)**	25,124
Weighted average number of shares in issue	('000)	**4,682,620**	4,566,145
Basic earnings per share	(US cents)	**(4.45)**	0.55
Equivalent to	(HK cents)	**(34.51)**	4.31

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's (loss)/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 SAS but after adjusting for the number of potential shares from convertible bonds (Note 22(b)) and unvested restricted shares (Note 24(b)) where dilutive. The potential shares are anti-dilutive when their conversion to shares would increase earnings per share or decrease loss per share.

		2020	2019
(Loss)/profit attributable to shareholders	(US$'000)	**(208,228)**	25,124
Weighted average number of shares in issue	('000)	**4,682,620**	4,566,145
Adjustment for calculation of diluted EPS relating to unvested restricted shares	('000)	**–**	90,174
Weighted average number of shares for diluted EPS	('000)	**4,682,620**	4,656,319
Diluted earnings per share	(US cents)	**(4.45)**	0.54
Equivalent to	(HK cents)	**(34.51)**	4.23

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

11 Property, plant and equipment

US$'000	Vessels and vessel component costs	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost					
At 1 January 2020	**2,602,531**	**5,365**	**9,490**	**29**	**2,617,415**
Additions	133,771	151	565	–	134,487
Transfer to assets held for sale (Note 20)	(96,633)	–	–	–	(96,633)
Disposals	(18,180)	(6)	(13)	–	(18,199)
Write offs	(12,392)	(52)	(89)	–	(12,533)
Exchange differences	–	71	50	2	123
At 31 December 2020	**2,609,097**	**5,529**	**10,003**	**31**	**2,624,660**
Accumulated depreciation and impairment					
At 1 January 2020	**731,784**	**2,205**	**8,045**	**29**	**742,063**
Charge for the year	125,314	870	681	–	126,865
Impairment charge	194,557	–	–	–	194,557
Transfer to assets held for sale (Note 20)	(77,396)	–	–	–	(77,396)
Disposals	(14,188)	(4)	(10)	–	(14,202)
Write offs	(12,392)	(52)	(89)	–	(12,533)
Exchange differences	–	28	34	2	64
At 31 December 2020	**947,679**	**3,047**	**8,661**	**31**	**959,418**
Net book value					
At 31 December 2020	**1,661,418**	**2,482**	**1,342**	**–**	**1,665,242**

(a) As at 31 December 2020, the aggregate cost and accumulated depreciation of vessel component costs amounted to US$80,991,000 (2019: US$71,468,000) and US$45,400,000 (2019: US$33,281,000) respectively.

(b) Certain owned vessels with net book value of US$1,507,344,000 (2019: US$1,697,908,000) were pledged to banks as securities for bank loans granted to the Group (Note 22(a)).

Certain owned vessels with net book value of US$116,737,000 (2019: US$98,260,000) were effectively pledged as securities to other borrowings (Note 22(c)) as the rights to the vessels revert to the lessors in the event of default.

(c) As at 31 December 2020, excluding assets held for sale, the Group owned vessels with net book value of US$1,661.4 million as follows:

	Number of vessels	Average net book value (US$ Million)	Total net book value (US$ Million)
Small Handysize	17	5.3	90.7
Large Handysize	58	14.0	813.3
Supramax	35	20.6	720.1
Post-Panamax	1	37.3	37.3
	111		1,661.4

US$'000	Vessels and vessel component costs	Leasehold improve-ments	Furniture, fixtures and equipment	Motor vehicles	Total
Cost					
At 1 January 2019	2,464,911	5,074	9,364	28	2,479,377
Additions	214,781	268	425	–	215,474
Transfer to assets held for sale (Note 20)	(17,824)	–	–	–	(17,824)
Disposals	(34,409)	–	–	–	(34,409)
Write offs	(24,928)	–	(308)	–	(25,236)
Exchange differences	–	23	9	1	33
At 31 December 2019	2,602,531	5,365	9,490	29	2,617,415
Accumulated depreciation and impairment					
At 1 January 2019	662,979	1,353	7,345	28	671,705
Charge for the year	127,477	851	1,006	–	129,334
Impairment charge	1,513	–	–	–	1,513
Transfer to assets held for sale (Note 20)	(13,424)	–	–	–	(13,424)
Disposals	(21,833)	–	–	–	(21,833)
Write offs	(24,928)	–	(308)	–	(25,236)
Exchange differences	–	1	2	1	4
At 31 December 2019	731,784	2,205	8,045	29	742,063
Net book value					
At 31 December 2019	1,870,747	3,160	1,445	–	1,875,352

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)

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.

Critical accounting estimates and judgements

Residual values of property, plant and equipment

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

- **Sensitivity analysis:**

  With all other variables held constant, if the residual value of vessels increases/decreases by 10% from management estimates, the depreciation expense would decrease/increase by US$2.4 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$16.1 million or increase by US$27.9 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. In assessing the fair market value and value-in-use, the information above as well as valuations from independent valuers are considered.

Vessels that are interchangeable are grouped together into one cash-generating unit ("CGU"). Generally the small and large Handysize vessels are no longer fully interchangeable, therefore the owned vessels and right-of-use assets are now separated into three (2019: two) 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.

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. Following a significant reduction in market freight rates and the uncertain market outlook in the first half of 2020, the Group performed an impairment assessment. At 30 June 2020, the Large Handysize CGU was impaired down to the value-in-use while the Small Handysize CGU was impaired down to its fair value less costs of disposal. Except for one Handysize vessel that was contracted in 2020 to be sold in 2021, no further impairment has been made on all CGUs at 31 December 2020 as their values-in-use exceed their carrying values. For the one Handysize vessel aforementioned, it was impaired to its 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 7.0% (2019: 6.2%).

The fair value less costs of disposal is based on valuations performed by independent valuers. This valuation is regarded as unobservable inputs and is within Level 3 of the fair value scale (Note 16). The valuation is based on a market approach under which each vessel is valued with reference to recent sales of comparable vessels.

Impairment of individual vessels that are classified as assets held for sale is recognised when their carrying values exceed their fair values less costs of disposal.

- **Sensitivity analysis:**

  (i) With all other variables held constant, increasing the discount rates by 100 basis points from management estimates would give rise to a potential impairment of US$11.2 million for Supramax vessels while no impairment would be required for Small Handysize and Large Handysize vessels.

  (ii) With all other variables held constant, reducing the future vessel earnings over the life of the vessel by US$500 per day from the management estimates would give rise to a potential impairment of US$4.3 million, US$17.4 million and US$29.0 million for Small Handysize, Large Handysize and Supramax vessels respectively.

12 Right-of-use assets

US$'000	Vessels	Other PP&E	Total
At 1 January 2020	**68,751**	**9,084**	**77,835**
Additions	**24,032**	**760**	**24,792**
Depreciation	**(30,931)**	**(2,284)**	**(33,215)**
Impairment charge (a)	**(4,113)**	**–**	**(4,113)**
Lease modification	**–**	**384**	**384**
Lease termination	**–**	**(148)**	**(148)**
Exchange differences	**–**	**243**	**243**
At 31 December 2020	**57,739**	**8,039**	**65,778**
At 1 January 2019	98,773	8,540	107,313
Additions	14,155	2,340	16,495
Depreciation	(34,622)	(1,954)	(36,576)
Lease modification	(9,555)	(19)	(9,574)
Exchange differences	–	177	177
At 31 December 2019	68,751	9,084	77,835

(a) Please refer to Note 11 for the critical accounting estimates and judgements on impairment.

Accounting policy

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

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

Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets.

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

13 Subleasing receivables

Subleasing receivables relate to the arrangements entered by the Group to sublease an underlying asset to a third party, while retaining the primary obligation under the original lease. The Group acts as both the lessee and lessor of the same underlying asset.

US$'000	2020	2019
At 1 January	**8,607**	15,008
Amounts received	**(6,692)**	(6,401)
At 31 December	**1,915**	8,607
Non-Current	**–**	1,915
Current	**1,915**	6,692
	1,915	8,607

The gross subleasing receivables, unearned future finance income and net subleasing receivables as at 31 December 2020 were as follows:

US$'000	2020	2019
Gross subleasing receivables		
Within one year	**1,930**	6,924
In the second to fifth year	**–**	1,930
	1,930	8,854
Unearned future finance income		
Within one year	**(15)**	(232)
In the second to fifth year	**–**	(15)
	(15)	(247)
Net subleasing receivables		
Within one year	**1,915**	6,692
In the second to fifth year	**–**	1,915
	1,915	8,607

Accounting policy

In case where the Group enters into arrangements to sublease an underlying asset to a third party, while retaining the primary obligation under the original lease, the Group acts as both the lessee and lessor of the same underlying asset.

If a leased vessel is subleased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sublease, the right-of-use asset is derecognised, and a lease receivable is recognised and classified as a finance lease. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the income statement as other operating income/expenses.

During the term of the sublease, the Group recognises both finance income on the sublease and finance costs on the head lease.

14 Goodwill

US$'000	2020	2019
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 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 7.0% (2019: 6.2%).

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

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

15 Interests in joint operation

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

US$'000	2020	2019
Revenue	**1,139**	955
Cost of services	**(1,189)**	(1,065)
Finance income	**116**	252
Finance costs	**(74)**	(159)
	(8)	(17)

Accounting policy

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

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

16 Derivative assets and liabilities

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

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

Fair value levels

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

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

	2020		2019	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(7,883)**	235	(1,990)
Forward foreign exchange contracts (b)(i)	**65**	**(3,064)**	–	(9,128)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**3,961**	**(2,470)**	1,229	(1,967)
Forward foreign exchange contracts (b)(ii)	**–**	**(147)**	–	(5)
	4,026	**(13,564)**	1,464	(13,090)
Current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(239)**	–	(96)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**15,410**	**(7,307)**	2,495	(1,841)
Forward foreign exchange contracts (b)(ii)	**–**	**(121)**	–	–
	15,410	**(7,667)**	2,495	(1,937)
Total	**19,436**	**(21,231)**	3,959	(15,027)

(a) Interest rate swap contracts

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

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

Effective date	Notional amount	Swap details	Expiry
2020 and 2019			
June & September 2019	US$115 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 1.5% to 1.7% per annum	Contracts expire through May 2026
December 2018	US$40 million on amortising basis	USD 6-month LIBOR swapped to a fixed rate of approximately 3.0% per annum	Contract expires in June 2025
December 2018	US$5 million on bullet basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.9% per annum	Contract expires in June 2025
December 2013	US$48 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.1% per annum	Contract expires in December 2021
February 2017	US$9 million on amortising basis	USD 1-month LIBOR swapped to a fixed rate of approximately 1.8% per annum	Contract expires in January 2022
2019			
June 2018	US$69 million on amortising basis	USD 3-month LIBOR swapped to a fixed rate of approximately 2.0% per annum	Contract expires in December 2020

- **Sensitivity analysis:**
  With all other variables held constant, if the average interest rate on the net debt balance subject to floating interest rates (cash and deposits net of unhedged floating borrowings) held by the Group at the balance sheet date had been 50 basis point higher/lower, the Group's profit after tax would decrease/increase by approximately US$0.4 million (2019: US$0.2 million).

(b) Forward foreign exchange contracts

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

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

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

At 31 December 2020, the outstanding forward foreign exchange contracts held by the Group mainly consist of contracts to buy approximately DKK291.7 million (2019: DKK420.8 million) and simultaneously sell approximately US$51.8 million (2019: US$75.0 million), which expire through August 2023.

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

At 31 December 2020, the Group had outstanding forward foreign exchange contracts to buy approximately US$3.6 million (2019: US$2.0 million) and simultaneously sell approximately AUD5.1 million (2019: AUD2.8 million) for revenue that was denominated in Australian Dollars. These contracts will expire through March 2023.

(c) Bunker swap contracts

None of our bunker swap contracts qualifies for hedge accounting

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

The Group has also used bunker swap contracts to lock in the prevailing future fuel price spread between high and low sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that have been fitted with scrubbers. As the spread has reduced significantly, all contracts were closed out in 2020 locking in the gains on the position.

At 31 December 2020, the Group had outstanding bunker swap contracts as follows:

Contract Type	Fuel Type	Quantity (Metric tonnes)	Average deal price (US$)	Average market price (US$)	Expiry through
2020					
Buy	Fuel oil	73,588	292	278	December 2022
Buy	Very low sulphur fuel oil	138,772	333	377	December 2022
Buy	Marine gas oil	108,122	413	426	September 2023
Sell	Fuel oil	70,440	207	279	December 2022
Sell	Very low sulphur fuel oil	71,838	422	376	December 2022
Sell	Marine gas oil	58,711	511	427	December 2022
2019					
Buy	Fuel oil	103,570	281	276	December 2022
Buy	Very low sulphur fuel oil	2,550	480	566	March 2020
Buy	Marine gas oil	58,470	564	593	December 2021
Sell	Very low sulphur fuel oil	56,142	457	493	December 2021
Sell	Marine gas oil	49,500	571	558	December 2022

- **Sensitivity analysis:**

  With all other variables held constant, if the average forward rate of following fuel types on the bunker swap contracts held by the Group at the balance sheet date had been 10% higher/lower, the Group's profit after tax would increase/decrease by approximately US$0.1 million (2019: increase/decrease by approximately US$2.9 million) for fuel oil; increase/decrease by approximately US$2.5 million (2019: decrease/increase by approximately US$2.6 million) for very low sulphur fuel oil and increase/decrease by approximately US$2.1 million (2019: increase/decrease by approximately US$0.7 million) for marine gas oil.

(d) Forward freight agreements

None of our forward freight agreements qualifies for hedge accounting

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

At 31 December 2020 and 2019, the Group had no outstanding forward freight agreements.

16 Derivative assets and liabilities (continued)

Accounting policy

Financial assets at fair value through profit or loss

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

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

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

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

Derivative financial instruments and hedging activities

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

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

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

(i) Cash flow hedges

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

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

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

(ii) Derivatives not qualifying for hedge accounting

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

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

Offsetting financial instruments

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

17 Trade and other receivables

US$'000	2020	2019
Non-current		
Prepayments (a)	**4,947**	25,487
Current		
Trade receivables (b)	**41,988**	49,669
Other receivables	**18,849**	20,533
Prepayments	**17,061**	12,512
	77,898	82,714

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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) Prepayments

Prepayments comprise instalments paid for the installation of ballast water treatment systems and docking costs. In 2019, they also included deposits paid for vessel acquisitions and instalments paid for the installation of scrubbers.

(b) Trade receivables

At 31 December 2020, the ageing of trade receivables based on invoice date is as follows:

US$'000	2020	2019
≤ 30 days	**32,207**	38,265
31-60 days	**3,844**	3,346
61-90 days	**1,475**	2,777
> 90 days	**4,462**	5,281
	41,988	49,669

Accounting policy

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

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

Credit policy

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

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

As at 31 December 2020 and 2019, trade receivables are all past due but not impaired as no customer is expected to have significant financial difficulty. All other items within trade and other receivables do not contain past due or impaired assets.

18 Cash and deposits

US$'000	2020	2019
Cash at bank and on hand	**48,605**	27,152
Bank deposits	**186,219**	173,092
Total cash and deposits	**234,824**	200,244
Average effective interest rate on bank deposits for the year	**1.0%**	2.7%
Average remaining maturity of bank deposits at year end	**43 days**	42 days
Cash and cash equivalents	**226,273**	200,193
Term deposits	**8,500**	–
Cash and deposits	**234,773**	200,193
Restricted bank deposits included in non-current assets	**51**	51
Total cash and deposits	**234,824**	200,244

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

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.

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Funding
Cash Flow and Cash

19 Inventories

US$'000	2020	2019
Bunkers	**65,558**	77,756
Lubricating oil	**12,537**	12,625
	78,095	90,381

Accounting policy

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

20 Assets held for sale

US$'000	2020	2019
At 1 January	**4,400**	6,450
Transfer from PP&E (Note 11)	**19,237**	4,400
Additions	**1,397**	–
Disposals	**(7,964)**	(6,450)
Impairment charge (c)	**(934)**	–
At 31 December	**16,136**	4,400

(a) The assets held for sale comprise four (2019: one) Handysize vessels, two of which were contracted in 2020 to be sold in 2021.

(b) Certain vessels amounting to US$8,415,000 (2019: US$4,400,000) were pledged to a bank as security for a bank loan granted to the Group (Note 22(a)).

(c) Please refer to Note 11 for the critical accounting estimates and judgements on impairment.

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.

21 Trade and other payables

US$'000	2020	2019
Non-current		
Receipts in advance	**895**	1,771
Accruals and other payables	**–**	352
	895	2,123
Current		
Trade payables (a)	**56,332**	61,408
Accruals and other payables	**60,413**	54,460
Receipts in advance (b)	**44,621**	28,081
	161,366	143,949

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 2020, the ageing of trade payables based on due date is as follows:

US$'000	2020	2019
≤ 30 days	**50,743**	56,963
31-60 days	**316**	451
61-90 days	**346**	275
> 90 days	**4,927**	3,719
	56,332	61,408

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$43.3 million (2019: US$27.1 million). Receipts in advance of US$27.1 million as at 31 December 2019 were fully recognised as revenue in 2020.

22 Borrowings

US$'000	2020	2019
Non-current		
Bank loans (a)	**567,329**	548,169
Convertible bonds (b)	**162,893**	160,705
Other borrowings (c)	**44,927**	27,227
	775,149	736,101
Current		
Bank loans (a)	**73,027**	120,014
Other borrowings (c)	**15,709**	7,036
	88,736	127,050
Total	**863,885**	863,151

The borrowings are mainly denominated in United States Dollars.

The fair value of borrowings is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments and are within Level 2 of the fair value scale (Note 16).

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

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.

(a) Bank loans

The Group's bank loans and undrawn committed facilities comprised secured and unsecured bank loans and facilities. Bank loans as at 31 December 2020 were secured, inter alia, by the following:

(i) Mortgages over certain owned vessels (Note 11(b)) and assets held for sale (Note 20), with net book value of US$1,507,344,000 and US$8,415,000 (2019: US$1,697,908,000 and US$4,400,000) respectively; and

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

These bank loans are repayable as follows:

US$'000	2020	2019
Within one year	**73,027**	120,014
In the second year	**98,830**	70,209
In the third to fifth year	**335,621**	183,107
After the fifth year	**132,878**	294,853
	640,356	668,183
Average effective interest rate for the year (after hedging)	**3.2%**	4.0%

(b) Convertible bonds

	2020		2019	
US$'000	Face value	Liability component	Face value	Liability component
3.0% coupon due 2025	**175,000**	**162,893**	175,000	160,705

The carrying value of convertible bonds approximate their fair values.

Key terms	
Issue size	US$175.0 million
Issue date	10 December 2019
Maturity date	10 December 2025 (approximately 6 years from issue)
Coupon – cash cost	3.0% p.a. payable semi-annually in arrears on 10 June and 10 December
Effective interest rate	4.7% charged to income statement
Redemption price	100%
Conversion price converting bonds into shares	HK$2.34 (with effect from 17 April 2020) (Note)
Conversion at bondholders' options	Anytime on or after 20 January 2020
Bondholder put date for redemption at 100% of the principal amount	On 10 December 2023 (approximately 4 years from issue), each bondholder will have the right to require the Group to redeem all or some of the bonds.

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

Accounting policy

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

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

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

(c) Other borrowings

The Group's other borrowings related to eight (2019: seven) owned vessels with net book value of US$116,737,000 (2019: US$98,260,000) (Note 11(b)) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined times during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

These other borrowings are repayable as follows:

US$'000	2020	2019
Within one year	**15,709**	7,036
In the second year	**9,616**	6,883
In the third to fifth year	**16,400**	20,344
After the fifth year	**18,911**	–
	60,636	34,263
Average effective interest rate for the year (after hedging)	**4.6%**	5.0%

23 Lease liabilities

US$'000	2020	2019
At 1 January	**92,907**	130,459
Additions	**24,792**	16,495
Repayments	**(41,549)**	(44,717)
Lease modification	**384**	(9,574)
Lease termination	**(168)**	–
Exchange differences	**467**	244
At 31 December	**76,833**	92,907
Non-current	**50,089**	53,770
Current	**26,744**	39,137
	76,833	92,907

The lease liabilities are repayable as follows:

US$'000	2020	2019
Within one year	**26,744**	39,137
In the second year	**21,219**	21,084
In the third to fifth year	**27,084**	29,686
After the fifth year	**1,786**	3,000
	76,833	92,907

Accounting policy

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

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

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

24 Share capital

	2020 Number of shares	**2020** US$'000	2019 Number of shares	2019 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**4,713,396,510**	**47,039**	4,532,519,114	45,205
Shares issued as Vessel Consideration Shares (a)	**51,793,762**	**518**	155,132,396	1,551
Shares issued upon grant of restricted share awards (b)	**23,186,000**	**232**	25,592,000	256
Shares granted to employees in the form of restricted share awards (b)	**7,683,000**	**1,284**	6,614,000	1,406
Shares transferred back to trustee upon lapse of restricted share awards (b)	**(3,182,000)**	**(653)**	(495,000)	(100)
Shares purchased by trustee of the SAS (b)	**(5,863,000)**	**(930)**	(5,966,000)	(1,279)
At 31 December	**4,787,014,272**	**47,490**	4,713,396,510	47,039

The issued share capital of the Company as at 31 December 2020 was 4,788,871,272 shares (2019: 4,713,891,510 shares). The difference compared to the number of shares shown in the table above of 1,857,000 (2019: 495,000) represents shares held by the trustee in relation to restricted share awards, amounting to US$398,000 (2019: US$99,600) as a debit to share capital.

(a) Shares issued as Vessel Consideration Shares

On 17 September 2019, the Group entered into contracts for the acquisition of four vessels at a total purchase consideration of US$73.8 million funded by a combination of: (i) the issue of 105,912,033 shares at an issue price of HK$1.80 per share ("Vessel Consideration Shares") amounting to US$24.4 million to the sellers; and (ii) cash of US$49.4 million. An aggregate of 54,118,271 shares and 51,793,762 were issued upon the delivery of vessels to the Group in 2019 and 2020 respectively. The closing share prices on 17 September 2019 was HK$1.77 per share.

An aggregate of 101,014,125 shares were issued in 2019 in relation to an acquisition of another four vessels funded by a combination of issuing shares and cash.

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Share Capital and Pre-emptive Rights

(b) Restricted share awards

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

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

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

000' shares	2020	2019
At 1 January	**81,690**	76,930
Granted	**30,869**	32,206
Vested	**(32,168)**	(26,951)
Lapsed	**(3,182)**	(495)
At 31 December	**77,209**	81,690

Out of the 77,209,000 unvested restricted share awards as at 31 December 2020 and according to the vesting schedule, 23,972,000 shares, 26,485,000 shares and 26,752,000 shares will be vested on 14 July 2021, 14 July 2022 and 14 July 2023 respectively.

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Movement of Restricted Awards Granted

The fair value of the restricted share awards is determined by the closing share price on the date which the Company and employees agreed the terms and conditions of the share awards arrangement. The weighted average fair value of the shares granted during the year was HK$1.5 (2019: HK$1.6) per share.

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

	2020		2019	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares issued	**23,186,000**	**232**	25,592,000	256
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**5,863,000**	**930**	5,966,000	1,279
Shares transferred from the trustee	**1,820,000**	**354**	648,000	127
	30,869,000	**1,516**	32,206,000	1,662

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 52), the increase in equity is measured as the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the increase in equity would be measured, indirectly, by reference to the fair value of the equity instruments granted.

25 Reserves

US$'000	Share[a] premium	Merger[b] reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed[c] surplus	Subtotal	Retained profits/ (accumulated loss)	Total
	Other reserves									
At 1 January 2020	292,405	(56,606)	13,121	(7,488)	(282)	(893)	779,938	1,020,195	208,698	1,228,893
Comprehensive income										
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(208,228)	(208,228)
Other comprehensive income										
Cash flow hedges										
– fair value losses	–	–	–	–	(5,936)	–	–	(5,936)	–	(5,936)
– transferred to income statement	–	–	–	–	(1,738)	–	–	(1,738)	–	(1,738)
Currency translation differences	–	–	–	–	–	805	–	805	–	805
Total comprehensive loss	–	–	–	–	(7,674)	805	–	(6,869)	(208,228)	(215,097)
Transactions with owners in their capacity as owners										
Shares issued as Vessel Consideration Shares, net of issuing expenses (Note 24(a))	11,399	–	–	–	–	–	–	11,399	–	11,399
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(12,894)	(12,894)
Share-based compensation (see Remuneration Report p.51)	–	–	–	5,581	–	–	–	5,581	–	5,581
Share awards granted (Note 24(b))	–	–	–	(2,378)	–	–	–	(2,378)	1,094	(1,284)
Shares issued upon grant of restricted share awards (Note 24(b))	3,335	–	–	(3,567)	–	–	–	(232)	–	(232)
Share awards lapsed (Note 24(b))	–	–	–	653	–	–	–	653	–	653
At 31 December 2020	307,139	(56,606)	13,121	(7,199)	(7,956)	(88)	779,938	1,028,349	(11,330)	1,017,019

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

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

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

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 2019	249,951	(56,606)	13,772	(6,791)	4,456	(978)	779,938	983,742	202,262	1,186,004
Change in accounting policy	–	–	–	–	204	–	–	204	(4,575)	(4,371)
Restated total equity at 1 January 2019	249,951	(56,606)	13,772	(6,791)	4,660	(978)	779,938	983,946	197,687	1,181,633
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	25,124	25,124
Other comprehensive income										
Cash flow hedges										
– fair value losses	–	–	–	–	(7,010)	–	–	(7,010)	–	(7,010)
– transferred to income statement	–	–	–	–	2,068	–	–	2,068	–	2,068
Currency translation differences	–	–	–	–	–	85	–	85	–	85
Total comprehensive income	–	–	–	–	(4,942)	85	–	(4,857)	25,124	20,267
Transactions with owners in their capacity as owners										
Shares issued as Vessel Consideration Shares, net of issuing expenses (Note 24(a))	37,099	–	–	–	–	–	–	37,099	–	37,099
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(21,825)	(21,825)
Derecognition of equity component upon redemption and cancellation of convertible bonds	–	–	(13,772)	–	–	–	–	(13,772)	8,094	(5,678)
Equity component of convertible bonds issued	–	–	13,121	–	–	–	–	13,121	–	13,121
Share-based compensation (see Remuneration Report p.51)	–	–	–	5,838	–	–	–	5,838	–	5,838
Share awards granted (Note 24(b))	–	–	–	(1,024)	–	–	–	(1,024)	(382)	(1,406)
Shares issued upon grant of restricted share awards (Note 24(b))	5,355	–	–	(5,611)	–	–	–	(256)	–	(256)
Share awards lapsed (Note 24(b))	–	–	–	100	–	–	–	100	–	100
At 31 December 2019	292,405	(56,606)	13,121	(7,488)	(282)	(893)	779,938	1,020,195	208,698	1,228,893

26 Notes to the consolidated cash flow statement

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

US$'000	**2020**	2019
(Loss)/profit before taxation	**(206,194)**	26,237
Assets and liabilities adjustments		
Provision for impairment losses		
– owned vessels	**194,557**	1,513
– right-of-use assets	**4,113**	–
– assets held for sale	**934**	–
Depreciation on vessels and other PP&E	**126,865**	129,334
Depreciation on right-of-use assets	**33,215**	36,576
Net unrealised gains on derivative instruments not qualified as hedges	**(9,415)**	(7,802)
Losses on disposal of assets held for sale	**1,247**	174
Losses on disposal of PP&E	**571**	3,392
Gain on termination of office lease	**(20)**	–
Write-back of other payable	**–**	(1,500)
Write-back of disposal cost provision	**–**	(367)
Charter-hire reduction	**–**	24
Capital and funding adjustments		
Share-based compensation	**5,581**	5,838
Results adjustments		
Finance costs, net	**36,678**	36,965
Net foreign exchange losses	**1,228**	330
(Loss)/profit before taxation before working capital changes	**189,360**	230,714
Decrease/(increase) in inventories	**12,286**	(4,893)
Decrease/(increase) in trade and other receivables	**4,485**	(3,808)
Increase/(decrease) in trade and other payables	**15,854**	(4,499)
Cash generated from operations	**221,985**	217,514

(b) Reconciliation of borrowings

US$'000	**2020**	2019
At 1 January	**863,151**	961,093
Cash flows		
Drawdown of bank loans and other borrowings	**245,852**	316,676
Repayment of bank loans and other borrowings	**(257,396)**	(458,681)
Coupon payment of convertible bonds	**(5,250)**	(4,070)
Redemption and cancellation of convertible bonds	**–**	(119,479)
Issuance of convertible bonds, net of issuing expenses	**–**	160,277
Other non-cash movements		
Amortisation of loan arrangement fee	**1,849**	2,238
Accrued coupon payment of convertible bonds	**7,438**	3,796
Modification of other borrowings	**965**	–
Foreign exchange adjustments	**7,276**	1,301
At 31 December	**863,885**	863,151

(c) Significant non-cash transactions

For details regarding non-cash transactions relating to the purchase of vessels by issuing new shares, please refer to Note 24(a).

(d) Cash outflow on all leases

The total cash outflow for all leases is US$404.4 million (2019: US$467.1 million).

27 Commitments

(a) Capital commitments

US$'000	2020	2019
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	**71,282**	59,804

(b) Lease commitments

(i) The Group as the lessee – payments

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

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

US$'000	Vessels	Land and buildings	Total
At 31 December 2020			
Within one year	**43,884**	**18**	**43,902**
In the second to fifth year	**–**	**26**	**26**
	43,884	**44**	**43,928**
At 31 December 2019			
Within one year	35,408	20	35,428
In the second to fifth year	32,580	4	32,584
After the fifth year	2,791	–	2,791
	70,779	24	70,803

(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	2020	2019
Within one year	**29,087**	13,241
In the second to fifth year	**26,298**	26,298
After the fifth year	**4,231**	10,801
	59,616	50,340

The Group leases vessels with leases expiring within 1 year to 6 years (2019: within 1 year to 7 years) and the amount mainly represents the receipt from a Post-Panamax vessel amounting to US$37.1 million (2019: US$43.7 million).

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 overtime based on daily rate.

28 Financial liabilities summary

This note should be read in conjunction with the Liquidity Risk section on page 36. 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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Borrowings										
Bank loans	**89,400**	150,149	**112,581**	94,275	**364,867**	236,089	**140,605**	308,809	**707,453**	789,322
Other borrowings	**17,926**	8,598	**11,479**	8,141	**19,727**	21,595	**27,641**	–	**76,773**	38,334
Convertible bonds	**5,250**	5,250	**5,250**	5,250	**190,750**	15,750	**–**	180,250	**201,250**	206,500
Lease liabilities	**29,174**	41,879	**22,927**	22,995	**28,514**	31,712	**1,919**	3,233	**82,534**	99,819
Derivative financial instruments										
(i) Net-settled (a)										
Interest rate swap contracts	**2,852**	577	**1,960**	865	**3,234**	828	**122**	(381)	**8,168**	1,889
Bunker swap contracts	**7,307**	1,841	**2,470**	1,483	**–**	484	**–**	–	**9,777**	3,808
(ii) Gross-settled (b)										
Forward foreign exchange contracts										
– Cash flow hedges										
– outflow	**24,166**	24,094	**18,388**	24,166	**13,215**	31,603	**–**	–	**55,769**	79,863
– inflow	**(22,549)**	(21,083)	**(17,242)**	(20,263)	**(12,338)**	(26,545)	**–**	–	**(52,129)**	(67,891)
– Others										
– outflow	**2,249**	791	**2,249**	1,117	**566**	1,117	**–**	–	**5,064**	3,025
– inflow	**(2,095)**	(796)	**(2,095)**	(1,123)	**(536)**	(1,123)	**–**	–	**(4,726)**	(3,042)
Net outflow	**1,771**	3,006	**1,300**	3,897	**907**	5,052	**–**	–	**3,978**	11,955
Trade and other payables	**117,332**	115,868	**–**	352	**–**	–	**–**	–	**117,332**	116,220

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

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

29 Significant related party transactions

Significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis comprised only key management compensation. For the compensation of key management (including Directors' emoluments) and the accounting policy on employee benefits, please refer to the Remuneration Report on pages 50 to 52.

30 Financial guarantees

As at 31 December 2020, the Company has given corporate guarantees with maximum exposures of US$784.6 million (2019: US$876.3 million) for certain subsidiaries in respect of the Group's loan facilities granted.

Accounting policy

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

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

31 Contingent liabilities and contingent assets

The Group has no material contingent liabilities and contingent assets as at 31 December 2020 and 2019.

Accounting policy

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

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

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

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

32 Principal subsidiaries

As at 31 December 2020, 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			
Dry Bulk			
Albatross Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Astoria Bay Limited	HK/Int'l	HK$1	Vessel chartering
Baker River Limited	HK/Int'l	HK$1	Vessel chartering
Baltic Sea 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
Cape York Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Cherry Point Limited	HK/Int'l	HK$1	Vessel owning and chartering
Chiloe Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Columbia River Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Cooper Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Corio Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Cramond Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Eaglehill Trading Limited 鷹峯貿易有限公司	HK/Int'l	HK$1	Vessel owning and chartering
Eastern Cape Limited	BVI/Int'l	US$1	Vessel owning and chartering
Elizabay Limited	BVI/Int'l	US$1	Vessel owning and chartering
Elizabeth Castle Limited	BVI/Int'l	US$1	Vessel chartering
Elizabeth River Limited	HK/Int'l	HK$1	Vessel chartering
Esperance Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Everclear Shipping (BVI) Limited	BVI/Int'l	US$31,001	Vessel owning and chartering
Finest Solution Limited	HK/Int'l	HK$1	Vessel owning and chartering
Francesca Shipping (BVI) Limited	BVI/Int'l	US$30,001	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
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
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
Ipanema Beach 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

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
Jiangmen Trader Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jules Point Limited	BVI/Int'l	US$1	Vessel owning and chartering
Jumeirah Beach Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kaiti Hill Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kanda Logger Limited	HK/Int'l	HK$1	Vessel owning and chartering
Key West Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kodiak Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Kultus Cove Limited	HK/Int'l	HK$1	Vessel owning and chartering
Labrador Shipping (BVI) Limited	BVI/Int'l	US$38,001	Vessel owning and chartering
Lake Stevens Limited	HK/Int'l	HK$1	Vessel owning and chartering
Liberty Vessel Limited	BVI/Int'l	US$1	Vessel owning and chartering
Longview Logger Limited	HK/Int'l	HK$1	Vessel chartering
Luzon Strait Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Marsden Point Limited	HK/Int'l	HK$1	Vessel owning and chartering
Matakana Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mega Fame Limited	BVI/Int'l	US$1	Vessel owning and chartering
Mount Adams Limited	BVI/Int'l	US$1	Vessel owning and chartering
Mount Aso Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Baker Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Hikurangi Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Rainier Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Seymour Limited	HK/Int'l	HK$1	Vessel owning and chartering
Mount Taranaki Limited	HK/Int'l	HK$1	Vessel owning and chartering
Newman Shipping (BVI) Limited	BVI/Int'l	US$26,001	Vessel owning and chartering
Nightingale Shipping (BVI) Limited	BVI	US$1	Vessel owning
Nobal Sky Limited	BVI/Int'l	US$1	Vessel chartering
Nootka Shipping (BVI) Limited	BVI	US$1	Vessel owning
North Shipping (BVI) Limited (Formerly Texel Limited)	BVI	US$1	Vessel owning
Novelty Shipping (BVI) Limited (Formerly Noble Shipping (BVI) Limited)	BVI	US$1	Vessel owning
Oak Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
Olive Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Olympia Logger Limited	HK/Int'l	HK$1	Vessel owning and chartering
Orange River Shipping Limited	HK/Int'l	HK$1	Vessel chartering
Osaka Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Otago Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Otago Harbour Limited	HK/Int'l	HK$1	Vessel owning and chartering
Othello Shipping (BVI) Limited	BVI/Int'l	US$26,593	Vessel owning and chartering
Oyster Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering Limited	BVI/Int'l	US$10	Vessels chartering
Pacific Basin Chartering (No. 1) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 2) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 3) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 4) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 6) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 7) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 8) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pacific Basin Chartering (No. 10) Limited	HK/Int'l	HK$1	Vessel owning and chartering
Paqueta Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pearl Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Pelican Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Penguin Island Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alberni Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alfred Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Alice Limited	BVI/Int'l	US$1	Vessel owning and chartering
Port Angeles Limited	HK/Int'l	HK$1	Vessel owning and chartering
Port Botany Limited	BVI/Int'l	US$1	Vessel owning and chartering
Puget Sound Limited	HK/Int'l	HK$1	Vessel owning and chartering
Saldanha Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering

32 Principal subsidiaries (continued)

Company	Place of incorporation/ operation[3]	Issued and fully paid share capital	Principal activities
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
Swan River Limited	HK/Int'l	HK$1	Vessel owning and chartering
Tampa Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Texel Island Limited	HK/Int'l	HK$1	Vessel chartering
Uhland Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
Verner Shipping (BVI) Limited	BVI/Int'l	US$1	Vessel owning and chartering
West Bay Shipping Limited	HK/Int'l	HK$1	Vessel owning and chartering
White Bay Limited	HK/Int'l	HK$1	Vessel owning and chartering
Zhoushan Shipping Limited	BVI/Int'l	US$1	Vessel owning and chartering
Others			
Pacific Basin Agencies Limited 太平洋航運代理有限公司	HK/Int'l	HK$10	Shipping consulting services
Pacific Basin Handymax (UK) Limited[1]	England & W	GBP1	Ship management services
Pacific Basin Handysize Limited	BVI/HK	US$10	Provision of ship management and ocean shipping services
Pacific Basin Handysize (HK) Limited	HK	HK$10	Provision of ship management and ocean shipping services
Pacific Basin Supramax Limited	HK	HK$10	Provision of ship management and ocean shipping services
Pacific Basin (UK) Limited[1]	England & W	GBP2	Shipping consulting services
Pacific Basin Shipping (Australia) Pty Ltd[1]	Australia	AUD1	Shipping consulting services
Pacific Basin Shipping (Brasil) Ltda	Federative Republic of Brazil	R$50,000	Ship agency and management services
Pacific Basin Shipping (Canada) Limited	BC, Canada	1 common share without par value	Shipping consulting services
Pacific Basin Shipping (Chile) Limitada	Chile, Santiago	Chilean pesos equivalent to US$6,000	Shipping consulting services
Pacific Basin Shipping (HK) Limited 太平洋航運(香港)有限公司	HK	HK$20	Ship agency and management services
Pacific Basin Shipping (New Zealand) Limited	New Zealand	100 shares without par value	Shipping consulting services
Pacific Basin Shipping (South Africa) (Pty) Ltd[1]	Republic of South Africa	120 shares without par value	Shipping consulting services
Pacific Basin Shipping (UK) Limited[1]	England & W	GBP2	Shipping consulting services
Pacific Basin Shipping (USA) Inc.	USA	US$1,000	Shipping consulting services
PB Maritime Personnel Inc.[1]	The Philippines	PHP$17,300,000	Crewing services
PBS Corporate Secretarial Limited	HK	HK$10	Secretarial services
Taihua Shipping (Beijing) Limited[1&2] 太華船務(北京)有限公司	PRC	US$4,000,000 (registered capital)	Agency and ship management services

(1) The financial statements of these subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net liabilities and net results for the year attributable to the shareholders of the Group amounted to US$17,243,000 (2019: US$14,833,000) and US$4,145,000 loss (2019: US$3,514,000 loss) respectively.

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

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

33 Balance sheet and reserve movement of the company

(a) Balance Sheet of the Company

	Note	As at 31 December 2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**744,360**	1,324,461
Current assets			
Prepayments and other receivables		**224**	292
Amounts due from subsidiaries		**406,024**	404,864
Cash and cash equivalents		**32**	26
		406,280	405,182
Total assets		**1,150,640**	1,729,643
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	24	**47,490**	47,039
Retained profits		**9,893**	604,298
Other reserves		**1,079,878**	1,064,855
Total equity		**1,137,261**	1,716,192
LIABILITIES			
Current liabilities			
Accruals and other payables		**259**	296
Amounts due to subsidiaries		**13,120**	13,155
Total liabilities		**13,379**	13,451

Approved by the Board of Directors on 25 February 2021.

Mats H. Berglund
Director

Peter Schulz
Director

33 Balance sheet and reserve movement of the company (continued)

(b) Reserve movement of the Company

US$'000	Other reserves: Share premium	Other reserves: Staff benefits reserve	Other reserves: Contributed surplus	Subtotal	Retained profits	Total
At 1 January 2020	**292,405**	**(7,488)**	**779,938**	**1,064,855**	**604,298**	**1,669,153**
Loss attributable to shareholders	**–**	**–**	**–**	**–**	**(582,605)**	**(582,605)**
Share issued as Vessel Consideration Shares, net of issuing expenses (Note 24(a))	**11,399**	**–**	**–**	**11,399**	**–**	**11,399**
Dividends paid (Note 9)	**–**	**–**	**–**	**–**	**(12,894)**	**(12,894)**
Share-based compensation (see Remuneration Report p.51)	**–**	**5,581**	**–**	**5,581**	**–**	**5,581**
Share awards granted (Note 24(b))	**–**	**(2,378)**	**–**	**(2,378)**	**1,094**	**(1,284)**
Share issued upon grant of restricted shares awards (Note 24(b))	**3,335**	**(3,567)**	**–**	**(232)**	**–**	**(232)**
Share awards lapsed (Note 24(b))	**–**	**653**	**–**	**653**	**–**	**653**
At 31 December 2020	**307,139**	**(7,199)**	**779,938**	**1,079,878**	**9,893**	**1,089,771**
At 1 January 2019	249,951	(6,791)	779,938	1,023,098	619,698	1,642,796
Profit attributable to shareholders	–	–	–	–	6,807	6,807
Share issued as Vessel Consideration Shares, net of issuing expenses (Note 24(a))	37,099	–	–	37,099	–	37,099
Dividends paid (Note 9)	–	–	–	–	(21,825)	(21,825)
Share-based compensation (see Remuneration Report p.51)	–	5,838	–	5,838	–	5,838
Share awards granted (Note 24(b))	–	(1,024)	–	(1,024)	(382)	(1,406)
Share issued upon grant of restricted shares awards (Note 24(b))	5,355	(5,611)	–	(256)	–	(256)
Share awards lapsed (Note 24(b))	–	100	–	100	–	100
At 31 December 2019	292,405	(7,488)	779,938	1,064,855	604,298	1,669,153

Loss attributable to shareholders of US$582,605,000 (2019: US$6,807,000 profit) is dealt with in the financial statements of the Company.

Independent Auditor's Report

To the Shareholders of Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Pacific Basin Shipping Limited ("PBSL" or the "Company") and its subsidiaries (the "Group") set out on pages 61 to 98, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER

Carrying value of owned vessels and right-of-use assets

Refer to notes 11, 12 and 20 to the consolidated financial statements.

As at 31 December 2020, the Group has a fleet of owned vessels and right-of-use assets, amounting to US$1,677.6 million and US$57.7 million respectively.

Right-of-use asset represents the Group's right (as a lessee) to use an underlying vessel for a lease term.

Generally the small and large Handysize vessels are no longer fully interchangeable, therefore the owned vessels and right-of-use assets are now separated into three (2019: two) 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.

The net asset value of the Group at 30 June 2020 and 31 December 2020 is more than its market capitalisation. This is considered as an indicator of possible impairment. Management has therefore performed an impairment assessment of the Group's owned vessels and right-of-use assets.

An impairment is recognised when the carrying value of an asset exceeds the recoverable amount, where the recoverable amount is the higher of value-in-use and fair value less costs of disposal. As of 30 June 2020, management performed an impairment assessment and an impairment charge of US$198.2 million was recorded. A separate impairment assessment applying the same methodology was performed at 31 December 2020 and no further impairment was made as the recoverable amounts of the CGUs exceeded their carrying values except for a further impairment loss of US$1.4 million was recorded in the second half of 2020 for certain vessels held for sale.

Fair value less costs of disposal is primarily based on market value of vessels as assessed by independent third-party valuers. Where value-in-use calculations is adopted, they 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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We evaluated management's impairment assessment by assessing the valuation methodology.

For value-in-use model, we assessed the future discounted cash flows used in the value-in-use model and the process by which they are drawn up, including comparing them to the latest Board of Directors approved budgets, and assessing the underlying assumptions, including:

- the forecast daily TCE rates were compared with historical actual results and external market data;
- the inflation rates of operating expenses and general and administrative expenses were compared with economic forecasts;
- the service costs were compared to external market data;
- the forecast utilisation rates were compared with historical actual results;
- the discount rate was assessed with our specialist knowledge of discount rates for the industry and with comparable organisations;
- evaluating the reasonableness of historical budgets and forecasts, this includes, comparing the forecast utilisation, charter rates and operating expenses used in the prior year value-in-use model against the actual performance of the business in the current year;
- performing sensitivity analyses over the assumptions set out above by reference to our knowledge of the business and industry.

Regarding management's assessment of fair value less costs of disposal,

- we evaluated and assessed the competence, capabilities and objectivity of the external valuers used by management;
- we also benchmarked valuations performed by the valuers to external market data.

We found the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon.

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, 25 February 2021

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$'000		2020	2019	2018	2017	2016
Results						
Revenue		**1,470,932**	1,585,900	1,591,564	1,488,019	1,087,371
EBITDA		**184,736**	230,704	215,848	133,822	22,826
Underlying (loss)/profit		**(19,444)**	20,534	71,968	2,163	(87,669)
(Loss)/profit attributable to shareholders		**(208,228)**	25,124	72,284	3,610	(86,547)
Balance Sheet						
Total assets		**2,189,527**	2,394,235	2,366,206	2,231,592	2,107,225
Total liabilities		**(1,125,018)**	(1,118,303)	(1,134,997)	(1,070,457)	(1,066,454)
Total equity		**1,064,509**	1,275,932	1,231,209	1,161,135	1,040,771
Total cash and deposits		**234,824**	200,244	341,802	244,694	269,204
Net borrowings		**629,061**	662,907	619,291	636,274	570,038
Cash Flows						
Operating		**219,613**	217,027	189,555	124,740	49,521
Investing		**(92,114)**	(143,900)	(116,842)	(123,560)	(98,643)
of which Purchase of PP&E		**(102,031)**	(183,984)	(127,924)	(219,857)	(181,340)
Financing		**(101,572)**	(202,146)	29,979	56,759	18,112
Net change in cash and cash equivalents excluding term deposits		**25,927**	(129,019)	102,692	57,939	(31,010)
Other Data						
Basic EPS	US cents	**(4.45)**	0.55	1.64	0.09	(2.63)
Dividends per share	US cents	**–**	0.3	0.8	–	–
Eligible profit payout ratio		**–**	51%	50%	–	–
Operating cash flows per share	US cents	**4.7**	4.8	4.3	3.1	1.5
Equity per share	US cents	**22.2**	27.1	27.2	26.1	25.9
Closing price at year end	HK$	**1.46**	1.64	1.49	1.69	1.25
Market capitalisation at year end	US$'000	**902,000**	993,000	863,000	960,000	647,000

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

Corporate Information

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

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

Public and Investor Relations
The Company
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fax: +852 2110 0171

Auditor
PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors
Vincent T.K. Cheung, Yap & Co.

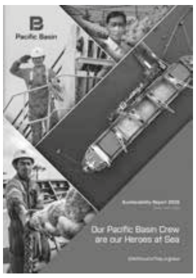
Stock Code
Stock Exchange: 2343.HK
Bloomberg: 2343 HK
Reuters: 2343.HK

Total Shares in Issue
4,788,871,272 as at 31 December 2020

Website
www.pacificbasin.com

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

Sustainability Report 2020



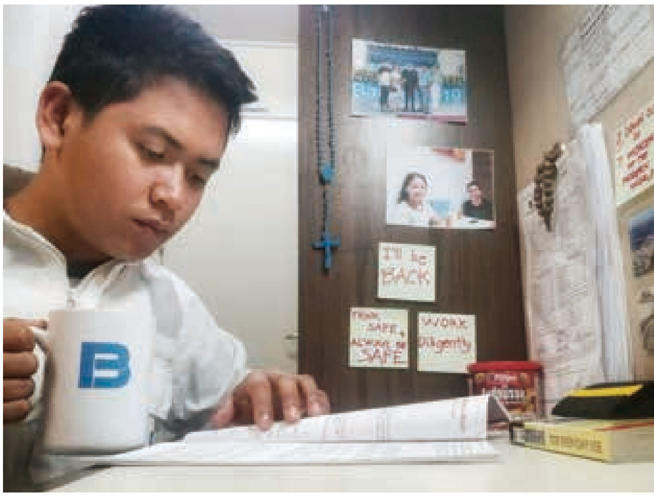
2020 Online Annual Report

Both reports are now available at
www.pacificbasin.com/ar2020

Please send us your feedback via our online feedback form

Our Heroes at Sea, enduring the Covid-19 coronavirus pandemic

#CopingWithCovid-19



Pacific Basin Shipping Limited

(*incorporated in Bermuda with limited liability*)

(Stock Code: 2343)

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