Pacific Basin Shipping Limited

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 as follows:

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
- We delivered a positive EBITDA of US$184.7 million but 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
- 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
- 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$362.5 million (cash and committed facilities) with net gearing of 37%

US$ Million	Year Ended 31 December 2020	2019
Revenue	**1,470.9**	1,585.9
EBITDA #	**184.7**	230.7
Underlying (Loss)/Profit	**(19.4)**	20.5
(Loss)/Profit Attributable to Shareholders	**(208.2)**	25.1
Basic Earnings per share *(HK cents)*	**(34.5)**	4.3
Full Year Dividends per share *(HK cents)*	**–**	2.1

\# *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.*

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

Our Fleet (as at 31 January 2021)

	Vessels in operation Owned[1, 2]	Long-term Chartered	Short-term Chartered[3]	Total
Handysize	**77**	**15**	**41**	**133**
Supramax	**36**	**4**	**77**	**117**
Post-Panamax	**1**	**1**	**–**	**2**
Total	114	20	118	252

[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

- 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

CHAIRMAN'S STATEMENT

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 the inside front cover of our Annual Report 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.

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

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.

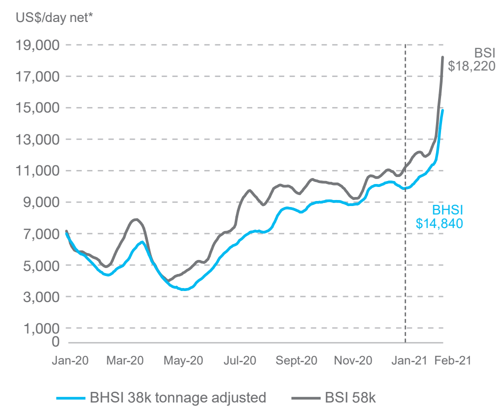
As described in our interim report, the impairments relate primarily to our smallest and oldest Handysize vessels and were made after reviews of the carrying values of our owned vessels and right-of-use assets following a significant reduction in market freight rates in the first half of 2020, the uncertain 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.

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 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.

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.

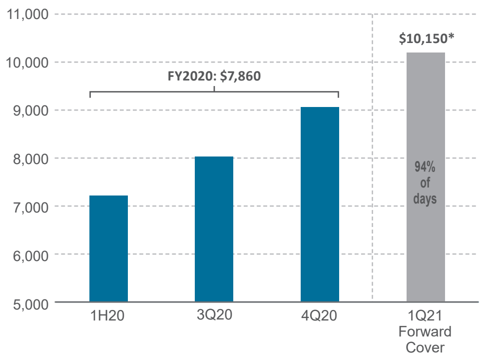
Our earnings and cost competitiveness is supported by scale benefits, good systems, strict cost control and a robust business model that we have refined over many years.

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.

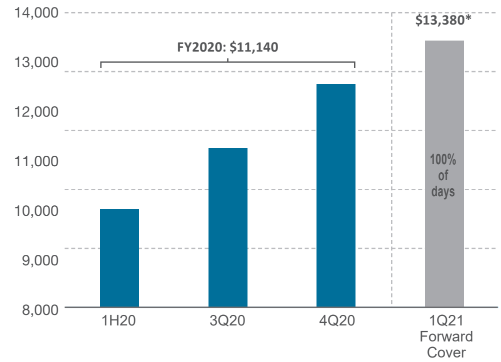
PB Handysize Performance

US$/Day (net)



PB Supramax Performance

US$/Day (net)



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

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.

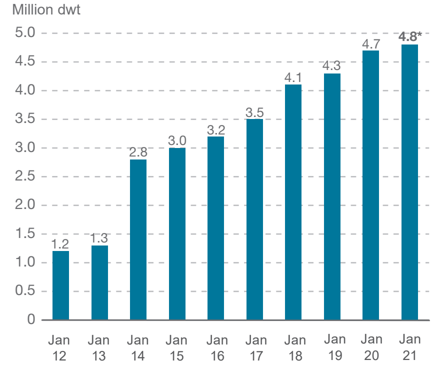
We are focusing especially on adding Supramax and Ultramax ships, as we believe size creep and pressure to lower transportation costs and emissions per tonne-mile will continue to drive this segment. In November we signed an agreement to acquire four high-quality 2015-built Ultramax ships at what we 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.

Pacific Basin Owned Fleet Capacity since 2012

Million dwt



* 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

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.

The number of ships we have on long-term charter continues to reduce as we replace them with owned ships with lower breakeven 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.

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.

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.

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.

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

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

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

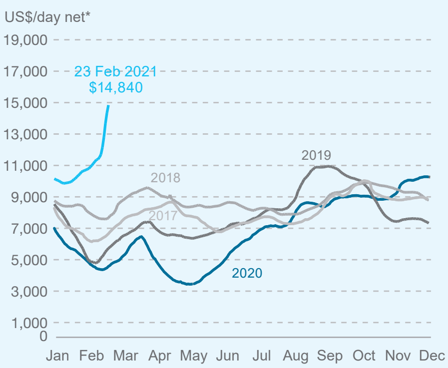
US$6,720 net ⬇ 13%

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

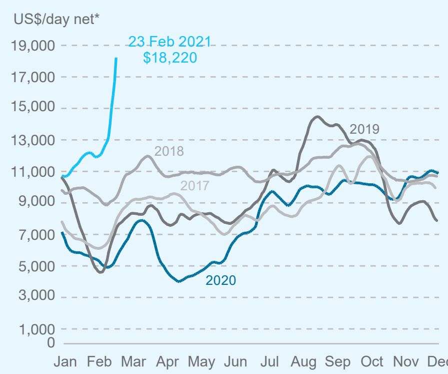
US$7,780 net ⬇ 18%

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.

2020 Chinese Import Volumes

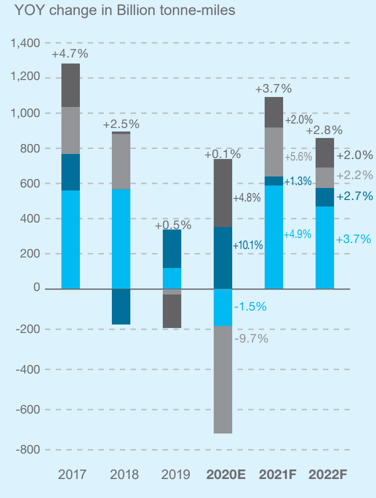
Iron Ore	⬆	+9.3%
Coal	⬆	+1.4%
Grain	⬆	+34.0%
Minor Bulks*	⬇	-3.6%

* 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

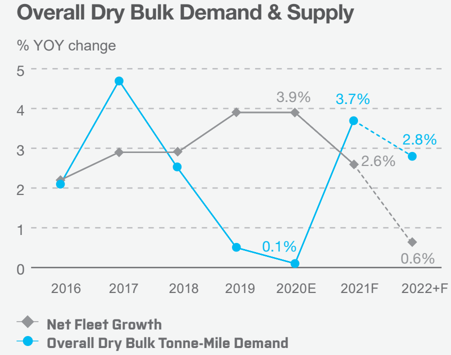
YOY change in Billion tonne-miles



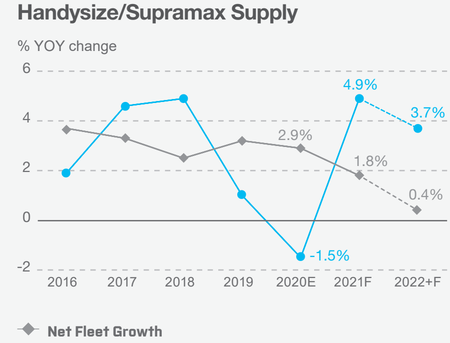
Source: Clarksons Research, data as at January 2021

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%

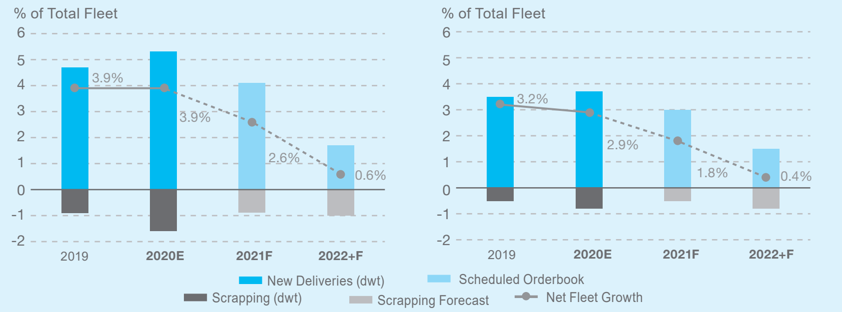
Overall dry bulk capacity 2020

+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.

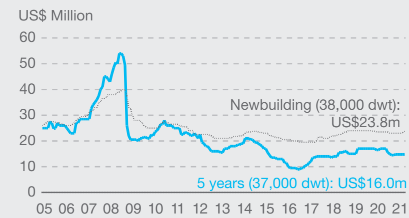
Second-hand Ship Values have Bottomed Out

US$16m -5.9%

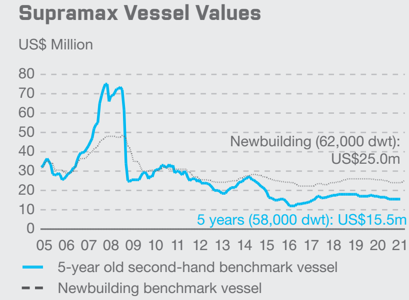
Second-hand Handysize YOY

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

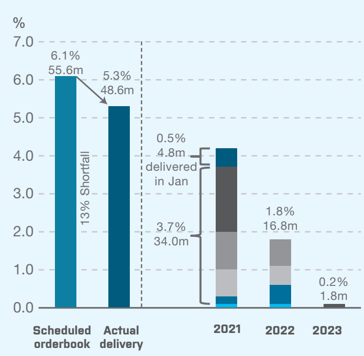
Dry Bulk Orderbook is Down to its Lowest in Decades

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

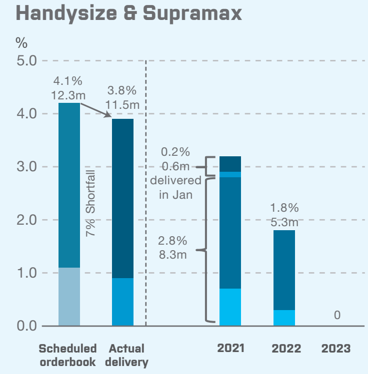
The combined Handysize and Supramax orderbook now stands at 4.6% of the existing fleet, and the overall dry bulk orderbook at 5.7% is now the smallest it has been in decades, which presents real potential for a rebalancing of fundamentals in the next few years.

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.

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

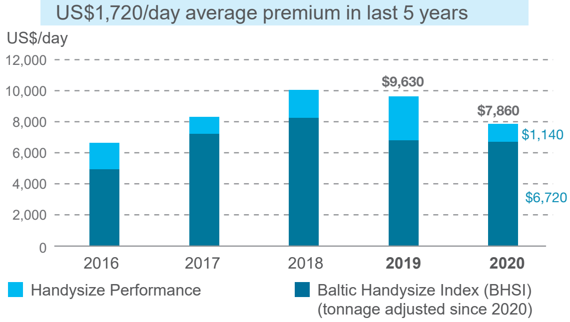
TCE EARNINGS KPI

US$7,860 per day (net)

OUTPERFORMANCE VS MARKET KPI

US$1,140 per day (net)

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



Supramax

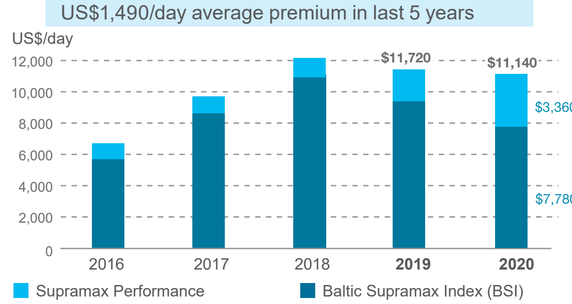
TCE EARNINGS KPI

US$11,140 per day (net)

OUTPERFORMANCE VS MARKET KPI

US$3,360 per day (net)

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



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

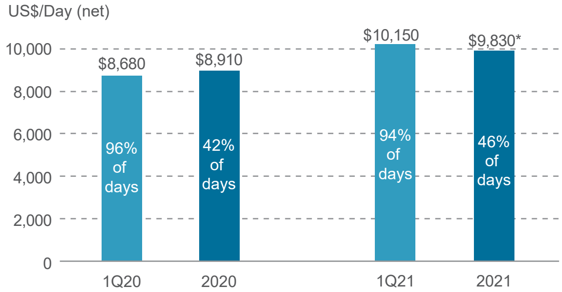
- Our core business generated:
  - Handysize daily earnings of US$7,860 on 34,120 revenue days.
  - Supramax daily earnings of US$11,140 on 14,120 revenue days.
- Our Handysize contribution reduced due to weak minor bulk market conditions in the first half, despite our outperformance compared to spot 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.

FORWARD CARGO COVER

Handysize

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



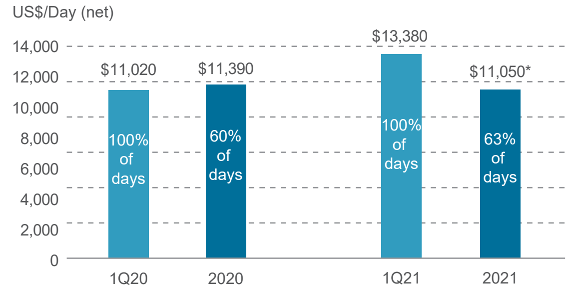
As at mid-February, indicative TCE only as voyages are still in progress

* 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 per day backhaul voyages. When combined with better earning fronthaul voyages, the overall TCE is typically higher.

FORWARD CARGO COVER

Supramax

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



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

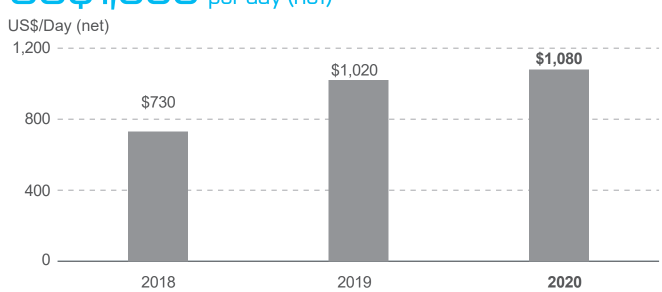
* Note that our Supramax cover for the rest of the year is backhaul heavy (see Handysize note) and excludes any scrubber benefit, currently about US$1,200 per day.

- 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).
- 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.

OPERATING ACTIVITY

Margin KPI

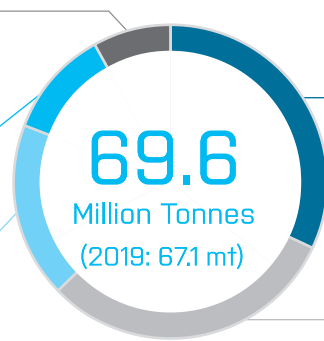
US$1,080 per day (net)



- 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.

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%

CORE BUSINESS VESSEL COSTS

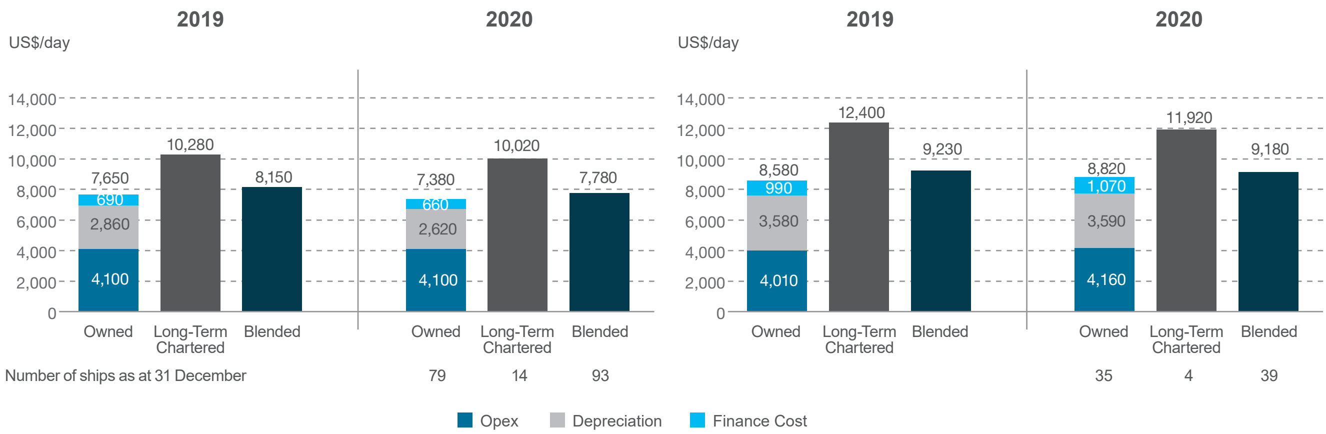
Daily Vessel Costs (Before G&A Overheads)

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-in 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

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:

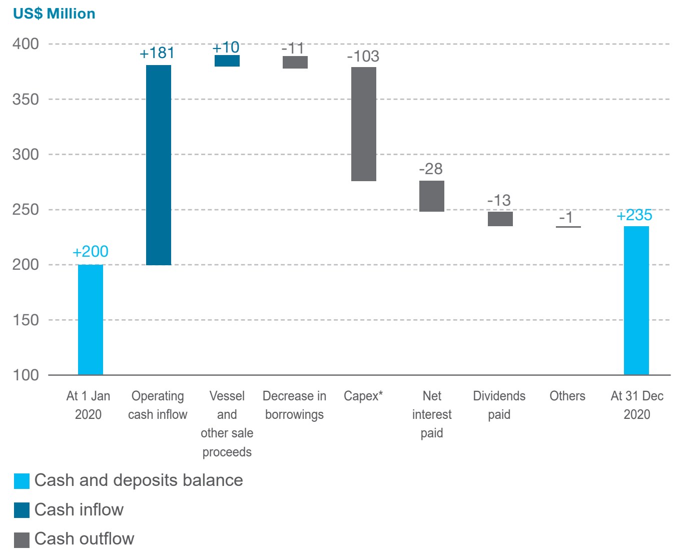
  (a) we paid US$38.4 million for one second-hand Handysize and two second-hand Supramaxes which were delivered into our fleet in 2020; and

  (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



* excluding Capex of US$11.9 million funded by equity

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%	

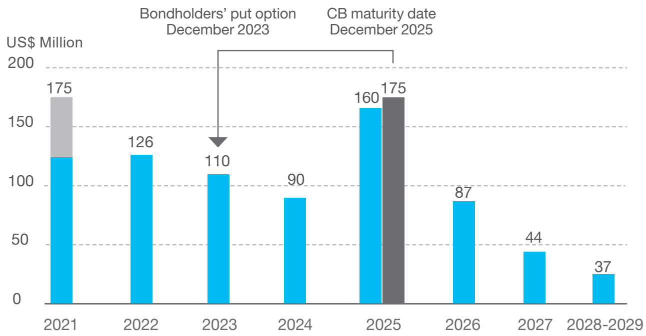
We invest our cash in a mix of financial products, based on the perceived balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading banks, mainly in Hong Kong and Singapore.

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.

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.

FINANCIAL STATEMENTS

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.

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.

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.

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2020 US$'000	 2019 US$'000
(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		**1,665,242**	1,875,352
Right-of-use assets		**65,778**	77,835
Subleasing receivables		**–**	1,915
Goodwill		**25,256**	25,256
Derivative assets		**4,026**	1,464
Trade and other receivables	8	**4,947**	25,487
Restricted bank deposits		**51**	51
		1,765,300	2,007,360
Current assets			
Inventories		**78,095**	90,381
Subleasing receivables		**1,915**	6,692
Derivative assets		**15,410**	2,495
Trade and other receivables	8	**77,898**	82,714
Assets held for sale		**16,136**	4,400
Cash and deposits		**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		**47,490**	47,039
(Accumulated losses)/retained profits		**(11,330)**	208,698
Other reserves		**1,028,349**	1,020,195
Total equity		**1,064,509**	1,275,932
LIABILITIES			
Non-current liabilities			
Borrowings		**775,149**	736,101
Lease liabilities		**50,089**	53,770
Derivative liabilities		**13,564**	13,090
Trade and other payables	9	**895**	2,123
		839,697	805,084
Current liabilities			
Borrowings		**88,736**	127,050
Lease liabilities		**26,744**	39,137
Derivative liabilities		**7,667**	1,937
Trade and other payables	9	**161,366**	143,949
Taxation payable		**808**	1,146
		285,321	313,219
Total liabilities		**1,125,018**	1,118,303

Notes:

1. General information and basis of preparation

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

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

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

2. Adoption of new HKFRS

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, except for the early adoption of 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.

3. 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.

4. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging the following:

US$'000	2020	2019
Port disbursements and other voyage costs	**352,724**	338,895
Bunkers consumed	**336,285**	381,418
Provision for vessel impairment losses	**199,604**	1,513
Depreciation		
– owned vessels	**125,314**	127,477
– other property, plant and equipment	**1,551**	1,857
– right-of-use assets	**33,215**	36,576
Losses on disposal of assets held for sale	**1,247**	174
Losses on disposal of property, plant and equipment	**571**	3,392
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 property, plant and equipment	**413**	779

5. Taxation

Shipping income from international trade is either not subject to or exempt from income tax according to the tax regulations prevailing in the 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

6. 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.

7. 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.

		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 and unvested restricted shares 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.

8. Trade and other receivables

Trade receivables are included in trade and other receivables and their ageing 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

9. Trade and other payables

Trade payables are included in trade and other payables and their ageing 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

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.

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.

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.

Review by audit committee and auditors

The Audit Committee of the Company has reviewed this annual results announcement and the Annual Report of the Company for the year ended 31 December 2020.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

Annual report and disclosure of information on stock exchange's website

This announcement of annual results containing all the information required by paragraphs 45(1) to 45(9) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2020 Annual Report will be available on the Company's website at www.pacificbasin.com no later than the date on which it is sent to those shareholders who have elected to receive a printed copy on or around 12 March 2021.

Directors

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

Executive Directors:
David Muir Turnbull, Mats Henrik Berglund and Peter Schulz.

Independent Non-executive Directors:
Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson.

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