Pacific Basin

Interim Report 2021

Stock Code: 2343

Thriving in a Strong Market

#WithYouForTheLongHaul

Seamless Service Provided by Our Excellent Team

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

Rolando Nioko

Chief Engineer

Success for me is maintaining a harmonious team and keeping all machinery in reliable and safe working order, always complying with the Pacific Basin Management System and policies. In my 15 years at sea, all challenges have been overcome because of good, trusting relationships with my teammates on board and our colleagues and customers ashore. Especially under tough global pandemic conditions, my team and I keep each other motivated and do our professional best to always maintain safe operating practices. Together we always strive to deliver excellent and seamless service to our customers armed with Pacific Basin values and teamwork.

Wu Xizhan

Fleet Manager

Commercial success depends on technical reliability and crew quality. With a focus on safety and routine technical management of our ships, my team and I work closely with our ships' crews to ensure safety and maximise availability so that our ships are always operationally ready. The global pandemic has hindered our regular physical ship inspections, but we remain no less committed to safety, compliance and service reliability, drawing instead on remote inspections and close collaboration with local service providers to ensure our ships remain well maintained and always ready to satisfy the freight needs of our customers around the world.

Yoyo Chu

General Manager, Auckland, Chartering

My team and I constantly engage with customers, striving to win their cargoes and coordinate the best possible service delivery so that they keep returning to Pacific Basin as their preferred freight partner. The global pandemic has created difficult conditions in which to ensure complete customer satisfaction, but it has also presented us with an opportunity to stand out. Our New Zealand based experienced, responsive and agile team, supported by the latest IT and an effective model for teamwork across our global offices, has enabled us to provide our customers with flexible solutions to their changing and interrupted freight needs. We are nimbly navigating the constantly shifting landscape.

What Our Customers Have Said About Us

> 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.

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 commodities expertise, and ability to extend a world-class service and deliver our customers' cargoes safely and reliably
- our ability and willingness to stand by our commitments
- 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 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

In the first half of 2021, the dry bulk market reached its highest level in over a decade. This is the market we have worked so hard to set ourselves up for. We are delivering excellent returns, and the outlook remains positive for 2021 and beyond.

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Our Fleet

Our large and high quality core fleet gives us significant operating leverage.

	Vessels in Operation[1]					Total Capacity	Average Age
	Owned[2]	Long-term Chartered	Sub-total	Short-term Chartered[3]	Total	(million DWT) Owned	Owned
	Substantially fixed costs			Costs fluctuate with market			
Handysize	77	12	89	34	123	2.60	11.9
Supramax (incl. Ultramax)	41	4	45	95	140	2.38	9.1
Post-Panamax	1	0	1	0	1	0.12	10.0
Total	119	16	135	129	264	5.10	10.9

[1] as at 30 June 2021

[2] Including 1 purchased Handysize vessel that delivered to us in July and 1 purchased Ultramax vessel with estimated delivery in fourth quarter 2021

[3] Average number of short-term and index-linked vessels operated in June 2021

An Excellent Start to the Year

Having markedly grown our owned fleet over the last nine years, we are well positioned to capitalise on the dry bulk market's return to strong levels.

119 owned ships
(and 264 ships overall)

1,590 shipments
completed in 1H 2021

160.1 US$ million
net profit

Key to navigation symbols

- Linkage to related details within the Interim Report
- Linkage to related details on our website www.pacificbasin.com
- ESG Linkage to related details in our Sustainability Report 2020
- KPI High-level KPIs (Key Performance Indicators)

A glossary covering many of the terms in this document is available on our website

Business Highlights

GROUP

We recorded our best half-year results in 13 years on the back of strongly increasing dry bulk freight rates, and the Board has declared an interim dividend of HK14 cents

Our core business made Handysize and Supramax net daily TCE earnings of

US$14,380 and US$18,260

Our operating activity generated a strong daily margin of

US$1,320 net

over 9,080 operating activity days

Our total available liquidity increased to

US$417.1m

(cash and committed facilities) with net gearing of 31%

FLEET

We have taken delivery of 2 modern second-hand Handysize and 5 Ultramax ships to date (with 1 more delivering in Q4), and we sold 4 older, small Handysize vessels

We own 119 ships and we currently have around 270 ships on the water overall, which is the biggest fleet we have ever controlled

We have grown the Supramax proportion of our fleet and now benefit from the larger earnings upside that these larger ships enjoy in strong markets

We have covered 76% and 81% of our Handysize and Supramax vessel days for the third quarter of 2021 at US$20,800 and US$31,310 per day net respectively

OUTLOOK

In June we registered our strongest monthly underlying results ever. We have covered substantially all of July and August at even higher daily TCE rates, and we expect continued healthy demand and reducing net fleet growth to result in higher average dry bulk freight earnings in the second half of 2021 compared to the first half.

In the short term, we expect market tightness to continue with the imminent start to the northern hemisphere grain export season that typically drives rates in the third quarter. Dry bulk demand for the rest of the year is expected to continue to be broad based and benefit from economic stimulus and infrastructure projects, although with some uncertainty over the path of the pandemic and the longevity of policy support.

We are optimistic about the longer term outlook for the dry bulk market. The orderbook is at an all-time low and we believe supply growth can remain at moderate levels because decarbonisation rules will result in shorter expected economic lives for newbuildings with conventional fuel oil engines, hence discouraging new ship ordering, and IMO rules will force slower speeds from 2023.

Our large core fleet with an enlarged Supramax proportion, our customer-focused business model, our efficient cost structure and our strong team equip us to provide customers with sector-leading service and performance and position us well to take advantage of the strong market.

Financial Summary

We booked an underlying profit of US$150.4 million in the first half of 2021 due to the progressively stronger dry bulk freight market throughout the period.

US$**244.6**m
EBITDA[1]

US$**150.4**m
Underlying Profit

US$**160.1**m
Net Profit

28%
Return on Equity

	30 June 2021 US$ Million	30 June 2020 US$ Million	31 December 2020 US$ Million
Results			
Revenue	**1,142.0**	681.5	1,470.9
Total Time-Charter Equivalent (“TCE”) Earnings	**712.2**	329.9	768.3
EBITDA [1]	**244.6**	79.2	184.7
Underlying profit/(loss) KPI	**150.4**	(26.6)	(19.4)
Profit/(loss) attributable to shareholders	**160.1**	(222.4)	(208.2)
Balance Sheet			
Total assets	**2,300.2**	2,320.7	2,189.5
Total cash and deposits	**227.0**	316.0	234.8
Available committed liquidity	**417.1**	349.5	362.5
Net borrowings	**539.5**	704.8	629.1
Shareholders’ equity	**1,229.4**	1,044.3	1,064.5
Capital commitments	**29.9**	2.5	71.3
Cash Flows			
Operating	**221.1**	96.9	219.6
Investing	**(98.3)**	(86.7)	(92.1)
Financing	**(132.2)**	100.6	(101.6)
Net change in cash and cash equivalents excluding term deposits	**(9.4)**	110.8	25.9
Per Share Data	**HK cents**	HK cents	HK cents
Basic EPS	**26.4**	(37.1)	(34.5)
Dividends KPI	**14.0**	–	–
Operating cash flows	**36.4**	16.2	36.4
Shareholders’ equity	**198**	169	172
Share price at period end	**HK$3.13**	HK$1.13	HK$1.46
Market capitalisation at period end	**HK$15.1 bn**	HK$5.4bn	HK$7.0bn
Ratios			
Net profit margin	**14%**	(33%)	(14%)
Return on average equity (annualised)	**28%**	(36%)	(18%)
Total shareholders’ return	**114%**	(30%)	(10%)
Net borrowings to net book value of owned vessels KPI	**31%**	41%	37%
Net borrowings to shareholders’ equity	**44%**	67%	59%
Interest coverage KPI	**16.0X**	4.3X	5.1X

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

Chief Executive's Review

This is the strong market we have worked so hard to set ourselves up for. We are now delivering excellent returns, and the outlook remains positive for 2021 and beyond.

Our Best Half-Year Results in 13 Years, and Our Third Quarter Committed Rates are Even Stronger

During the first half of 2021, we made an underlying profit of US$150.4 million, a net profit of US$160.1 million, an EBITDA of US$244.6 million and a healthy return on equity of 28%. EPS was HK26.4 cents and the Board has declared an interim dividend of HK14 cents per share, in line with our dividend policy of paying out at least 50% of net profits.

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Financial Statements

While this is our strongest half-year result in 13 years, it is important for investors to note that our profitability improved progressively over the period.

Our underlying result for June alone was US$53 million, the Company's highest monthly underlying result ever. We have covered substantially all of July and August at even higher daily TCE rates, whereas the costs of our core fleet remain substantially fixed.

Our results continue to improve primarily due to:

- increasing market freight rates
- the one to three month lag between fixing and execution of voyages
- the gradual expiry of lower paying cargo contracts
- our larger core fleet with substantially fixed costs
- the enlarged proportion of Supramax vessels in our fleet, which benefit from larger upside in strong markets, and
- our stronger second quarter operating activity performance.

This is the strong market that our teams both ashore and on board have worked so hard to set ourselves up for, and it is very satisfying to now see the returns coming through.

Our large **core business** with substantially fixed costs is the main driver of our profitability, although our **operating activity** also contributed positively with strong margins especially in the second quarter. On average, our operating activity generated a margin of US$1,320 net per day over 9,080 operating days in the first half. This is an excellent performance and a testament to the commercial skills of the Pacific Basin team in a fast changing market.

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

Due to the stronger freight market and our healthy earnings, we continue to strengthen our balance sheet. Our available liquidity has increased to US$417.1 million as at 30 June 2021, and our net borrowings of US$539.5 million were 31% of the net book value of our owned vessels, which is a reduction of six percentage points compared to the end of last year.

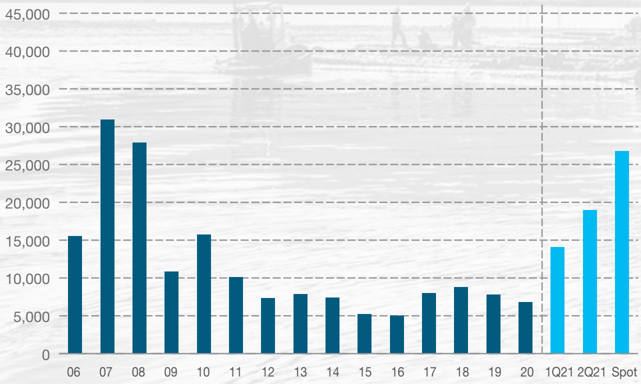
Strong Demand is the Main Reason for the Stronger Freight Rates

It is primarily strong demand for our two most important commodity groups – minor bulks and grain – that is driving up freight rates in our markets. Indicative global minor bulk loadings were up 13% year on year in the first half of 2021, with strong Chinese import growth in the first quarter followed by increased minor bulk loadings to non-Chinese destinations in the second quarter, including strong US demand for steel, cement and other construction material. Minor bulk demand is broad based and diverse, both geographically and in terms of commodities and customers, and normally tracks growth in GDP. Hence, with a 6% world GDP growth forecast and continued stimulus in many countries, the forecast for minor bulk demand in the rest of the year is positive.

Indicative loading data points to 9% growth in grain loadings in the period, supported by strong soybean trade and an encouraging new trend towards significant corn imports into China. The northern hemisphere grain season is just starting, with Black Sea, European and North American exports gradually

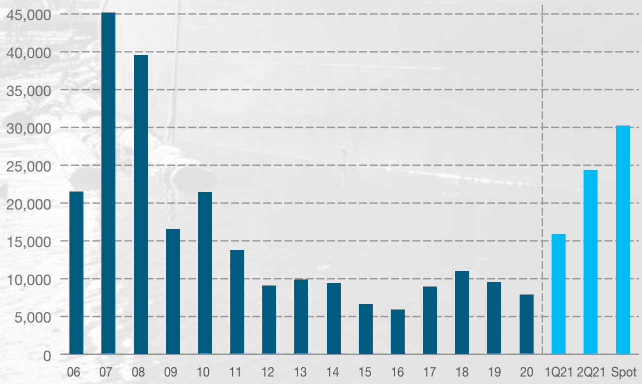
Market TCE Rates are Now Well Above Previous Strong Market Levels of 2010

Handysize Market Spot TCE*



* Handysize BHSI 28k dwt until end 2017, BHSI 38k dwt tonnage adjusted since 2018

Supramax Market Spot TCE#



Supramax BSI 52k dwt until July 2015, BSI 58k dwt since August 2015

requiring tonnage, which often makes the third quarter the strongest quarter of the year for dry bulk. Long-term grain demand is driven less by global economic growth and more by urbanisation, a growing middle class and changing eating habits that drive demand for meat and hence animal feed.

Our segments are also benefiting marginally from exceptionally strong container rates which are driving some commodities to be shipped in geared bulkers, as well as from some fleet inefficiencies caused by congestion, the pandemic and by China not importing coal from Australia but from further afield.

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Market Review

Dry Bulk Supply Growth is Slowing and the Orderbook is at an All-time Low

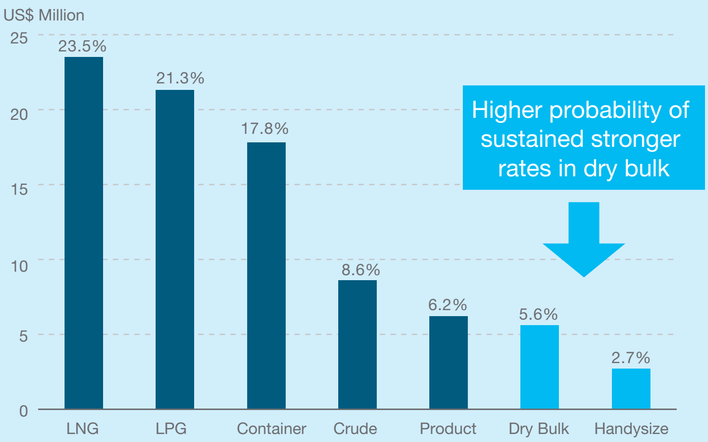
Despite continued minimal scrapping activity, supply growth has moderated due to slower new shipbuilding deliveries which will reduce further in the second half of 2021 and into 2022. Due to the much higher freight rates, and despite higher fuel prices, vessel operating speeds have accelerated gradually during the year, in spite of which supply capacity remains tight.

Dry bulk net fleet growth is expected to be lower than demand growth in the years ahead, especially for our segments, boding well for freight rates. The dry bulk orderbook as tracked by Clarksons is at an all-time low and is also smaller compared to other shipping sectors.

While strong freight rates have historically led to increased new ordering, we believe that dry bulk supply growth can remain at moderate levels because:

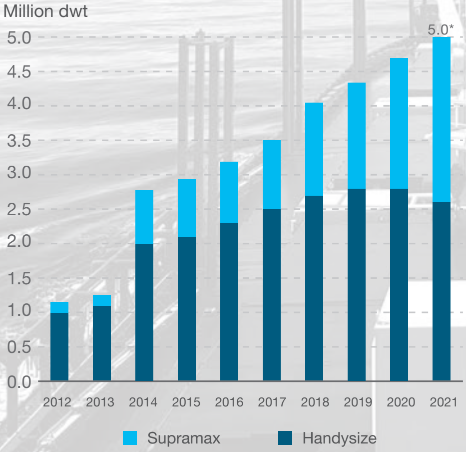
- decarbonisation rules result in uncertainty and shorter expected economic lives for newbuildings with conventional fuel oil engines
- the time between ordering and delivering current technology ships is two to three years, further increasing technical and economic uncertainty
- it will be several more years before new technology ships become commercially viable and the requisite fuelling infrastructure is built out globally
- lower priced second-hand ships with prompt delivery in today's strong market represent a more attractive investment, and
- IMO rules will force slower speeds from 2023

Dry Bulk Orderbook is at an All-Time Low



Source: Clarksons Research

Significant Growth of Owned Fleet and Supramax Proportion



** Including purchased and sold vessels in the first half of 2021*

Second-hand vessel values remain well below the previous strong market levels of 2010 despite freight rates being well above 2010 levels. We see further upside in second-hand values and have continued to buy good quality second-hand vessels.

Benefiting from our Strategy of Significantly Growing our Owned Fleet

Second-hand vessel values have rebounded since the lows of late last year but are still well below the levels seen in previous strong markets. For example, current values of 10-year old Handysize and Supramax ships are only about 70% of where they were in 2010, while current freight rates are about 135% of average freight rates in 2010. We see further upside in second-hand values and have continued to buy good quality second-hand vessels.

In line with our strategy, we have purchased six Ultramax vessels and two 38,000 dwt Handysize vessels since November last year, of which all but one Ultramax have now been delivered to us. We have strategically grown the Supra/Ultramax proportion of our fleet and now benefit from the larger earnings upside that these larger ships enjoy in strong markets.

Four older, smaller Handysize ships that we agreed to sell in December and January left our fleet in the first half of the year.

Page 1
Our Fleet table

Including the Ultramax that has yet to deliver, we own 119 quality ships that are very well suited for our customers and trades and are now generating very attractive returns. The average age of our owned ships is 10.9 years which we consider ideal for optimising our return on capital, with remaining upside on appreciation in value while minimising residual value risk from the shift over time to new technology vessels.

Including chartered ships, we currently have around 270 ships on the water which is the biggest overall fleet we have ever controlled.

Crew Change and Other Pandemic Impacts on our Operations

Our wide-ranging business continuity initiatives have enabled our business to remain fully operational throughout the pandemic. Covid-related additional costs and delays are being carefully managed and our service to customers has continued substantially uninterrupted despite continued crew-change restrictions and complications.

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

Inside Front Cover
Our Excellent Team

We are encouraged by the 70% vaccination rate among our seafarers prior to joining our ships, and we are facilitating inoculation of our unvaccinated crews when our ships call in ports that welcome seafarers at their vaccination centres, such as in the United States.

New IMO Carbon-Efficiency Regulations will Force Lower Speeds from 2023

IMO adopted global regulations in June 2021 to drive technical and operational measures to ensure annual improvements in the carbon efficiency of existing ships over the course of this decade with effect from January 2023. We at Pacific Basin have been adopting such carbon efficiency enhancements and practices for many years which positions our ships well to comply.

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Well placed to comply with new IMO and EU regulations

In mid-July, the European Commission announced its intention to include shipping in the European Union Emissions Trading System (EU ETS), charge tax on bunker fuel and implement carbon intensity reduction requirements effective 2023 which, subject to further development of these rules, may help to drive a more ambitious pace of decarbonisation.

A more detailed review of the IMO and EU rules will feature in our 2021 Sustainability Report, though it is fair to conclude that a medium-term consequence of both will be slower average speeds, with poorly designed and less fuel-efficient ships affected the most. We believe this will improve Pacific Basin's relative competitiveness in the market.

In the longer term, we will invest in low- or zero-emission ships when they become commercially viable for minor bulk and the requisite global refuelling infrastructure is in place. R&D has ramped up fast and we at Pacific Basin are supportive of and involved in the industry-wide discussion to make zero-emission ships a reality within this decade. In the meantime, we are not contracting newbuildings with conventional fuel oil engines.

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

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

THREATS

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

Positive Market Outlook for the Second Half

In July, the IMF further upgraded its global GDP growth forecast to 6% in 2021 and 4.9% in 2022 to reflect mainly pandemic and fiscal support developments in advanced economies in addition to the vaccine-powered recovery previously anticipated for the second half of 2021. These economic drivers are already supporting strong demand for dry bulk shipping, which we expect to continue to benefit particularly from economic stimulus and infrastructure projects, although with some uncertainty over the path of the pandemic and the longevity of continued policy support.

In the short term, current market tightness is expected to continue with the imminent start to the northern hemisphere grain export season that typically drives rates in the third quarter.

We expect continued dry bulk demand strength in the second half to be broad based and less China dependent. We expect continued healthy demand for minor bulks and grain and the reducing fleet growth to result in higher average dry bulk freight earnings in the second half of 2021 compared to the first half, as is also indicated by our strong cover rates for the third quarter. Our current attractive earnings will enable us to return capital to our shareholders through our dividend policy.

A Change at the Helm

As announced in January, I am retiring at the end of July after more than nine years as CEO and will return to my native Sweden. The Company is today entirely focused on its now significantly larger core Handysize and Supramax business with a strong team and efficient cost structure, and is well positioned to take advantage of the strong market. I thank my Pacific Basin colleagues – ashore and at sea – as well as our shareholders and all stakeholders for your excellent support over the years. It has been an honour serving with Pacific Basin.

I feel all the more fulfilled knowing that Pacific Basin has an excellent new CEO taking the helm on 31 July. Martin Fruergaard comes with impressive, lifelong maritime experience and proven leadership credentials. The Board and I are excited about Martin joining the Company and are confident that Pacific Basin's leading position in the minor bulk segments will continue to develop and prosper under his leadership.

And finally, I will leave Pacific Basin knowing that the Company is in the good hands of a world-class Board of Directors and the best team of talented, experienced, hard-working and loyal staff who make the Company the segment leader and carrier of choice that it is.

Mats Berglund
Chief Executive Officer

Hong Kong, 29 July 2021

Martin Fruergaard takes over as CEO from 31 July 2021

Martin comes to us from gas tanker owner and operator Ultragas where he served as CEO for six years. He previously spent 26 years with A.P. Moller-Maersk occupying several leadership positions including senior director of Maersk Bulk Carriers, senior vice president of Maersk Tankers, and chief commercial officer of Maersk Drilling. Martin was chosen as our new CEO because of his extensive experience in the shipping industry, his management and leadership track record, his keen interest in new technologies and sustainability, and his character and values which make him a good fit for Pacific Basin.

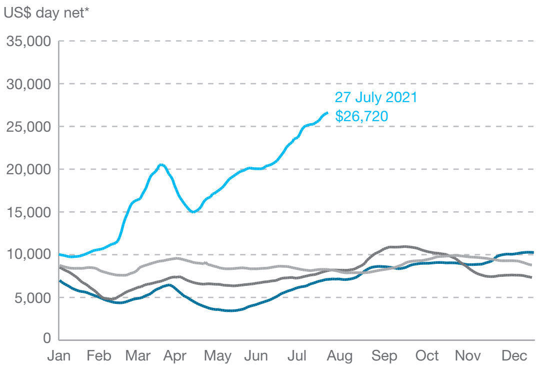
Market Review

Dry Bulk Has Gone From Strength To Strength

US$16,400 net ⬆ 233% YOY

BHSI 38K (tonnage adjusted) Handysize
1H21 average market spot rate

Handysize Market Spot Rates

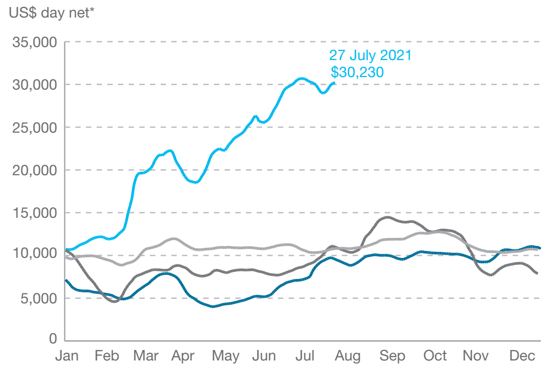


BHSI 38,000 dwt (tonnage adjusted)

US$19,960 net ⬆ 248% YOY

BSI 58K Supramax
1H21 average market spot rate

Supramax Market Spot Rates



BSI 58,000 dwt

2018 2019 2020 2021

* Excludes 5% commission
Source: Baltic Exchange

Dry Bulk Demand is Strong and Broad Based

The freight market in the first half of 2021 benefited from a broad-based increase in demand for commodities. Preliminary data indicates that global dry bulk volumes loaded in the period grew 8% compared to the same period last year, supported by several drivers.

Chinese demand for dry bulk imports continued to be strong on the back of increased construction, manufacturing and industrial output (driving minor bulk and iron ore volumes) and a restocking of the swine population (driving grain and soybean volumes). Trade tensions between Australia and China resulted in China sourcing imports from further afield, increasing tonne-miles.

Non-Chinese destinations demonstrated firm demand growth due to stimulus and economic activity around the world, driving trade in key commodities such as iron ore, global loadings of which were up around 4% in the year to June compared to the same period last year.

Global grain loadings were 9% higher in the first half, benefiting from the continuation of record high US soybean exports from late 2020 into 2021, a strong South American grain export season in the second quarter, and significant corn exports to China which is a new and encouraging trend.

Global coal loadings in the first half recovered 4% following the pandemic-induced weakness of last year, particularly due to a recovery in Indian demand.

Global minor bulk loadings were up 13% due to increased construction, and benefiting marginally from the exceptionally high container rates resulting in some breakbulk cargoes switching to dry bulk ships.

DEMAND DRIVERS

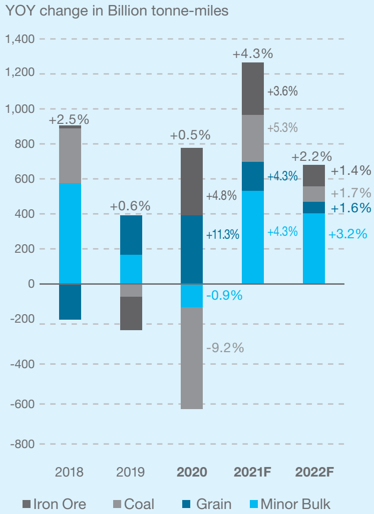
1H2021 Global Cargo Loading Volumes

Iron Ore	⬆	+4%
Coal	⬆	+4%
Grain	⬆	+9%
Minor Bulks*	⬆	+13%
Total Dry Bulk	⬆	+8%

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

Source: AXS Marine

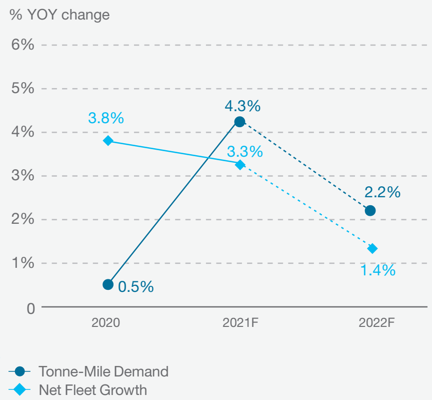
Annual Change in Global Dry Bulk Tonne-mile Demand



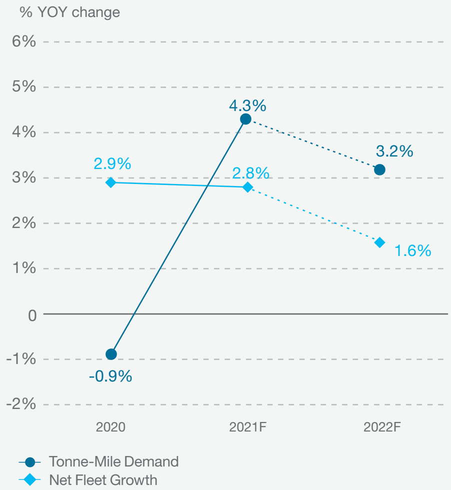
Source: Clarksons Research, data as at July 2021

Positive Demand and Supply Balance Expected Ahead

Total Dry Bulk Supply and Demand



Minor Bulk Demand and Handysize/Supramax Supply



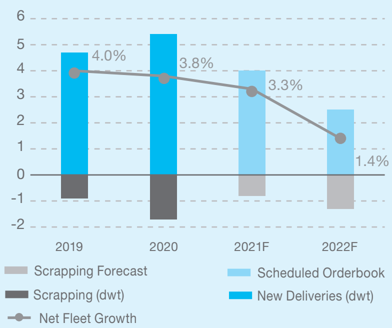
Source: Clarksons Research, data as at July 2021

Net Fleet Growth Is Reducing

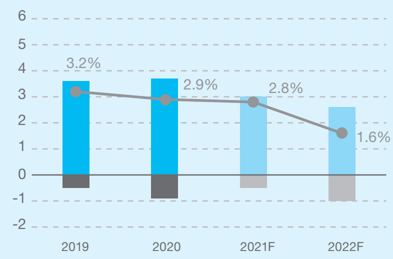
+1.9%
Overall dry bulk capacity 1H21

+1.3%
Global Handy/Supra capacity 1H21

Overall Dry Bulk Supply Development



Handysize/Supramax Supply Development



Source: Clarksons Research, data as at July 2021

Bulker scrapping has been very low due to the healthy returns owners are making by continuing to operate their vessels in the current strong freight market. Even without scrapping, global dry bulk net fleet growth has slowed since mid-2020, with capacity expanding only 1.9% net during the first half of 2021 compared to 2.2% in the same period last year, mainly due to slowing newbuilding deliveries which peaked in the second quarter of 2020. The market also benefited marginally from fleet inefficiencies.

The global fleet of Handysize and Supramax ships in which we specialise grew by only 1.3% net, pointing to even healthier fundamentals compared to the large vessel sizes.

Due to the much higher freight rates and despite higher fuel prices, vessel operating speeds have accelerated by 3% during the period, in spite of which supply remains tight.

Moderate net fleet growth is expected in the next few years due to the orderbook remaining low and scrapping potentially increasing as the fleet ages and decarbonisation regulations tighten. Effective 2023, IMO and EU decarbonisation regulations will also lead to some reduction in vessel speeds which in turn reduces supply, also boding well for the market in the longer term.

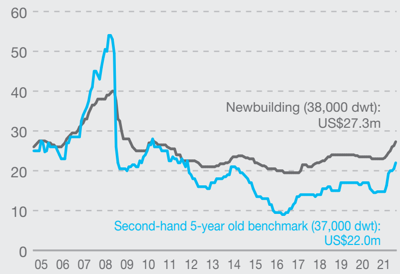
SUPPLY DRIVERS

Second-hand Ship Values Have Rebounded

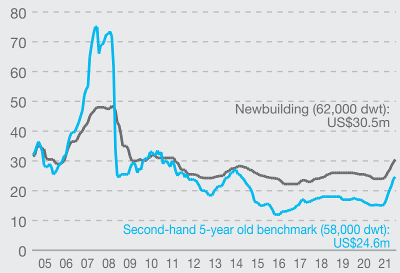
US$22.0m 49%
Second-hand Handysize YOY

Vessel values have rebounded since the lows of late 2020, supported by the much stronger freight market and improved outlook. Clarksons Research currently values a benchmark five-year old Handysize ship at US$22.0 million, up 49% since the start of the year.

Handysize Vessel Values



Supramax Vessel Values



Source: Clarksons Research and Baltic Exchange, data as at July 2021

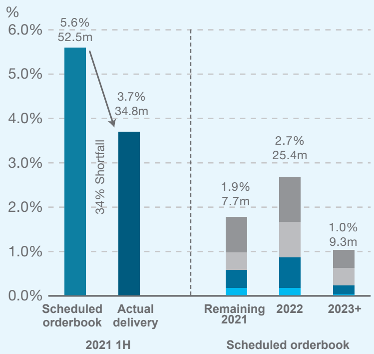
VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

Dry Bulk Orderbook is at a Record Low

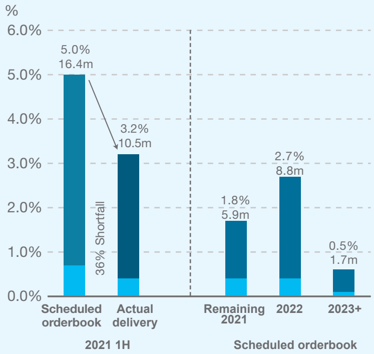
New bulk carrier ordering in the first half of the year remained subdued despite the strong freight market and is expected to remain restrained as higher commodity prices have driven up newbuilding costs significantly, and tightening decarbonisation regulations and related technological uncertainty discourage ordering of conventional vessels based on fossil fuels.

The combined Handysize and Supramax orderbook now stands at 5.0% of the existing fleet, and the overall dry bulk orderbook is at a record low 5.6%, presenting the basis for a continued tight supply/demand balance in the next few years.

Orderbook by Year

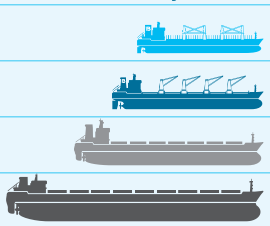


Handysize & Supramax Combined Orderbook



Source: Clarksons Research, data as at July 2021

Handysize has the smallest orderbook and the oldest fleet in the dry bulk sector



	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H21 SCRAPPING AS % OF 1 JANUARY 2021 EXISTING FLEET
Handysize (10,000–41,999 dwt)	2.7%	12	13%	0.4%
Supramax (incl. Ultramax) (42,000–64,999 dwt)	6.2%	10	8%	0.2%
Panamax & Post-Panamax (65,000–119,999 dwt)	6.1%	11	10%	0.2%
Capesize (incl. VLOC) (120,000+ dwt)	5.9%	9	1%	0.8%
Total Dry Bulk > 10,000 dwt	5.6%	11	6%	0.5%

Source: Clarksons Research, data as at July 2021

Our Performance

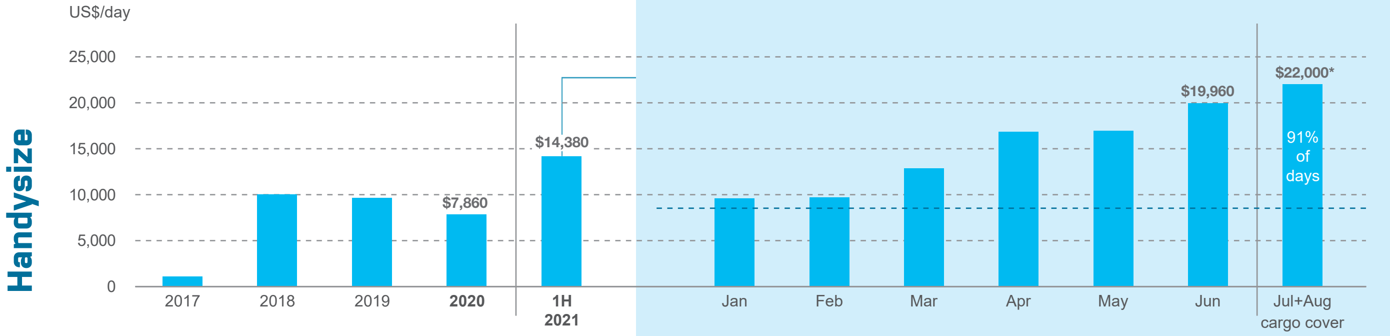
Our business generated an underlying profit of US$150.4 million (2020: underlying loss of US$26.6 million) representing our strongest half-year result in 13 years. We delivered our best daily TCE earnings since 2010, generated strong operating activity margins, and continued to maintain good control of our vessel operating costs.

US$ Million	Six months ended 30 June 2021	2020	Change
Core business Handysize contribution	**105.2**	(16.0)	>+100%
Core business Supramax contribution	**65.9**	5.0	>+100%
Operating activity contribution	**11.9**	12.5	-5%
Post-Panamax contribution	**2.1**	2.1	–
Performance before overheads	**185.1**	3.6	>+100%
Adjusted total G&A overheads	**(34.1)**	(30.0)	-14%
Tax and others	**(0.6)**	(0.2)	>-100%
Underlying profit/(loss)	**150.4**	(26.6)	>+100%
Vessel net book value (incl. assets held for sale)	**1,720.0**	1,717.5	+0%

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

CORE BUSINESS

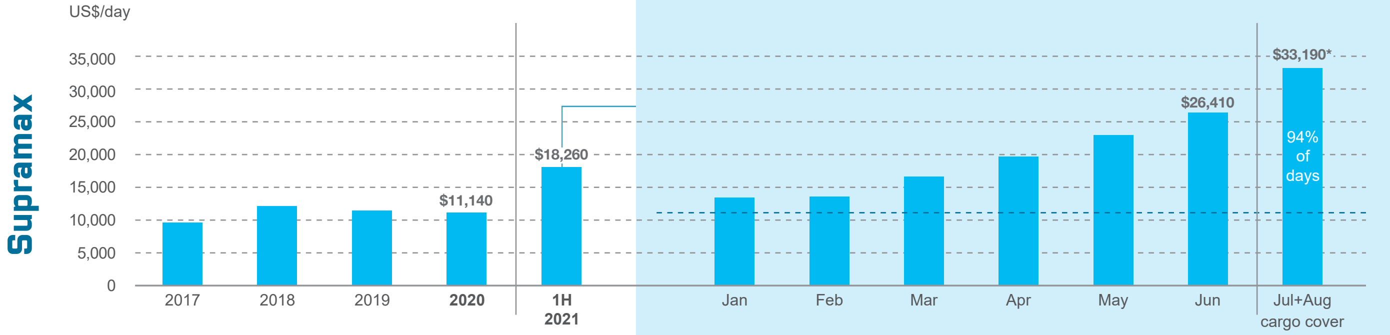
TCE EARNINGS KPI



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

- - - Indicative core fleet P&L break-even level incl. G&A for 1H21 = US$8,630
* As at late July, indicative TCE only as voyages are still in progress

TCE EARNINGS KPI



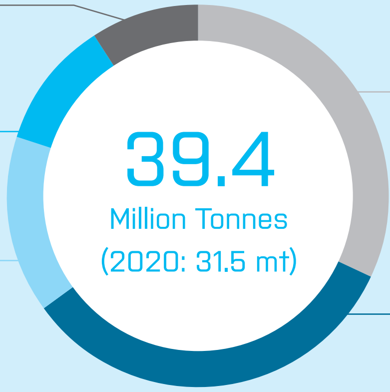
Note: Pre-2020 historical data has not been restated to split operating activity from core business

- - - Indicative core fleet P&L break-even level incl. G&A for 1H21 = US$10,170
* As at late July, indicative TCE only as voyages are still in progress

- Our core business generated:
  - Handysize daily TCE earnings of US$14,380 on 16,030 revenue days.
  - Supramax daily TCE earnings of US$18,260 on 7,360 revenue days.
- Our daily TCE earnings have improved progressively every month in the year to date due to the much stronger minor bulk market which, together with our good cost control, has resulted in significantly increased Handysize and Supramax contributions.
- In June we registered our strongest monthly underlying result ever of US$53 million, and we have covered substantially all of July and August at even higher daily TCE rates.

Our Cargo Volumes in 1H 2021

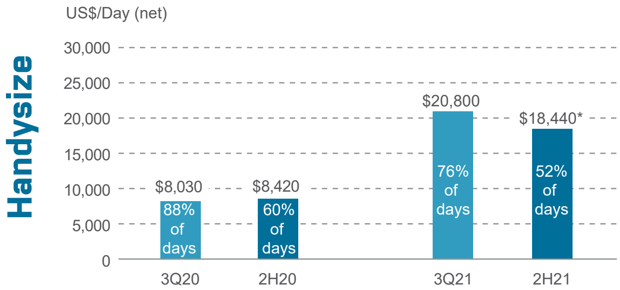
Minerals	**9%**
Sand & Gypsum	3%
Salt	4%
Soda Ash	2%
Energy	**11%**
Coal	7%
Petcoke	3%
Wood Pellets	1%
Metals	**15%**
Ores	6%
Concentrates	5%
Alumina	3%
Others	1%



Agricultural Products & Related	**32%**
Grains & Agricultural Products	19%
Fertiliser	9%
Sugar	4%
Construction Materials	**33%**
Cement & Cement Clinkers	13%
Steel & Scrap	11%
Logs & Forest Products	9%

FORWARD CARGO COVER

US$20,800 per day (net) in 3Q 2021

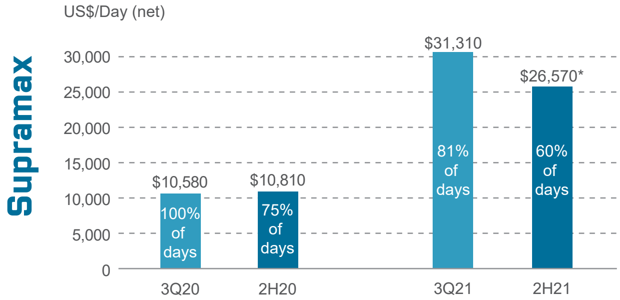


As at late July, indicative TCE only as voyages are still in progress.

*Note that our Handysize cover for the rest of the year is backhaul heavy. When combined with better earning fronthaul voyages, the overall TCE will typically be higher.

FORWARD CARGO COVER

US$31,310 per day (net) in 3Q 2021



As at late July, indicative TCE only as voyages are still in progress

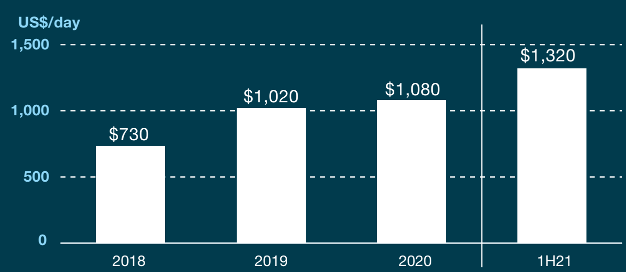
*Note that our Supramax cover for the rest of the year is backhaul heavy (see Handysize note above) and excludes any scrubber benefit, currently about US$1,250 per day.

- We have covered 76% and 81% of our Handysize and Supramax vessel days currently contracted for the third quarter of 2021 at US$20,800 and US$31,310 per day net respectively.
- We have covered 52% and 60% of our Handysize and Supramax vessel days currently contracted for the second half of 2021 at US$18,440 and US$26,570 per day net respectively. (Cargo cover excludes operating activity.)

OPERATING ACTIVITY

MARGIN KPI

US$1,320 per day (net)



- Our operating activity generated a strong margin of US$1,320 net per day over 9,080 operating days in the first half of the year 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.

- Following the United States' announced termination of the reciprocal tax exemption with Hong Kong on international shipping income, we have commenced payment of US transportation tax on our international shipping activities in US waters with effect from January 2021, but we continue to investigate with Hong Kong authorities solutions to reduce or eliminate these taxes in the future.

Core Business Vessel Costs

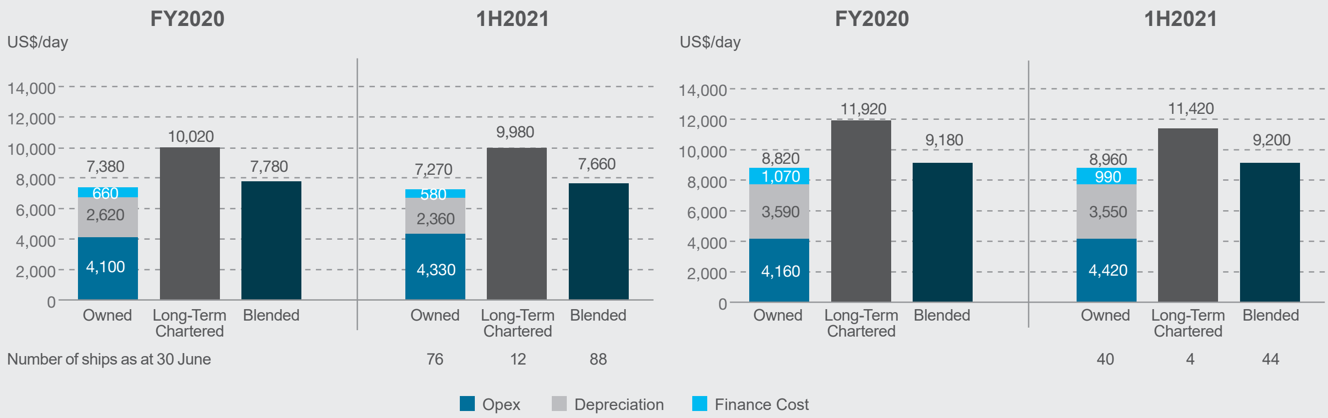
Daily Vessel Costs (Before G&A Overheads)

Handysize

US$7,660 per day (blended)

Supramax

US$9,200 per day (blended)



Owned Vessel Costs

- Operating expenses

  Our average Handysize and Supramax daily vessel operating expenses ("Opex") amounted to US$4,360 per day (FY2020: US$4,120), which is an increase of 6% compared to FY2020. This was mainly due to more expensive crew travel, quarantine and other pandemic-related manning costs, which have affected the entire industry. Our Opex remained at competitive levels as a result of efficient management, good cost control and scale benefits, including operational and procurement cost efficiencies.

  During the period, our fleet of owned vessels experienced on average 0.8 days (FY2020: 1.0 days) of unplanned technical off-hire per vessel of which 0.2 days were Covid related.

- Depreciation

  Our daily depreciation costs (including capitalisation of dry-docking costs) decreased by 10% for Handysize mainly due to the impairment taken in June 2020.

- Finance costs

  Our daily finance costs decreased by 12% and 7% compared to FY2020 for Handysize and Supramax respectively, reflecting the combined effect of less borrowings and lower interest rates. Our blended Handysize and Supramax finance costs averaged US$710 per day (FY2020: US$780).

Long-term Chartered Vessel Costs

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. Our Handysize long-term chartered vessel costs were substantially unchanged. Our Supramax long-term chartered vessel costs reduced by 4% primarily due to the redelivery of more expensive vessels.

US$	FY2020	**1H2021**	2H2021 (future)
Handysize	10,020	**9,980**	10,550
Supramax	11,920	**11,420**	14,560

Blended Costs

Our daily blended costs for owned and long-term chartered vessels reduced to US$7,660 for Handysize and increased to US$9,200 for Supramax (FY2020: US$7,780 and US$9,180).

Future Long-Term Chartered Costs

	Handysize		Supramax	
Year	Vessel days	Average cost (US$)	Vessel days	Average cost (US$)
2H2021	2,660	10,550	1,290	14,560
2022	4,240	9,980	1,170	13,250
2023	2,250	10,240	270	10,290
2024	1,660	10,290	–	–
2025	370	10,500	–	–
Total	**11,180**		**2,730**	

Vessel Days

	Handysize		Supramax	
Days	FY2020	**1H2021**	FY2020	**1H2021**
Core business revenue days	34,120	**16,030**	14,120	**7,360**
– Owned revenue days	28,830	**13,650**	12,450	**6,650**
– Long-term chartered days	5,290	**2,380**	1,670	**710**
Short-term core days[1]	6,070	**4,780**	12,520	**9,710**
Operating activity days	7,310	**2,830**	8,190	**6,250**
Owned off-hire days	820	**310**	280	**90**
Total vessel days	48,320	**23,950**	35,110	**23,410**

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

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads increased to US$34.1 million (1H2020: US$30.0 million and FY2020: US$61.2 million) due primarily to an increase in staff costs during the period. Spread across our total vessel days, our daily G&A overheads remain competitive at US$720 (FY2020: US$730), comprising US$970 and US$520 (FY2020: US$940 and US$520) per day for owned and chartered ships respectively.

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, the payment of dividends 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. We successfully continue to maintain the ratio well below this limit.

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

Operating Cash Inflows

US$203.9m

US$126.4m YoY

Total Available Liquidity

US$417.1m

US$54.6m

Compared to end 2020

Net Borrowings to Net Book Value of Owned Vessels

31%

6%

Compared to end 2020

Average Interest Rate (P/L)

3.4%

0.3% YoY

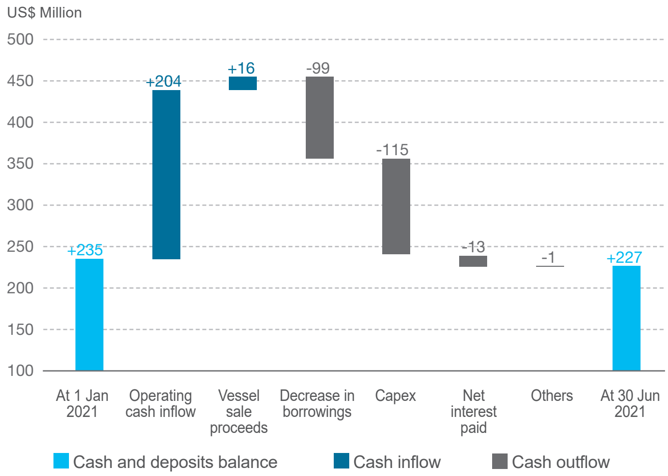
Key Developments in 1H 2021

- Our operating cash inflow inclusive of all long and short-term charter-hire payments was US$203.9 million, as compared with US$77.5 million in the first half of 2020 and US$181.5 million in the full year 2020.
- In April we closed a new US$45.0 million bilateral 6-year term loan secured against two unmortgaged vessels.
- Our net cash outflow from borrowings was US$98.9 million in the period after we drew down US$45.0 million net under our committed facilities while making net repayments of US$143.9 million.
- During the period we incurred capital expenditure of US$114.6 million in cash, of which:
  - (a) we paid US$96.4 million for four second-hand Ultramax vessels that we committed to purchase in November 2020 and one additional second-hand Ultramax and one second-hand Handysize which delivered into our fleet in the first half of 2021; and
  - (b) we paid US$18.2 million for dry dockings and the installation of ballast water treatment systems.
- In June we purchased one second-hand Handysize vessel for US$14.9 million in cash which was paid for and delivered in July and one second-hand Ultramax vessel for US$14.8 million which will be paid for in cash and is expected to be delivered into our fleet in the fourth quarter.

As at 30 June 2021:

- The Group's cash and deposits were US$227.0 million.
- Our available undrawn committed facilities were US$190.1 million.
- We had a 31% net gearing ratio.
- We had eight unmortgaged vessels.

Cash Inflow and Outflow in 1H 2021



Liquidity and Borrowings

US$ Million	30 Jun 2021	31 Dec 2020	Change
Cash and deposits (a)	**227.0**	234.8	-3%
Available undrawn committed facilities	**190.1**	127.7	+49%
Total available liquidity	**417.1**	362.5	+15%
Current portion of borrowings	**(88.8)**	(88.7)	
Non-current portion of borrowings	**(677.7)**	(775.2)	
Total borrowings (b)	**(766.5)**	(863.9)	+11%
Net borrowings (b)-(a)	**(539.5)**	(629.1)	+14%
Net borrowings to shareholders' equity	**44%**	59%	
Net borrowings to net book value of owned vessels KPI	**31%**	37%	

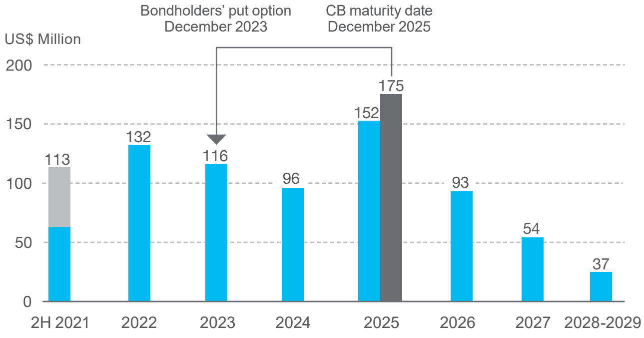
We invest our cash in a mix of financial products, based on our assessment of balance of risk, return and liquidity. Cash, deposits and investment products are placed with a range of leading international banks, mainly in Hong Kong and Singapore.

The Group's cash and deposits at 30 June 2021 comprised US$223.9 million in United States Dollars and US$3.1 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, dividends and any vessel purchase commitments.

During the first half of 2021, we achieved a 0.3% 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 30 June 2021, including the liability component of the convertible bonds, amounted to US$956.6 million (31 December 2020: US$991.6 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$742.6 million)
- Convertible bonds (face value US$175.0 million, book value US$164.0 million, bondholders' put option December 2023)

Borrowings and Undrawn Committed Facilities – US$792.6 million (31 December 2020: US$828.7 million)

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

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 30 June 2021:

- The Group's secured borrowings were secured by 109 vessels with a total net book value of US$1,607.8 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$10.8 million (1H 2020: US$14.3 million) was mainly due to a decrease in average borrowings to US$684.3 million (1H 2020: US$810.4 million).

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$164.0 million (31 December 2020: US$162.9 million)

As at 30 June 2021 there remained the 3.0% p.a. coupon December 2025 convertible bonds with an outstanding principal of US$175.0 million and a prevailing conversion price of HK$2.34 per share.

As disclosed in the Company's 2020 Annual Report, 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 vessel delivered to the Group in early 2020, US$67.0 million has been used to purchase the four second-hand Ultramax vessels as announced in November 2020, and US$13.5 million has been used to purchase one further second-hand Ultramax vessel. All five Ultramax vessels were delivered to the Group during the first half of 2021. 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$3.8 million (1H 2020: US$3.7 million) interest expense of the convertible bonds outstanding during the period is calculated at an effective average interest rate of 4.7% (1H 2020: 4.7%).

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2021	Finance costs 1H2021	Finance costs 1H2020	Change
Borrowings (including realised interest rate swap contracts)	3.1%	3.1%	602.5	**10.8**	14.3	+24%
Convertible bonds (Note)	4.7%	3.0%	164.0	**3.8**	3.7	-3%
	KPI 3.4%	KPI 3.1%	766.5	**14.6**	18.0	+19%
Other finance charges				**0.7**	0.5	
Total finance costs				**15.3**	18.5	+18%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **16.0X**	4.3X	

Note: The convertible bonds have a P/L cost of US$3.8 million and a cash cost of US$2.6 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. In the first half of 2021, all our interest rate swap contracts qualified for hedge accounting as cash flow hedges and US$1.4 million of interest rate swap contract expense was realised. As at 30 June 2021, 68% (31 December 2020: 65%) of the Group's borrowings were on fixed interest rates. We currently expect about 57% and 60% 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.

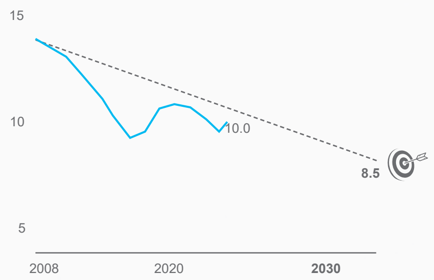
Sustainability

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

ENVIRONMENTAL STEWARDSHIP

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

The global dry bulk fleet has sped up in response to the current strong market, but we remain largely on course to meet our current IMO-aligned target of a 40% improvement in EEOI by 2030



TARGET

Carbon Intensity (EEOI)

8.5 by 2030

Grams of CO_2 per tonne-mile

IMO adopts global fuel-efficiency regulations

IMO adopted global regulations in June 2021 to drive technical and operational measures to ensure annual improvements in the carbon efficiency of existing ships over the course of this decade with effect from January 2023. We have been adopting such fuel efficiency enhancements and practices for many years which positions our ships well to comply.

See page 18 for more information

Blue Circle Award

Pacific Basin has again received Port of Vancouver's Blue Circle Award recognising shipping companies that voluntarily invested in green technologies and practices and are the main participants in the port's EcoAction Program to conserve energy and reduce emissions at the port.

2020 RECIPIENT

bluecircle AWARD

SAFETY & WORKPLACE

This year we have enhanced our safety culture with a more bottom-up approach which supported further improved crew safety performance in the first half compared to full year 2020

Lost Time Injury Frequency

0.21 ↓ **65%**

injuries per million man hours

Total Recordable Case Frequency

0.51 ↓ **54%**

injuries per million man hours

External Inspection Deficiency Rate

0.43 ↓ **38%**

deficiencies per PSC inspection

Gulf of Guinea Declaration

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

The Gulf of Guinea Declaration on Suppression of Piracy

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

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
- CORPORATE GOVERNANCE

COMMUNITY ENGAGEMENT

Pacific Basin signs Neptune Declaration on Seafarer Wellbeing and Crew Change

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

The Neptune Declaration on Seafarer Wellbeing and Crew Change

Contributing to Seafarers International Relief Fund

We are supporting the Seafarers International Relief Fund, a collaborative effort between International Chamber of Shipping and leading maritime charities, to help Indian Seafarers and their families impacted by the Covid-19 crisis in India.

Seafarers International Relief Fund

WISTA membership for female PB seafarers

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

CORPORATE GOVERNANCE

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

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

Pacific Basin's ESG Governance Score by Refinitiv

89%

indicating excellent corporate governance performance and a high degree of transparency

Our governance and overall ESG ratings are typically the best in our sector, according to ESG ratings information available in June 2021 from Refinitiv, MSCI, S&P Global, Sustainalytics and Bloomberg

Pacific Basin sustainability rated AA- by HKQAA

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

AA-
SUSTAINABILITY
HKQAA
2020-2021
SEHK:2343

We support our industry's current goals to:

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

* Minimum targets relative to 2008

New IMO and EU Carbon Efficiency Regulations – Will Lead to Lower Speed

Adopted in June 2021, MARPOL amendments will require existing ships to combine technical and operational measures to meet IMO's 2030 greenhouse gas reduction targets

New Regulation	Requirement & Timing	Impact
EEXI Energy Efficiency Existing Ship Index	▪ Technical measures to improve fuel economy of existing ships to meet a one-off required EEXI rating for each vessel type/size ▪ Most ships must retrofit fuel-efficient technological enhancements (eg ducts, fins, engine power limiters, etc) ▪ Maximum engine power will need to be capped to some degree for most ships ▪ EEXI rules take effect by first annual, intermediate or renewal survey after 1 January 2023	▪ Marginal impact on Pacific Basin owned ships as most of our ships already have retrofits and will comply without further enhancements ▪ However, some of our oldest ships will need further enhancements ▪ EEXI rules will have a larger impact on poorly designed ships
CII Carbon Intensity Index	▪ Operational measures to achieve annual improvements in ships' carbon intensity (eg energy saving initiatives, just-in-time arrival, slow steaming) ▪ Ships' carbon intensity will be rated annually on a scale of A to E based on actual fuel consumption and distance travelled ▪ Carbon intensity must reduce 2% per year in 2023 to 2026 to maintain a rating. Annual reduction requirements after 2026 will be set later, but are expected to be more ambitious ▪ Vessels rated D and E must submit plans for improvement ▪ CII rules will have a larger impact than EEXI and will reduce speeds across the global dry bulk fleet ▪ CII rules take effect on 1 June 2024 based on 2023 CII data	▪ Marginal impact on most Pacific Basin owned ships ▪ Majority of our ships can maintain at least a C rating with some speed reduction under current rules ▪ CII rules will have a larger impact on poorly designed ships

In mid-July, the European Commission announced its carbon efficiency measures for shipping, including its intention to incorporate shipping into the European Union Emissions Trading System (EU ETS), to charge a bunker fuel tax and to mandate greenhouse gas intensity reduction requirements, all effective 2023. These rules are subject to further negotiation and development among the EU states.

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 efficient fleet, the know-how and the resources to embrace the coming changes in our industry. 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.

Corporate Governance

We conduct our business with high standards of corporate governance to ensure responsible direction and management of the Group and to achieve sustainable value for our shareholders and other stakeholders. 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 six months ended 30 June 2021, the Group 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").

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 complied in full with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2021, except that a Director traded in the Company's securities prior to obtaining written approval from the Company during a period when no trading restrictions were in place. The Board has given formal reminder to the said Director that the Model Code stipulates written approval must be received before any securities transactions can proceed.

Senior Managers' 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 of the Group based on the Model Code (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

The Board confirms that, having made specific enquiry, all senior managers and staff who have been notified and provided with the Dealing Rules have fully complied with the required standard set out in the Dealing Rules during the six months ended 30 June 2021.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2021, other than for satisfying restricted awards granted under the Company's 2013 Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the share capital or convertible bonds of the Company.

Shareholders' Rights

Shareholders are encouraged to maintain direct communication with the Company and if they have any questions for the Board, they may send an e-mail to companysecretary@pacificbasin.com or a letter to:

Company Secretary
Pacific Basin Shipping Limited
31/F One Island South
2 Heung Yip Road
Wong Chuk Hang
Hong Kong

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

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(10) 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.

This Interim Report is printed in English and Chinese languages, and will be available on our website on or around 17 August 2021 when it is sent to those shareholders who have elected to receive a printed copy.

The interim results and this Interim Report have been reviewed by the external auditor and the Audit Committee of the Company.

Interim Dividend and Closure of Register of Members

The Board has declared an interim dividend for the six months ended 30 June 2021 of HK14 cents per share which will be paid on 25 August 2021 to those shareholders whose names appear on the Company's register of members on 13 August 2021.

The register of members will be closed on 13 August 2021 when no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 August 2021. The ex-dividend date for the interim dividend will be on 11 August 2021.

Board members

The Directors who held office as at the date of this Interim Report are set out below:

	Board					
	Date of Appointment	Terms of Appointment	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
Executive Directors						
David M. Turnbull, Board Chairman	17-May-06	3 years until 2023 AGM	–	–	–	Member
Mats H. Berglund, CEO (until 30 July 2021)	1-Jun-12	retiring on 30 July 2021*	–	–	–	Chairman
Martin Fruergaard (see details below)	2-Jul-21	3 years subject to re-election at the 2022 AGM	–	–	–	Member
Peter Schulz, CFO	30-Jul-18	3 years until 2022 AGM	–	–	–	Member
Independent Non-executive Directors						
Patrick B. Paul	25-Mar-04	retiring at the 2022 AGM*	Member	Member	Member	–
Robert C. Nicholson	25-Mar-04	3 years until 2022 AGM	Member	Chairman	Chairman	–
Alasdair G. Morrison	1-Jan-08	retiring at the 2022 AGM*	Member	–	–	–
Irene Waage Basili	1-May-14	3 years until 2023 AGM	–	Member	Member	–
Stanley H. Ryan	5-Jul-16	3 years until 2024 AGM*	–	Member	Member	–
Kirsi K. Tikka	2-Sep-19	expires on 1 Sept 2022	Member	–	–	–
John M.M. Williamson	2-Nov-20	expires on 1 Nov 2023*	Chairman#	–	–	–

* Re-elected as Director at the Company's annual general meeting held on 15 April 2021.

Mr. Williamson was appointed Chairman of the Audit Committee from the conclusion of the annual general meeting held on 15 April 2021.

Mr. Fruergaard was appointed as an Executive Director on 2 July 2021. He will take over the full responsibilities of the post of Chief Executive Officer of the Company from 31 July 2021 and will at the same time be appointed as Chairman of the Executive Committee.

There has been no change in the annual Directors' fees of the Independent Non-executive Directors except that the annual fees for Mr. Paul and Mr. Williamson have been adjusted to HK$800,000 and HK$900,000 respectively following the appointment of Mr. Williamson as Chairman of the Audit Committee in place of Mr. Paul, effective from the conclusion of the 2021 annual general meeting on 15 April 2021.

Other Information

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

At 30 June 2021, the discloseable 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 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 the issued share capital of the Company: 30 Jun 2021	31 Dec 2020
David M. Turnbull [1]	10,205,000	3,518,000[2]	Long	13,723,000	0.29%	0.26%
Mats H. Berglund [1]	8,699,000	–	Long	8,699,000	0.18%	0.47%
Peter Schulz [1]	8,474,000	129,000[3]	Long	8,603,000	0.18%	0.17%
Patrick B. Paul	380,000	–	Long	380,000	less than 0.01%	less than 0.01%
Alasdair G. Morrison	–	1,674,380[4]	Long	1,674,380	0.03%	0.03%
John M.M. Williamson	56,000	–	Long	56,000	less than 0.01%	0.00%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed below.

(2) 3,518,000 shares are held 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 30 June 2021.

Save as disclosed, at no time during the period 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.

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.

Since the adoption of the SAS, the Board has not granted, and currently has no intention to grant, any Awards to the Independent Non-executive Directors as they have the responsibility to administer the scheme in accordance with the rules of the SAS.

Details of the grant of long-term incentives and the movements of the outstanding incentives during the six months ended 30 June 2021 are as follows:

					During the period						
'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 30 Jun 2021	Unvested at 1 Jan 2021	Granted[1]	Vested and/or lapsed[3]	Vesting in: 2H2021[4]	2022	2023	2024
Directors											
David M. Turnbull	5-Aug-08	12,710	(7,524)	5,186	3,707	1,479	–	1,180	1,278	1,249	1,479
Mats H. Berglund [2]	1-Jun-12	24,322	(15,623)	8,699	8,699	–	–	2,768	3,000	2,931	–
Peter Schulz	21-Aug-17	9,974	(3,443)	6,531	4,539	1,992	–	1,168	1,688	1,683	1,992
		47,006	(26,590)	20,416	16,945	3,471	–	5,116	5,966	5,863	3,471
Other Employees				85,077	60,264	25,677	(864)	18,641	20,346	20,716	25,374
				105,493	77,209	29,148	(864)	23,757	26,312	26,579	28,845

Notes:

(1) The closing price of the shares of the Company immediately before the grant of 29,148,000 on 2 March 2021 was HK$2.08.

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

(3) 864,000 shares lapsed due to the resignation of 2 employees.

(4) 23,757,000 shares vested on 14 July 2021 according to the vesting schedule.

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 30 June 2021, the Company had been notified of the following substantial shareholder's 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 30 Jun 2021	31 Dec 2020
Aggregated of Standard Life Aberdeen plc affiliated investment management entities	Investment manager	Long	331,890,500	6.90%	5.10%
M&G Plc	Interest of corporation controlled	Long	328,392,000	6.82%	7.26%
		Short	1,900,000	0.04%	Not applicable
Citigroup Inc.[1]	Person having a security interest/Interest of corporation controlled/Approved lending agent	Long	288,553,444	6.00%	5.98%
		Short	15,193,545	0.32%	0.11%
Pzena Investment Management, LLC[2]	Investment manager/ Beneficial owner	Long	272,812,435	5.67%	6.83%

Notes:

(1) The long position in shares held by Citigroup Inc. is held in the capacities of Person having a security interest (4,600,000 shares), Interest of corporation controlled (15,203,300 shares) and Approved lending agent (268,750,144 shares).

(2) The long position in shares held by Pzena Investment Management, LLC includes 789,000 shares held in dual capacities as Investment manager and Beneficial owner.

Human Resources

At 30 June 2021, the Company and its subsidiaries employed a total of 360 shore-based staff and over 4,300 seafarers (30 June 2020: 349 and 3,900 respectively). The employee costs for the period, including crew wages and Directors' fees, totalled US$89.7 million (2020: US$77.0 million).

All of the Group's subsidiaries are equal opportunity employers. We seek 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 discretionary bonuses, which are competitive, consistent with market practice, and reward performance and align employees and shareholders' interests.

The Company has a share award scheme under which share awards or unit awards can be granted on a discretionary basis to eligible participants, being principally Executive Directors and employees, as an incentive and recognition for their contribution to the Group.

In addition, on-the-job training and development and leadership programmes, as well as social, team-building and recreational activities are provided throughout the Group.

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.

		Six months ended 30 June		
US$ Million	Note	**2021**	2020	Change*
Revenue		**1,142.0**	681.5	+68%
Bunker, port disbursements & other voyage costs		**(429.8)**	(351.6)	-22%
Time-charter equivalent ("TCE") earnings	1	**712.2**	329.9	>+100%
Owned vessel costs				
Operating expenses	2	**(90.3)**	(83.2)	-9%
Depreciation	3	**(57.9)**	(66.7)	+13%
Net finance costs	4	**(15.0)**	(16.4)	+9%
Chartered vessel costs				
Non-capitalised charter costs	5	**(348.4)**	(142.6)	>-100%
Capitalised charter costs	5	**(15.5)**	(17.4)	+11%
Operating performance before overheads		**185.1**	3.6	>+100%
Adjusted total G&A overheads	6	**(34.1)**	(30.0)	-14%
Taxation and others		**(0.6)**	(0.2)	>-100%
Underlying profit/(loss)		**150.4**	(26.6)	>+100%
Unrealised derivative income/(expenses)	7	**6.9**	(4.0)	
Reversal of/(provision for) vessel impairment	8	**3.7**	(198.2)	
Disposal gain/(loss) of vessels	9	**1.1**	(1.0)	
Provisions	10	**(2.0)**	–	
Closed-out gains on fuel price spread hedge		**–**	7.4	
Profit/(loss) attributable to shareholders		**160.1**	(222.4)	>+100%
EBITDA		**244.6**	79.2	>+100%
Net profit margin		**14%**	(33%)	+47%
Return on average equity (annualised)		**28%**	(36%)	+64%

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

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

Notes

1. Total time-charter equivalent ("TCE") earnings increased significantly mainly reflecting the strongly improving dry bulk market during the period.
2. Total operating expenses of our owned vessels increased by 9% as a result of an expansion of our owned fleet and more expensive crew travel, quarantine and other pandemic-related manning costs, which have affected the entire industry.
3. Depreciation of our owned vessels decreased by 13% mainly as a result of the impairment of our Handysize fleet made in June 2020.
4. Net finance costs decreased by 9% mainly reflecting the combined effect of less borrowings and lower interest rates.
5. Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. The significant increase in non-capitalised charter costs is in line with the much stronger market.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount increased by 14% primarily due to increased staff costs.
7. Unrealised derivative income mainly represents the positive mark-to-market on our regular bunker swap contracts.
8. The reversal of impairment relates to the increase in fair market value of vessels classified as assets held for sale.
9. The disposal gain relates to the disposal of our smaller, older Handysize vessels.
10. Provisions relate to potential operational costs and claims.

Financial Statements

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2021 US$'000	2020 US$'000
Revenue	4	**1,142,072**	681,487
Cost of services	5	**(963,553)**	(683,280)
Gross profit/(loss)		**178,519**	(1,793)
Indirect general and administrative overheads	5	**(4,178)**	(3,123)
Other income and gains	6	**4,911**	348
Other expenses	5	**(2,086)**	(1,009)
Vessel impairment	5	**–**	(198,203)
Finance income	7	**313**	2,172
Finance costs	7	**(16,771)**	(20,266)
Profit/(loss) before taxation		**160,708**	(221,874)
Tax charges	8	**(604)**	(503)
Profit/(loss) attributable to shareholders		**160,104**	(222,377)
Earnings per share for profit/(loss) attributable to shareholders (in US cents)			
Basic earnings per share	10(a)	**3.40**	(4.77)
Diluted earnings per share	10(b)	**3.04**	(4.77)

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2021 US$'000	2020 US$'000
Profit/(loss) attributable to shareholders	**160,104**	(222,377)
Other comprehensive income Items that may be reclassified to income statement		
Cash flow hedges		
– fair value losses	**(173)**	(10,860)
– transferred to income statement	**2,980**	763
Currency translation differences	**33**	(480)
Total comprehensive income/(loss) attributable to shareholders	**162,944**	(232,954)

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2021 US$'000	31 December 2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,711,236**	1,665,242
Right-of-use assets	12	**68,567**	65,778
Goodwill	11	**25,256**	25,256
Derivative assets	13	**4,351**	4,026
Trade and other receivables	14	**8,044**	4,947
Restricted bank deposits	15	**52**	51
		1,817,506	1,765,300
Current assets			
Inventories		**100,503**	78,095
Subleasing receivables	16	**–**	1,915
Derivative assets	13	**24,788**	15,410
Trade and other receivables	14	**118,408**	77,898
Assets held for sale	17	**12,078**	16,136
Cash and deposits	15	**226,911**	234,773
		482,688	424,227
Total assets		**2,300,194**	2,189,527
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	21	**47,954**	47,490
Retained profits/(accumulated losses)		**146,304**	(11,330)
Other reserves		**1,035,094**	1,028,349
Total equity		**1,229,352**	1,064,509
LIABILITIES			
Non-current liabilities			
Borrowings	19	**677,701**	775,149
Lease liabilities	20	**42,035**	50,089
Derivative liabilities	13	**11,714**	13,564
Trade and other payables	18	**460**	895
		731,910	839,697
Current liabilities			
Borrowings	19	**88,801**	88,736
Lease liabilities	20	**35,206**	26,744
Derivative liabilities	13	**12,239**	7,667
Trade and other payables	18	**201,494**	161,366
Taxation payable		**1,192**	808
		338,932	285,321
Total liabilities		**1,070,842**	1,125,018

Unaudited Condensed Consolidated Statement of Changes in Equity

	Capital and reserves attributable to shareholders									
US$'000	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed surplus	Retained profits/ (accumulated losses)	Total
At 1 January 2021	**47,490**	**307,139**	**(56,606)**	**13,121**	**(7,199)**	**(7,956)**	**(88)**	**779,938**	**(11,330)**	**1,064,509**
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	160,104	160,104
Other comprehensive income										
Cash flow hedges										
– fair value losses	–	–	–	–	–	(173)	–	–	–	(173)
– transferred to income statement	–	–	–	–	–	2,980	–	–	–	2,980
Currency translation differences	–	–	–	–	–	–	33	–	–	33
Total comprehensive income	–	–	–	–	–	2,807	33	–	160,104	162,944
Transactions with owners in their capacity as owners										
Share-based compensation	–	–	–	–	2,835	–	–	–	–	2,835
Share awards granted (Note 21(a))	1,335	–	–	–	1,135	–	–	–	(2,470)	–
Shares issued upon grant of restricted share awards (Note 21(a))	238	6,236	–	–	(6,474)	–	–	–	–	–
Shares purchased by trustee of the SAS (Note 21(a))	(936)	–	–	–	–	–	–	–	–	(936)
Share awards lapsed (Note 21(a))	(173)	–	–	–	173	–	–	–	–	–
At 30 June 2021	**47,954**	**313,375**	**(56,606)**	**13,121**	**(9,530)**	**(5,149)**	**(55)**	**779,938**	**146,304**	**1,229,352**
At 1 January 2020	47,039	292,405	(56,606)	13,121	(7,488)	(282)	(893)	779,938	208,698	1,275,932
Comprehensive income										
Loss attributable to shareholders	–	–	–	–	–	–	–	–	(222,377)	(222,377)
Other comprehensive income										
Cash flow hedges										
– fair value losses	–	–	–	–	–	(10,860)	–	–	–	(10,860)
– transferred to income statement	–	–	–	–	–	763	–	–	–	763
Currency translation differences	–	–	–	–	–	–	(480)	–	–	(480)
Total comprehensive loss	–	–	–	–	–	(10,097)	(480)	–	(222,377)	(232,954)
Transactions with owners in their capacity as owners										
Shares issued as Vessel Consideration Shares, net of issuing expenses (Note 21(b))	518	11,399	–	–	–	–	–	–	–	11,917
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(12,894)	(12,894)
Share-based compensation	–	–	–	–	3,214	–	–	–	–	3,214
Share awards granted (Note 21(a))	1,029	–	–	–	(2,123)	–	–	–	1,094	–
Shares issued upon grant of restricted share awards (Note 21(a))	232	3,335	–	–	(3,567)	–	–	–	–	–
Shares purchased by trustee of the SAS (Note 21(a))	(929)	–	–	–	–	–	–	–	–	(929)
At 30 June 2020	47,889	307,139	(56,606)	13,121	(9,964)	(10,379)	(1,373)	779,938	(25,479)	1,044,286

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2021 US$'000	2020 US$'000
Operating activities			
Cash generated from operations	22	**221,342**	98,084
Taxation paid		**(224)**	(1,187)
Net cash generated from operating activities		**221,118**	96,897
Investing activities			
Purchase of property, plant and equipment		**(114,561)**	(90,564)
Disposal of property, plant and equipment		**7,696**	–
Disposal of assets held for sale		**7,839**	3,391
Receipt of subleasing receivables – principal element	16	**1,915**	3,293
Subleasing receivables interest received	7	**7**	75
Increase in term deposits		**(1,500)**	(5,030)
Bank interest received	7	**306**	2,097
Net cash used in investing activities		**(98,298)**	(86,738)
Financing activities			
Drawdown of bank loans and other borrowings		**45,000**	212,687
Repayment of bank loans and other borrowings		**(143,938)**	(59,002)
Interest on borrowings and other finance charges paid		**(13,188)**	(16,463)
Repayment of lease liabilities – principal element	20	**(17,622)**	(21,069)
Interest on lease liabilities paid	7	**(1,497)**	(1,718)
Payment for shares purchased by trustee of the SAS	21(a)	**(936)**	(929)
Dividends paid	9	**–**	(12,894)
Net cash (used in)/generated from financing activities		**(132,181)**	100,612
Net (decrease)/increase in cash and cash equivalents		**(9,361)**	110,771
Exchange losses on cash and cash equivalents		**(1)**	(4)
Cash and cash equivalents at 1 January		**226,273**	200,193
Cash and cash equivalents at 30 June	15	**216,911**	310,960
Term deposits at 1 January	15	**8,500**	–
Increase in term deposits		**1,500**	5,030
Cash and deposits at 30 June	15	**226,911**	315,990

Notes to the Financial Statements

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 condensed consolidated interim financial statements are unaudited but have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers's independent review report to the Board of Directors is set out on page 40.

These financial statements have been approved for issue by the Board of Directors on 29 July 2021.

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Market Review

2 Basis of preparation

(a) Accounting standards

These financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

(b) Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020.

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

3 Estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2020.

4 Revenue and segment information

The Group's revenue from shipping activities is 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.

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.

5 Expenses by nature

US$'000	Six months ended 30 June 2021	2020
Vessel – related expenses		
Vessel charter costs (a)	**348,435**	142,579
Bunkers consumed	**224,188**	172,992
Port disbursements and other voyage costs	**216,021**	167,843
Vessel depreciation		
– owned vessels	**57,892**	66,684
– right-of-use assets	**14,158**	15,957
Employee benefit expenses – crew wages and other related costs	**60,894**	51,597
Vessel operating expenses	**24,318**	26,017
Lubricating oil consumed	**5,104**	5,574
Net (gains)/losses on bunker swap contracts	**(17,155)**	7,417
	933,855	656,660
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments	**28,776**	25,407
Other PP&E depreciation		
– right-of-use assets	**1,150**	1,133
– owned other PP&E	**819**	763
Office lease expenses	**340**	345
Net foreign exchange losses/(gains)	**248**	(341)
Other general and administrative expenses	**2,543**	2,436
	33,876	29,743
Other expenses		
Provisions	**2,000**	–
Net losses on forward freight agreements	**86**	–
Provision for impairment		
– owned vessels	**–**	194,090
– right-of-use assets	**–**	3,387
– others	**–**	726
Losses on disposal of assets held for sale	**–**	1,009
	2,086	199,212
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) Other expenses and (iv) Vessel impairment	**969,817**	885,615

(a) Vessel charter costs

Vessel charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months.

Vessel charter costs include variable lease payments on an index-linked basis amounting to US$7.1 million (2020: US$1.1 million).

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

US$'000	Six months ended 30 June 2021	2020
Direct G&A overheads included in cost of services	**29,698**	26,620
Indirect G&A overheads	**4,178**	3,123
Total G&A overheads	**33,876**	29,743

6 Other income and gains

US$'000	Six months ended 30 June 2021	2020
Reversal of impairment on assets held for sale	**3,676**	–
Gains on disposals of PP&E	**951**	–
Gains on disposals of assets held for sale	**119**	–
Net gains on forward foreign exchange contracts	**165**	53
Government subsidies	**–**	266
Net gains on forward freight agreements	**–**	29
	4,911	348

7 Finance income and finance costs

US$'000	Six months ended 30 June 2021	2020
Finance income		
Bank interest income	**(306)**	(2,097)
Subleasing receivables interest income	**(7)**	(75)
	(313)	(2,172)
Finance costs		
Interest on borrowings		
Bank loans	**8,264**	12,996
Convertible bonds	**3,757**	3,707
Other borrowings	**1,134**	782
Interest on lease liabilities		
Vessels	**1,313**	1,509
Other PP&E	**184**	209
Net losses on interest rate swap contracts	**1,380**	527
Other finance charges	**739**	536
	16,771	20,266
Finance costs, net	**16,458**	18,094

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	Six months ended 30 June 2021	2020
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2020: 16.5%)	**397**	343
Overseas tax, provided at the rates of taxation prevailing in the countries	**211**	162
Adjustments in respect of prior year	**(4)**	(2)
Tax charges	**604**	503

9 Dividends

On 29 July 2021, the Board has declared an interim dividend of HK14.0 cents or US1.8 cents per share amounting to US$86,801,000. This dividend is not reflected as a dividend payable in these financial statements.

No dividend was declared for the year ended 31 December 2020.

The 2019 final dividend of HK2.1 cents or US0.3 cents per share totalling US$12,894,000 was paid in the first half of 2020.

10 Earnings per share ("EPS")

(a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of shares in issue during the period, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares (Note 21(a)).

		Six months ended 30 June 2021	2020
Profit/(loss) attributable to shareholders	(US$'000)	**160,104**	(222,377)
Weighted average number of shares in issue	('000)	**4,707,504**	4,660,536
Basic earnings per share	(US cents)	**3.40**	(4.77)
Equivalent to	(HK cents)	**26.39**	(37.07)

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of interest on convertible bonds, by the weighted average number of shares in issue during the period, excluding the shares held by the trustee of the Company's SAS and after adjusting for the dilutive effect of convertible bonds (Note 19(b)) and unvested restricted shares (Note 21(a)).

		Six months ended 30 June 2021	2020
Profit/(loss) attributable to shareholders	(US$'000)	**160,104**	(222,377)
Effect of interest on convertible bonds	(US$'000)	**3,757**	–
Adjusted profit/(loss) attributable to shareholders	(US$'000)	**163,861**	(222,377)
Weighted average number of shares in issue	('000)	**4,707,504**	4,660,536
Effect of unvested restricted shares	('000)	**96,226**	–
Effect of convertible bonds	('000)	**586,033**	–
Diluted weighted average number of shares	('000)	**5,389,763**	4,660,536
Diluted earnings per share	(US cents)	**3.04**	(4.77)
Equivalent to	(HK cents)	**23.59**	(37.07)

11 Property, plant and equipment ("PP&E") and goodwill

US$'000	Property, plant and equipment 2021	Property, plant and equipment 2020	Goodwill 2021 & 2020
Net book value			
At 1 January	**1,665,242**	1,875,352	**25,256**
Additions	**111,464**	119,909	**–**
Depreciation	**(58,711)**	(67,447)	**–**
Disposals	**(6,745)**	–	**–**
Provision for impairment	**–**	(194,090)	**–**
Transfer to assets held for sale (Note 17)	**–**	(11,880)	**–**
Exchange differences	**(14)**	(29)	**–**
At 30 June	**1,711,236**	1,721,815	**25,256**

As at 30 June 2021, excluding assets held for sale, the Group owned vessels with net book value of US$1,707.9 million as follows:

	Number of vessels	Average net book value (US$ Million)	Total net book value (US$ Million)
Small Handysize	**15**	**5.5**	**81.9**
Large Handysize	**59**	**13.7**	**811.0**
Supramax	**40**	**19.5**	**778.7**
Post-Panamax	**1**	**36.3**	**36.3**
	115		**1,707.9**

12 Right-of-use assets

US$'000	Vessels	Other PP&E	Total
At 1 January 2021	**57,739**	**8,039**	**65,778**
Additions	**7,639**	**94**	**7,733**
Lease modification	**10,204**	**127**	**10,331**
Depreciation	**(14,158)**	**(1,150)**	**(15,308)**
Exchange differences	**–**	**33**	**33**
At 30 June 2021	**61,424**	**7,143**	**68,567**
At 1 January 2020	68,751	9,084	77,835
Additions	9,388	430	9,818
Lease modification	–	38	38
Depreciation	(15,957)	(1,133)	(17,090)
Provision for impairment	(3,387)	–	(3,387)
Exchange differences	–	(118)	(118)
At 30 June 2020	58,795	8,301	67,096

13 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).

	30 June 2021		31 December 2020	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(4,971)**	–	(7,883)
Forward foreign exchange contracts (b)(i)	**–**	**(3,811)**	65	(3,064)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**4,351**	**(2,906)**	3,961	(2,470)
Forward foreign exchange contracts (b)(ii)	**–**	**(26)**	–	(147)
	4,351	**(11,714)**	4,026	(13,564)
Current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**(164)**	–	(239)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**24,788**	**(11,997)**	15,410	(7,307)
Forward foreign exchange contracts (b)(ii)	**–**	**(78)**	–	(121)
	24,788	**(12,239)**	15,410	(7,667)
Total	**29,139**	**(23,953)**	19,436	(21,231)

(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
At 30 June 2021 & 31 December 2020			
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

As a result of the global interest rate benchmark reform, LIBOR will be fully replaced by alternative reference rates after June 2023. This is expected to affect LIBOR-based borrowings with maturities beyond mid-2023 and their corresponding hedging instruments. At 30 June 2021, the Group had LIBOR-based outstanding loans of US$307,130,000 expected to mature after June 2023, of which US$95,952,000 were hedged by interest rate swaps.

(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 forward foreign exchange contracts with terms that match the repayment schedules of such bank loans.

At 30 June 2021, the outstanding forward foreign exchange contracts held by the Group mainly consist of contracts to buy approximately DKK228.9 million (31 December 2020: DKK297.1 million) and simultaneously sell approximately US$40.6 million (31 December 2020: US$51.8 million), which expire through August 2023.

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

At 30 June 2021, the Group had outstanding forward foreign exchange contracts to buy approximately US$2.4 million (31 December 2020: US$3.6 million) and simultaneously sell approximately AUD3.4 million (31 December 2020: AUD5.1 million) for revenue that is 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 enters into bunker swap contracts for fuel oil, very low sulphur fuel oil and marine gas oil to manage the fluctuations in bunker prices in connection with its cargo contract commitments.

The Group also used bunker swap contracts to lock in the future fuel price spread between high and low sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that were fitted with scrubbers. As the spread reduced significantly in 2020, all contracts were closed out in the first half of 2020 locking in the gains on the position and will be expiring through December 2022.

At 30 June 2021, the Group had outstanding bunker swap contracts as follows:

Contract Type	Fuel Type	Quantity (Metric tonnes)	Average deal price (US$)	Average market price (US$)	Expiry through
At 30 June 2021					
Buy	Fuel oil	46,444	299	393	December 2022
Buy	Very low sulphur fuel oil	133,857	410	522	December 2022
Buy	Marine gas oil	67,625	440	584	September 2023
Sell	Fuel oil	45,120	206	393	December 2022
Sell	Very low sulphur fuel oil	56,050	431	513	December 2022
Sell	Marine gas oil	40,175	541	583	December 2022
At 31 December 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

(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 30 June 2021 and 31 December 2020, the Group had no outstanding forward freight agreements.

14 Trade and other receivables

US$'000	30 June 2021	31 December 2020
Non-current		
Prepayments (a)	**8,044**	4,947
Current		
Trade receivables (b)	**63,161**	41,988
Prepayments	**29,668**	17,061
Other receivables	**25,579**	18,849
	118,408	77,898

The carrying values of trade and other receivables approximate their fair values due to their short-term maturities.

(a) Non-current prepayments

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

(b) Trade receivables

At 30 June 2021, the ageing of trade receivables based on invoice date is as follows:

US$'000	30 June 2021	31 December 2020
≤ 30 days	**51,075**	32,207
31-60 days	**6,197**	3,844
61-90 days	**1,628**	1,475
> 90 days	**4,261**	4,462
	63,161	41,988

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 and other voyage-related charges. The Group will not normally grant any credit terms to its customers.

15 Cash and deposits

US$'000	30 June 2021	31 December 2020
Cash at bank and on hand	**71,405**	48,605
Bank deposits	**155,558**	186,219
Total cash and deposits	**226,963**	234,824
Cash and cash equivalents	**216,911**	226,273
Term deposits	**10,000**	8,500
Cash and deposits	**226,911**	234,773
Restricted bank deposits included in non-current assets	**52**	51
Total cash and deposits	**226,963**	234,824

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

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Funding

16 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 a lessee and lessor of the same underlying asset. The arrangements ended during the period.

US$'000	2021	2020
At 1 January	**1,915**	8,607
Amounts received	**(1,915)**	(3,293)
At 30 June	**–**	5,314

17 Assets held for sale

US$'000	2021	2020
At 1 January	**16,136**	4,400
Transfer from PP&E (Note 11)	**–**	11,880
Disposals	**(7,720)**	(4,400)
Reversal of impairment	**3,676**	–
Others	**(14)**	–
At 30 June	**12,078**	11,880

The assets held for sale comprise two Handysize vessels.

18 Trade and other payables

US$'000	30 June 2021	31 December 2020
Non-current		
Receipts in advance	**460**	895
Current		
Trade payables	**65,984**	56,332
Accruals and other payables	**80,051**	60,413
Receipts in advance	**55,459**	44,621
	201,494	161,366

The carrying values of trade and other payables approximate their fair values due to their short-term maturities.

At 30 June 2021, the ageing of trade payables based on due date is as follows:

US$'000	30 June 2021	31 December 2020
≤ 30 days	**61,567**	50,743
31-60 days	**10**	316
61-90 days	**263**	346
> 90 days	**4,144**	4,927
	65,984	56,332

19 Borrowings

US$'000	30 June 2021	31 December 2020
Non-current		
Bank loans (a)	**476,126**	567,329
Convertible bonds (b)	**164,025**	162,893
Other borrowings (c)	**37,550**	44,927
	677,701	775,149
Current		
Bank loans (a)	**76,159**	73,027
Other borrowings (c)	**12,642**	15,709
	88,801	88,736
Total	**766,502**	863,885

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 13).

For relevant information of global interest rate benchmark reform, please refer to Note 13(a).

(a) Bank loans

The Group's bank loans and undrawn committed facilities comprised secured and unsecured bank loans and facilities. Certain bank loans as at 30 June 2021 were secured, inter alia, by the following:

- Mortgages over certain owned vessels and assets held for sale with net book values of US$1,496,101,000 and US$12,078,000 (31 December 2020: US$1,507,344,000 and US$8,415,000) respectively; and
- Assignment of earnings and insurances compensation in respect of these vessels.

These bank loans are repayable as follows:

US$'000	30 June 2021	31 December 2020
Within one year	**76,159**	73,027
In the second year	**74,201**	98,830
In the third to fifth year	**273,103**	335,621
After the fifth year	**128,822**	132,878
	552,285	640,356

(b) Convertible bonds

	30 June 2021		31 December 2020	
US$'000	Face value	Liability component	Face value	Liability component
3.0% coupon due 2025	**175,000**	**164,025**	175,000	162,893

The carrying value of convertible bonds approximate their fair values.

Key terms	
Issue size	US$175.0 million
Issue date	10 December 2019
Maturity date	10 December 2025 (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.

(c) Other borrowings

The Group's other borrowings related to seven (31 December 2020: eight) owned vessels with net book value of US$99,606,000 (31 December 2020: US$116,737,000) 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 timings 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	**30 June 2021**	31 December 2020
Within one year	**12,642**	15,709
In the second year	**4,384**	9,616
In the third to fifth year	**10,017**	16,400
After the fifth year	**23,149**	18,911
	50,192	60,636

20 Lease liabilities

US$'000	**2021**	2020
At 1 January	**76,833**	92,907
Additions	**7,733**	9,818
Lease modification	**10,331**	38
Repayments	**(17,622)**	(21,069)
Exchange differences	**(34)**	(107)
At 30 June	**77,241**	81,587
Non-current	**42,035**	48,261
Current	**35,206**	33,326
	77,241	81,587

The lease liabilities are repayable as follows:

US$'000	**30 June 2021**	30 June 2020
Within one year	**35,206**	33,326
In the second year	**20,281**	17,879
In the third to fifth year	**20,317**	28,521
After the fifth year	**1,437**	1,861
	77,241	81,587

The total cash outflow for all leases amounted to US$367.9 million (2020: US$155.7 million).

21 Share capital

	2021		2020	
	Number of shares	**US$'000**	Number of shares	US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**4,787,014,272**	**47,490**	4,713,396,510	47,039
Shares issued upon grant of restricted share awards (a)	**23,820,000**	**238**	23,186,000	232
Shares granted to employees in the form of restricted share awards (a)	**5,328,000**	**1,335**	6,358,000	1,029
Shares purchased by trustee of the SAS (a)	**(3,471,000)**	**(936)**	(5,863,000)	(929)
Shares transferred back to trustee upon lapse of restricted share awards (a)	**(864,000)**	**(173)**	–	–
Shares issued as Vessel Consideration Shares (b)	**–**	**–**	51,793,762	518
At 30 June	**4,811,827,272**	**47,954**	4,788,871,272	47,889

The issued share capital of the Company as at 30 June 2021 was 4,812,691,272 shares. The difference compared to the number of shares shown in the table above of 864,000 represents the shares held by the trustee of the Company's SAS in relation to restricted share awards, amounting to US$173,000 as a debit to share capital.

(a) Restricted share awards

Restricted share awards under the Company's SAS were granted to Executive Directors and certain employees. The SAS under HKFRS is regarded as a special purpose entity of the Company.

On the grant of the restricted share awards, the relevant number of shares is legally transferred or issued to the trustee who holds the shares for the benefit of the grantees. A grantee shall not be entitled to vote, to receive dividends (except where the Board grants dividend rights to the grantee at the Board's discretion) or to have any other rights of a shareholder in respect of the shares until vesting. If the shares are lapsed or forfeited, they will be held by the trustee and can be utilised for future awards.

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

000' shares	**2021**	2020
At 1 January	**77,209**	81,690
Granted	**29,148**	29,544
Lapsed	**(864)**	–
At 30 June	**105,493**	111,234

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 period was HK$1.4 (2020: HK$1.5) per share.

The sources of the shares granted and the related movements between share capital and share premium and staff benefit reserve are as follows:

	Six months ended 30 June			
	2021		2020	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
Shares issued	**23,820,000**	**238**	23,186,000	232
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	**3,471,000**	**936**	5,863,000	929
Shares transferred from the trustee	**1,857,000**	**399**	495,000	100
	29,148,000	**1,573**	29,544,000	1,261

The grant dates and vesting dates of the unvested restricted share awards as at 30 June 2021 are as follows:

		Vesting in			
Date of grant	**Number of unvested share awards**	**second half of 2021**	**2022**	**2023**	**2024**
26 January 2018	20,884,000	20,884,000	–	–	–
25 January 2019	27,819,000	2,230,000	25,589,000	–	–
24 January 2020	27,785,000	643,000	643,000	26,499,000	–
24 January 2021	29,005,000	–	80,000	80,000	28,845,000
	105,493,000	23,757,000	26,312,000	26,579,000	28,845,000

(b) Shares issued as Vessel Consideration Shares in 2020

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

22 Notes to the unaudited condensed consolidated cash flow statement

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

	Six months ended 30 June	
US$'000	**2021**	2020
Profit/(loss) before taxation	**160,708**	(221,874)
Assets and liabilities adjustments		
(Reversal)/provision for vessel impairment		
– assets held for sale	**(3,676)**	–
– owned vessels	**–**	194,090
– right-of-use assets	**–**	3,387
– others	**–**	726
Depreciation on vessels and other PP&E	**58,711**	67,447
Depreciation on right-of-use assets	**15,308**	17,090
Net unrealised gains on derivative instruments not qualified as hedges	**(4,807)**	(3,417)
Provisions	**2,000**	–
Gains on disposal of PP&E	**(951)**	–
(Gains)/losses on disposal of assets held for sale	**(119)**	1,009
Capital and funding adjustments		
Share-based compensation	**2,835**	3,214
Results adjustments		
Finance costs, net	**16,458**	18,094
Net foreign exchange losses/(gains)	**248**	(341)
Profit/(loss) before taxation before working capital changes	**246,715**	79,425
(Increase)/decrease in inventories	**(22,408)**	16,239
(Increase)/decrease in trade and other receivables	**(40,649)**	16,547
Increase/(decrease) in trade and other payables	**37,684**	(14,127)
Cash generated from operations	**221,342**	98,084

23 Commitments

(a) Capital commitments

US$'000	30 June 2021	31 December 2020
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	**29,850**	71,282

(b) Commitments under operating leases

(i) The Group as the lessee – payments

The non-cancellable lease commitment included short-term leases with a term of 12 months or less and leases of low-value assets.

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

US$'000	Vessels	Land and buildings	Total
At 30 June 2021			
Within one year	**154,458**	**20**	**154,478**
In the second to fifth year	**–**	**20**	**20**
	154,458	**40**	**154,498**
At 31 December 2020			
Within one year	43,884	18	43,902
In the second to fifth year	–	26	26
	43,884	44	43,928

(ii) The Group as the lessor – receipts

The Group had future aggregate minimum lease receipts under non-cancellable operating leases for vessels as follows:

US$'000	30 June 2021	31 December 2020
Within one year	**107,651**	29,087
In the second to fifth year	**28,156**	26,298
After the fifth year	**973**	4,231
	136,780	59,616

The Group leases vessels with leases expiring within 1 year to 6 years (31 December 2020: within 1 year to 6 years). The lease expiring in 6 years relates to a Post-Panamax vessel and the relevant receipt amounts to US$33.8 million (31 December 2020: US$37.1 million).

24 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, were as follows:

Key management compensation (including Directors' emoluments)

	Six months ended 30 June	
US$'000	**2021**	2020
Directors' fees	**371**	344
Salaries and bonus	**1,469**	1,516
Share-based compensation	**569**	652
Retirement benefit costs	**3**	3
	2,412	2,515

25 Contingent liabilities and contingent assets

The Group had no material contingent liabilities and contingent assets at 30 June 2021 and 31 December 2020.

Auditor's Review Report

Report On Review of Interim Financial Information

To the Board of Directors of Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 24 to 39, which comprises the interim condensed consolidated balance sheet of Pacific Basin Shipping Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 July 2021

Our ability to capitalise on the current remarkably strong market would not be possible without the excellent support of our crews at sea whose professionalism and commitment have enabled Pacific Basin to provide a substantially uninterrupted service to our customers during the pandemic.

The photos in this report all come from colleagues on Pacific Basin ships.

#WithYouForTheLongHaul

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(*incorporated in Bermuda with limited liability*)

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