

# 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 interim condensed consolidated 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 48.

These financial statements have been approved for issue by the Board of Directors on 28 July 2022.

 **p.10** 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 2021, 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 2021.

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 2021.

## 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 over time based on a daily rate.

	Six months ended 30 June	
US\$'000	2022	2021
Freight	<b>1,388,748</b>	975,862
Charter-hire		
– lease component	<b>272,265</b>	119,318
– non-lease component	<b>61,815</b>	46,889
Other revenues	–	3
	<b>1,722,828</b>	1,142,072

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	
	2022	2021
<b>Vessel-related expenses</b>		
Vessel charter costs (a)	<b>509,039</b>	348,435
Bunkers consumed	<b>300,139</b>	224,188
Port disbursements and other voyage costs	<b>219,443</b>	216,021
Vessel depreciation		
– owned vessels	<b>71,307</b>	57,892
– right-of-use assets	<b>21,893</b>	14,158
Employee benefit expenses – crew wages and other related costs	<b>79,742</b>	60,894
Vessel operating expenses	<b>27,121</b>	24,318
Lubricating oil consumed	<b>5,719</b>	5,104
Net gains on bunker swap contracts	<b>(35,972)</b>	(17,155)
	<b>1,198,431</b>	933,855
<b>General and administrative overheads (b)</b>		
Employee benefit expenses including Directors' emoluments	<b>36,350</b>	28,776
Other PP&E depreciation		
– right-of-use assets	<b>1,133</b>	1,150
– owned other PP&E	<b>744</b>	819
Office lease expenses	<b>331</b>	340
Net foreign exchange (gains)/losses	<b>(1,199)</b>	248
Other general and administrative expenses	<b>4,261</b>	2,543
	<b>41,620</b>	33,876

US\$'000	Six months ended 30 June	
	2022	2021
<b>Other expenses</b>		
Incentives and fees for conversion of convertible bonds	<b>15,824</b>	–
Provision for impairment – owned vessel (c)	<b>1,513</b>	–
Provisions	<b>950</b>	2,000
Net losses on forward freight agreements	<b>325</b>	86
	<b>18,612</b>	2,086
The sum of the above reconciles to the following items in the income statement:		
(i) Cost of services, (ii) Indirect general and administrative overheads and (iii) Other expenses	<b>1,258,663</b>	969,817

### (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\$14.5 million (2021: US\$7.1 million).

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

US\$'000	Six months ended 30 June	
	2022	2021
Direct G&A overheads included in cost of services	<b>35,959</b>	29,698
Indirect G&A overheads	<b>5,661</b>	4,178
Total G&A overheads	<b>41,620</b>	33,876

### (c) Provision for impairment

A Handysize vessel was contracted to be sold during the period and was delivered to buyer in July 2022. It was impaired to its fair value less costs of disposal and transferred to assets held for sale.

## 6 Other income and gains

	Six months ended 30 June	
US\$'000	2022	2021
Gains on disposal of PP&E	12,376	951
Government subsidies	417	–
Net gains on forward foreign exchange contracts	63	165
Reversal of impairment on assets held for sale	–	3,676
Gains on disposal of assets held for sale	–	119
	12,856	4,911

## 7 Finance income and finance costs

	Six months ended 30 June	
US\$'000	2022	2021
<b>Finance income</b>		
Bank interest income	(1,725)	(306)
Subleasing receivables interest income	–	(7)
	(1,725)	(313)
<b>Finance costs</b>		
Interest on borrowings		
– bank loans	6,012	8,264
– convertible bonds	3,097	3,757
– other borrowings	865	1,134
Interest on lease liabilities		
– vessels	1,259	1,313
– other PP&E	153	184
Net losses on interest rate swap contracts	824	1,380
Other finance charges	698	739
	12,908	16,771
Finance costs, net	11,183	16,458

## 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:

	Six months ended 30 June	
US\$'000	2022	2021
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2021: 16.5%)	430	397
Overseas tax, provided at the rates of taxation prevailing in the countries	263	211
Adjustments in respect of prior year	17	(4)
Tax charges	710	604

## 9 Dividends

	Six months ended 30 June					
	2022			2021		
	HK cents per share	US cents per share	US\$'000	HK cents per share	US cents per share	US\$'000
Interim basic dividend (a)	35.0	4.4	234,226	14.0	1.8	86,473
Special dividend (a)	17.0	2.2	113,767	–	–	–
Total dividends for the period	52.0	6.6	347,993	14.0	1.8	86,473
Dividends paid during the period (b)	60.0	7.7	367,696	–	–	–

(a) The interim basic dividend and special dividend are declared on 28 July 2022 and not reflected in the financial statements.

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

## 10 Earnings per share ("EPS") ↔

### (a) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding the shares held by the trustee of the Company's 2013 Share Award Scheme ("SAS") and unvested restricted shares (Note 20(b)).

		Six months ended 30 June	
		2022	2021
Profit attributable to shareholders	(US\$'000)	<b>465,128</b>	160,104
Weighted average number of shares in issue	('000)	<b>4,880,350</b>	4,707,504
Basic earnings per share	(US cents)	<b>9.53</b>	3.40
Equivalent to	(HK cents)	<b>74.52</b>	26.39

### (b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect of interest on and incentives and fees for conversion of 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 18(b)) and unvested restricted shares (Note 20(b)).

		Six months ended 30 June	
		2022	2021
Profit attributable to shareholders	(US\$'000)	<b>465,128</b>	160,104
Effect of interest on convertible bonds	(US\$'000)	<b>3,097</b>	3,757
Effect of incentives and fees for conversion of convertible bonds	(US\$'000)	<b>15,824</b>	–
Adjusted profit attributable to shareholders	(US\$'000)	<b>484,049</b>	163,861
Weighted average number of shares in issue	('000)	<b>4,880,350</b>	4,707,504
Effect of unvested restricted shares	('000)	<b>65,978</b>	96,226
Effect of convertible bonds	('000)	<b>561,432</b>	586,033
Diluted weighted average number of shares	('000)	<b>5,507,760</b>	5,389,763
Diluted earnings per share	(US cents)	<b>8.79</b>	3.04
Equivalent to	(HK cents)	<b>68.72</b>	23.59

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

	Property, plant and equipment	Goodwill
US\$'000	2022	2021
<b>Net book value</b>		<b>2022 &amp; 2021</b>
At 1 January	<b>1,906,019</b>	1,665,242
Additions	<b>38,537</b>	111,464
Depreciation	<b>(72,051)</b>	(58,711)
Disposals	<b>(28,450)</b>	(6,745)
Provision for impairment (Note 5(c))	<b>(1,513)</b>	–
Transfer to assets held for sale (Note 16)	<b>(14,400)</b>	–
Exchange differences	<b>(83)</b>	(14)
At 30 June	<b>1,828,059</b>	1,711,236
		<b>25,256</b>

As at 30 June 2022, excluding assets held for sale, the Group owned vessels with net book value of US\$1,825.9 million as follows:

	Number of vessels	Average net book value (US\$ Million)	Total net book value (US\$ Million)
Small Handysize <sup>1</sup>	<b>13</b>	<b>11.0</b>	<b>143.2</b>
Large Handysize <sup>2</sup>	<b>61</b>	<b>14.4</b>	<b>878.6</b>
Supramax	<b>42</b>	<b>18.4</b>	<b>771.1</b>
Capesize	<b>1</b>	<b>33.0</b>	<b>33.0</b>
	<b>117</b>		<b>1,825.9</b>

<sup>1</sup> "Small Handysize" represents Handysize vessels smaller than 30,000 dwt.

<sup>2</sup> "Large Handysize" represents Handysize vessels equal to or larger than 30,000 dwt.

## 12 Right-of-use assets

US\$'000	Vessels	Other PP&E	Total
<b>At 1 January 2022</b>	<b>49,467</b>	<b>5,835</b>	<b>55,302</b>
Additions	<b>43,362</b>	<b>–</b>	<b>43,362</b>
Lease modification	<b>6,189</b>	<b>4,761</b>	<b>10,950</b>
Depreciation	<b>(21,893)</b>	<b>(1,133)</b>	<b>(23,026)</b>
Exchange differences	<b>–</b>	<b>(309)</b>	<b>(309)</b>
<b>At 30 June 2022</b>	<b>77,125</b>	<b>9,154</b>	<b>86,279</b>
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

## 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).

US\$'000	<b>30 June 2022</b>		31 December 2021	
	<b>Assets</b>	<b>Liabilities</b>	Assets	Liabilities
<b>Non-current</b>				
Cash flow hedges				
Interest rate swap contracts (a)	<b>3,529</b>	<b>–</b>	–	(2,687)
Forward foreign exchange contracts (b)(i)	<b>–</b>	<b>(4,095)</b>	–	(3,834)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	<b>661</b>	<b>(50)</b>	494	(19)
Forward foreign exchange contracts (b)(ii)	<b>–</b>	<b>–</b>	2	–
	<b>4,190</b>	<b>(4,145)</b>	496	(6,540)
<b>Current</b>				
Cash flow hedges				
Interest rate swap contracts (a)	<b>–</b>	<b>–</b>	–	(7)
Forward foreign exchange contracts (b)(i)	<b>–</b>	<b>(224)</b>	264	(181)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	<b>36,241</b>	<b>(19,164)</b>	14,435	(10,021)
Forward foreign exchange contracts (b)(ii)	<b>45</b>	<b>–</b>	3	(23)
Forward freight agreements (d)	<b>23</b>	<b>–</b>	8	–
	<b>36,309</b>	<b>(19,388)</b>	14,710	(10,232)
<b>Total</b>	<b>40,499</b>	<b>(23,533)</b>	15,206	(16,772)

## 13 Derivative assets and liabilities (continued)

### (a) Interest rate swap contracts

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

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

Effective date	Notional amount	Swap details	Expiry
<b>At 30 June 2022 &amp; 31 December 2021</b>			
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
<b>At 31 December 2021</b>			
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 2022, the Group had LIBOR-based outstanding committed facilities of US\$344.3 million expected to mature after June 2023, of which US\$96.0 million were hedged by interest rate swaps. The management is negotiating with the counterparties for the transition to alternative benchmark rates.

### (b) Forward foreign exchange contracts

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

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

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

At 30 June 2022, the outstanding forward foreign exchange contracts held by the Group mainly consist of contracts to buy approximately DKK120.6 million (31 December 2021: DKK167.2 million) and simultaneously sell approximately US\$21.3 million (31 December 2021: US\$29.6 million), which expire through August 2023.

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

At 30 June 2022, the Group had outstanding forward foreign exchange contracts to buy approximately US\$0.8 million (31 December 2021: US\$2.0 million) and simultaneously sell approximately AUD1.1 million (31 December 2021: AUD2.8 million) for revenue that was denominated in Australian Dollars. These contracts will expire through March 2023.

### 13 Derivative assets and liabilities (continued)

#### (c) Bunker swap contracts

None of our bunker swap contracts qualifies for hedge accounting

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

The Group also used bunker swap contracts to lock in the future fuel price spread between high and low sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that were fitted with scrubbers.

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
<b>At 30 June 2022</b>					
Buy	Fuel oil	38,498	464	550	December 2023
Buy	Very low sulphur fuel oil	118,014	634	789	April 2024
Buy	Marine gas oil	31,476	605	1,052	December 2024
Sell	Fuel oil	9,900	203	546	December 2022
Sell	Very low sulphur fuel oil	62,152	664	809	July 2023
Sell	Marine gas oil	15,360	734	1,102	July 2023
<b>At 31 December 2021</b>					
Buy	Fuel oil	22,423	330	418	December 2022
Buy	Very low sulphur fuel oil	127,930	499	543	February 2023
Buy	Marine gas oil	47,834	502	638	December 2024
Sell	Fuel oil	19,800	203	419	December 2022
Sell	Very low sulphur fuel oil	38,612	459	546	December 2022
Sell	Marine gas oil	24,914	582	642	March 2023

#### (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.

The Group had outstanding forward freight agreements as follows:

Contract type	Index <sup>1</sup>	Quantity (days)	Contract daily price (US\$)	Expiry through
<b>At 30 June 2022</b>				
Buy	BHSI	30	19,750	December 2022
Sell	BHSI	30	20,500	December 2022
<b>At 31 December 2021</b>				
Sell	BHSI	105	22,536	December 2022

<sup>1</sup> "BHSI" stands for "Baltic Handysize Index".

### 14 Trade and other receivables

US\$'000	30 June 2022	31 December 2021
<b>Non-current</b>		
Prepayments (a)	<b>5,284</b>	8,499
<b>Current</b>		
Trade receivables (b)	<b>131,555</b>	118,065
Prepayments	<b>27,813</b>	28,019
Other receivables	<b>48,051</b>	25,755
	<b>207,419</b>	171,839

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

#### (a) Non-current prepayments

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

## 14 Trade and other receivables (continued)

### (b) Trade receivables

The ageing of trade receivables based on invoice date is as follows:

US\$'000	30 June 2022	31 December 2021
≤ 30 days	125,538	95,255
31-60 days	1,013	6,665
61-90 days	1,496	5,431
> 90 days	3,508	10,714
	131,555	118,065

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

## 15 Cash and deposits

US\$'000	30 June 2022	31 December 2021
Cash at bank and on hand	45,783	83,358
Bank deposits	470,545	376,363
Total cash and deposits	516,328	459,721
Cash and cash equivalents	441,277	309,634
Term deposits with original maturities over 3 months	75,000	150,036
Cash and deposits	516,277	459,670
Restricted bank deposits included in non-current assets	51	51
Total cash and deposits	516,328	459,721

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

We invest our cash in a mix of financial products, based on our assessment of balance of risk, return and liquidity, which are placed with a range of leading international banks, mainly in Hong Kong and Singapore. The Group's cash and deposits at 30 June 2022 comprised US\$512.9 million in United States Dollars and US\$3.4 million in other currencies. They are primarily placed in liquid deposits and saving accounts.

## 16 Assets held for sale

US\$'000	2022	2021
At 1 January	–	16,136
Transfer from PP&E (Note 11)	14,400	–
Disposals	–	(7,720)
Reversal of impairment	–	3,676
Others	–	(14)
At 30 June	14,400	12,078

## 17 Trade and other payables

US\$'000	30 June 2022	31 December 2021
<b>Non-current</b>		
Receipts in advance	–	17
<b>Current</b>		
Trade payables	93,434	70,513
Accruals and other payables	109,124	105,929
Receipts in advance	82,571	71,112
	285,129	247,554

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

The ageing of trade payables based on due date is as follows:

US\$'000	30 June 2022	31 December 2021
≤ 30 days	88,666	66,034
31-60 days	879	732
61-90 days	378	93
> 90 days	3,511	3,654
	93,434	70,513



## 18 Borrowings

US\$'000	30 June 2022	31 December 2021
<b>Non-current</b>		
Bank loans (a)	287,113	320,868
Convertible bonds (b)	66,624	165,183
Other borrowings (c)	33,059	35,312
	386,796	521,363
<b>Current</b>		
Bank loans (a)	56,173	57,177
Other borrowings (c)	4,491	9,616
	60,664	66,793
Total	447,460	588,156

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 were secured, *inter alia*, by the following:

- Mortgages over certain owned vessels with net book values of US\$1,355,782,000 (31 December 2021: US\$1,398,640,000); and
- Assignment of earnings and insurances compensation in respect of these vessels.

These bank loans are repayable as follows:

US\$'000	30 June 2022	31 December 2021
Within one year	56,173	57,177
In the second year	57,225	64,203
In the third to fifth year	192,957	185,573
After the fifth year	36,931	71,092
	343,286	378,045

### (b) Convertible bonds

	30 June 2022		31 December 2021	
US\$'000	Face value	Liability component	Face value	Liability component
3.0% coupon due 2025	70,081	66,624	175,000	165,183

The carrying value of convertible bonds approximate their fair values.

Key terms	
Issue size	US\$175.0 million
Issue date	10 December 2019
Maturity date	10 December 2025
Coupon – cash cost	3.0% p.a. payable semi-annually in arrears on 10 June and 10 December
Effective interest rate	4.7% charged to income statement
Redemption price	100%
Conversion price converting bonds into shares	HK\$1.93 (with effect from 21 April 2022) (Note)
Conversion at bondholders' options	Anytime on or after 20 January 2020. On 5 May 2022, aggregate principal amount of US\$104,919,000 of convertible bonds were converted into shares (Note 20(a)).
Bondholder put date for redemption at 100% of the principal amount	On 10 December 2023, each bondholder will have the right to require the Group to redeem all or some of the bonds.

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

### (c) Other borrowings

The Group's other borrowings related to four (31 December 2021: five) owned vessels with a combined net book value of US\$60,169,000 (31 December 2021: US\$77,438,000) 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.

## 18 Borrowings (continued) ↔

These other borrowings are repayable as follows:

US\$'000	30 June 2022	31 December 2021
Within one year	4,491	9,616
In the second year	9,910	10,757
In the third to fifth year	8,011	8,159
After the fifth year	15,138	16,396
	37,550	44,928

## 19 Lease liabilities

US\$'000	2022	2021
At 1 January	60,429	76,833
Additions	43,362	7,733
Lease modification	10,950	10,331
Repayments	(24,158)	(17,622)
Exchange differences	(385)	(34)
At 30 June	90,198	77,241
Non-current	39,523	42,035
Current	50,675	35,206
	90,198	77,241

The lease liabilities are repayable as follows:

US\$'000	30 June 2022	30 June 2021
Within one year	50,675	35,206
In the second year	16,843	20,281
In the third to fifth year	22,003	20,317
After the fifth year	677	1,437
	90,198	77,241

The total cash outflow for all leases amounted to US\$517.5 million (2021: US\$353.1 million).

## 20 Share capital

	2022		2021	
	Number of shares	US\$'000	Number of shares	US\$'000
<b>Authorised</b>	<b>36,000,000,000</b>	<b>360,000</b>	36,000,000,000	360,000
<b>Issued and fully paid</b>				
At 1 January	4,811,327,272	47,858	4,787,014,272	47,490
Shares issued upon conversion of convertible bonds (a)	425,987,441	4,260	–	–
Shares issued upon grant of restricted share awards (b)	14,412,000	144	23,820,000	238
Shares granted to employees in the form of restricted share awards (b)	4,404,000	1,978	5,328,000	1,335
Shares purchased by trustee of the SAS (b)	(3,040,000)	(1,709)	(3,471,000)	(936)
Shares transferred back to trustee upon lapse of restricted share awards (b)	(174,000)	(34)	(864,000)	(173)
At 30 June	5,252,916,713	52,497	4,811,827,272	47,954

The issued share capital of the Company as at 30 June 2022 was 5,253,090,713 shares. The difference compared to the number of shares shown in the table above of 174,000 represents the shares held by the trustee of the Company's SAS, amounting to US\$34,000 as a debit to share capital.

### (a) Shares issued upon conversion of convertible bonds

On 5 May 2022, 425,987,441 shares were issued upon the conversion of convertible bonds in an aggregate principal amount of US\$104,919,000 at a conversion price of HK\$1.93 per share.

### (b) Restricted share awards

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

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

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

000' shares	2022	2021
At 1 January	78,811	77,209
Granted	18,816	29,148
Vested	(4,432)	–
Lapsed	(174)	(864)
At 30 June	93,021	105,493

## 20 Share capital (continued)

The fair value of the restricted share awards is determined by the closing share price on the date which the Company and employees agreed the terms and conditions of the share awards arrangement. The weighted average fair value of the shares granted during the period was HK\$3.2 (2021: HK\$1.4) 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			
	2022		2021	
	Number of granted shares awards	Related movement US\$'000	Number of granted shares awards	Related movement US\$'000
Sources of shares granted				
Shares issued	14,412,000	144	23,820,000	238
Shares purchased by the trustee of the SAS on the Stock Exchange funded by the Company	3,040,000	1,709	3,471,000	936
Shares transferred from the trustee	1,364,000	269	1,857,000	399
	18,816,000	2,122	29,148,000	1,573

The grant dates and vesting dates of the unvested restricted share awards as at 30 June 2022 are as follows:

Date of grant	Number of unvested share awards	Vesting in			
		second half of 2022	2023	2024	2025
25 January 2019	21,075,000	21,075,000	–	–	–
24 January 2020	22,716,000	643,000	22,073,000	–	–
24 January 2021	27,284,000	80,000	80,000	27,124,000	–
2 August 2021	3,632,000	1,210,000	1,210,000	1,212,000	–
21 January 2022	18,314,000	–	1,211,000	1,211,000	15,892,000
	93,021,000	23,008,000	24,574,000	29,547,000	15,892,000

## 21 Notes to the unaudited condensed consolidated cash flow statement

### Reconciliation of profit before taxation to cash generated from operations

US\$'000	Six months ended 30 June	
	2022	2021
Profit before taxation	465,838	160,708
<b>Assets and liabilities adjustments</b>		
Depreciation on vessels and other PP&E	72,051	58,711
Depreciation on right-of-use assets	23,026	15,308
Incentives and fees for conversion of convertible bonds	15,824	–
Net unrealised gains on derivative instruments not qualified as hedges	(12,878)	(4,807)
Gains on disposal of PP&E	(12,376)	(951)
Provision for/(reversal of) vessel impairment		
– owned vessel	1,513	–
– assets held for sale	–	(3,676)
Provisions	950	2,000
Gains on disposal of assets held for sale	–	(119)
<b>Capital and funding adjustments</b>		
Share-based compensation	4,009	2,835
<b>Results adjustments</b>		
Finance costs, net	11,183	16,458
Net foreign exchange (gains)/losses	(1,199)	248
Profit before taxation before working capital changes	567,941	246,715
Increase in inventories	(57,376)	(22,408)
Increase in trade and other receivables	(35,313)	(40,649)
Increase in trade and other payables	36,812	37,684
Cash generated from operations	512,064	221,342

## 22 Commitments

### (a) Capital commitments

US\$'000	30 June 2022	31 December 2021
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	1,259	16,757

### (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, leases of low-value assets and long-term leases with a term of over 12 months not yet commenced at 30 June 2022.

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

US\$'000	Vessels	Office equipment	Total
<b>At 30 June 2022</b>			
Within one year	208,979	11	208,990
In the second to fifth year	44,698	10	44,708
	253,677	21	253,698
<b>At 31 December 2021</b>			
Within one year	111,862	20	111,882
In the second to fifth year	–	26	26
	111,862	46	111,908

#### (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 2022	31 December 2021
Within one year	110,087	136,793
In the second to fifth year	32,844	27,907
	142,931	164,700

The Group leases vessels with leases expiring within 1 year to 4 years (31 December 2021: within 1 year to 5 years). The lease expiring in 4 years relates to a Capesize vessel.

## 23 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)

US\$'000	Six months ended 30 June	
	2022	2021
Directors' fees	377	371
Salaries and bonus	1,985	1,469
Share-based compensation	925	569
Retirement benefit costs	3	3
	3,290	2,412

## 24 Contingent liabilities and contingent assets

The Group had no material contingent liabilities and contingent assets at 30 June 2022 and 31 December 2021.