THRIVING IN A STRONG MARKET

Pacific Basin

#WithYouForTheLongHaul

INTERIM REPORT 2022

STOCK CODE: 2343

OUR BUSINESS

Who We Are

We own and operate dry bulk cargo ships. Our business is customer focused, providing over 550 industrial users, traders and producers of dry bulk commodities with a high-quality, reliable and competitive freight service under spot and long-term cargo contracts. We are headquartered and listed in Hong Kong and operate globally with a large fleet of ships trading worldwide

Seamless Service Provided by Our Excellent Team

380 shore staff

in 13 key locations around the world

2,300+ crew

served on our owned ships in 1H2022

880 shipments

completed in 1H2022

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

Our business principles

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

p.22 Sustainability Highlights

240
owned and operated ships

Exceptional fleet

We operate one of the world's largest fleets of interchangeable modern Handysize and Supramax ships, equipping us for efficient trading and reliable service any time and anywhere

13
Offices

Experienced team

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

550+
customers

Customers first

Our customer-focused business model drives innovative customer engagement and service, high service reliability, enhanced customer satisfaction and an industry reputation

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Key to navigation symbols

Linkage to related details within the Interim Report

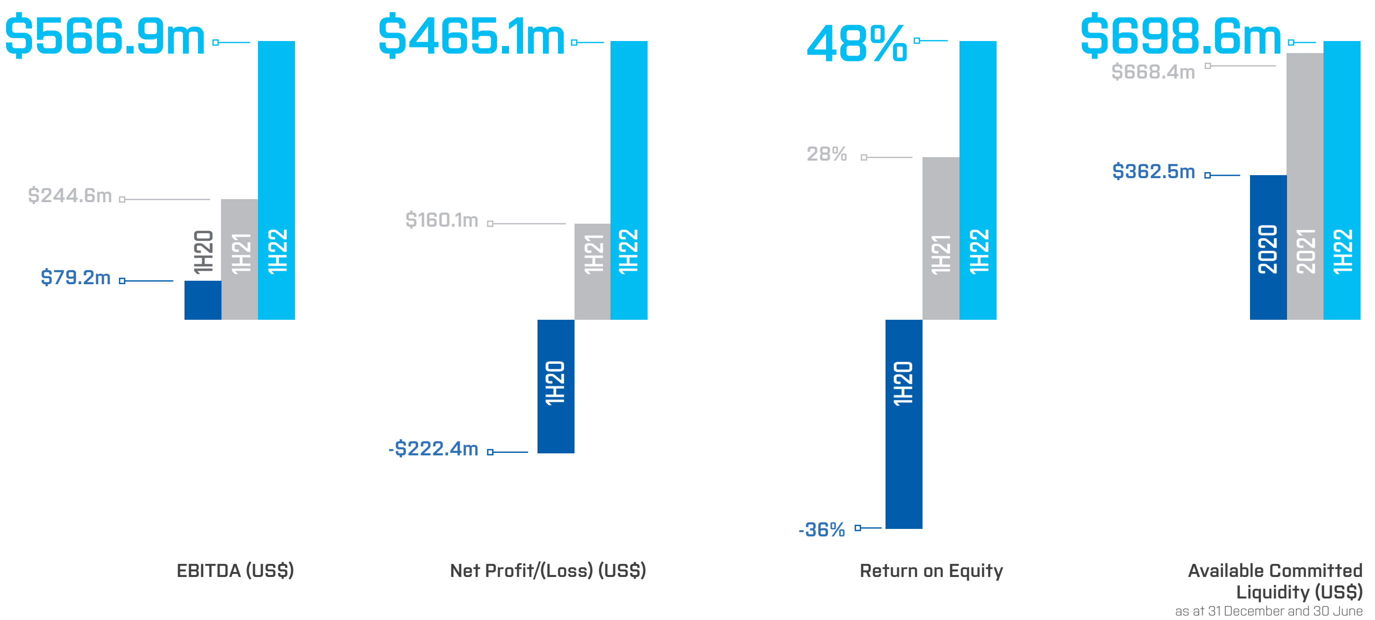
Linkage to related details on our website www.pacificbasin.com

ESG Linkage to related details in our Sustainability Report 2021

KPI High-level KPIs (Key Performance Indicators)

FEATURED IN THIS REPORT...

BUSINESS HIGHLIGHTS



Our Best Ever Interim Results

During the first half of 2022, we generated our best interim results in Pacific Basin's history, producing an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million. This yielded an exceptionally strong return on equity of 48% with basic EPS of HK74.5 cents.

Our financial position continues to strengthen with available committed liquidity of US$698.6 million and a net cash position of US$68.9 million as at 30 June 2022.

The Board has declared an interim basic dividend of HK35 cents per share, representing 50% of our net profit for the period, and an additional special dividend of HK17 cents per share, representing 25% of our net profit for the period. The basic dividend and the special dividend together amount to a total dividend of HK52 cents per share, equal to US$348.0 million or 75% of the net profit.

Strong Minor Bulk Fundamentals

The minor bulk freight market in the first half of 2022 was driven by broad based global demand for commodities, further supported by low fleet growth and continued fleet inefficiencies.

Minor bulk rates continue to be supported despite concerns over global economic growth, on-going conflict in Ukraine, and Covid-related impacts on the Chinese economy.

Delivering Excellent Results

- Our core business achieved Handysize and Supramax net daily TCE earnings of **US$26,370** and **US$33,840** respectively, generating a total contribution of US$468.2 million before overheads
- Our operating activity achieved a strong daily margin of **US$3,330** net over 9,200 operating days, generating a contribution of US$30.7 million before overheads
- Our P&L break-even was US$10,260 and US$10,600 per day for Handysize and Supramax respectively; our costs remain competitive despite higher crewing and repatriation related costs and increased depreciation as a result of the reversal of a vessel impairment provision in 2021
- In light of a softening global economy we expect dry bulk demand to moderate in the second half of 2022, but favourable supply dynamics make us optimistic about the long-term potential of the market

Fleet Optimisation for the Future

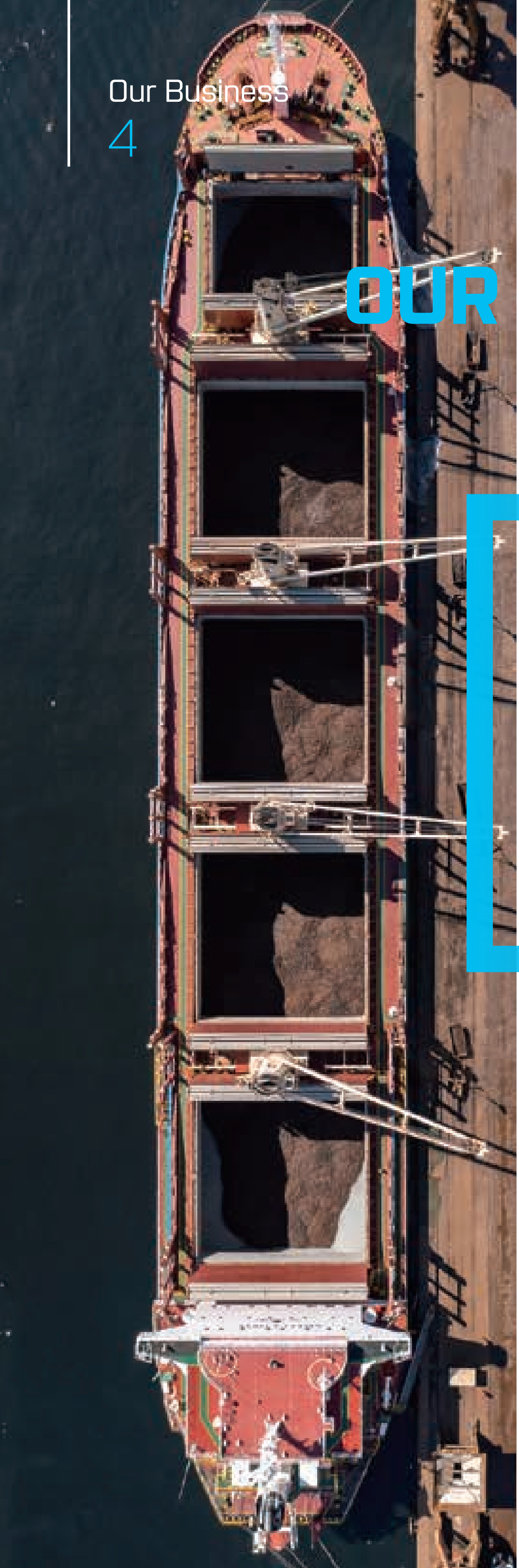
- We currently own 117 Handysize and Supramax ships and have around 240 owned and chartered ships on the water overall
- During the period we sold five of our older Handysize ships, while taking delivery of one Ultramax vessel purchased in 2021
- We remain committed to our long-term strategy of further growing our Supramax fleet and renewing our Handysize fleet with younger, larger and more efficient vessels, thereby further optimising our fleet to more easily meet tightening environmental regulations
- We are well positioned to comply with IMO carbon intensity reduction rules coming into force in 2023 through technical enhancements, operational measures and gradual fleet renewal

Find out more in our Chief Executive's Review on p.6

FINANCIAL HIGHLIGHTS

	30 June 2022 US$ Million	30 June 2021 US$ Million	31 December 2021 US$ Million
Results			
Revenue	**1,722.8**	1,142.0	2,972.5
Time-Charter Equivalent ("TCE") Earnings	**1,225.5**	712.2	2,091.4
EBITDA[1]	**566.9**	244.6	889.9
Underlying profit KPI	**457.5**	150.4	698.3
Profit attributable to shareholders	**465.1**	160.1	844.8
Balance Sheet			
Total assets	**2,884.5**	2,300.2	2,745.4
Total cash and deposits	**516.3**	227.0	459.7
Available committed liquidity	**698.6**	417.1	668.4
Net cash/(borrowings)	**68.9**	(539.5)	(128.4)
Shareholders' equity	**2,036.7**	1,229.4	1,831.2
Capital commitments	**1.3**	29.9	16.8
Cash Flows			
Operating	**511.5**	221.1	850.4
Investing	**82.3**	(98.3)	(334.0)
Financing	**(462.0)**	(132.2)	(433.0)
Net change in cash and cash equivalents	**131.8**	(9.4)	83.4
Per Share Data	**HK cents**	HK cents	HK cents
Basic EPS	**74.5**	26.4	139.1
Dividends (including HK17 cents special dividend) KPI	**52.0**	14.0	74.0
Operating cash flows	**82.0**	36.4	140.0
Shareholders' equity	**303**	198	296
Share price at period end	**HK$3.00**	HK$3.13	HK$2.86
Market capitalisation at period end	**HK$15.8bn**	HK$15.1bn	HK$13.8bn
Ratios			
Net profit margin	**27%**	14%	28%
Return on average equity (annualised)	**48%**	28%	58%
Total shareholders' return	**26%**	114%	105%
Net cash/(borrowings) to net book value of owned vessels KPI	**4%**	(31)%	(7)%
Net cash/(borrowings) to shareholders' equity	**3%**	(44)%	(7)%
Interest cover KPI	**49.3x**	16.0x	30.1x

[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 and unrealised derivative income and expenses



OUR FLEET

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

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

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

Our cargo mix comprises mainly non-fossil fuel commodities

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

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

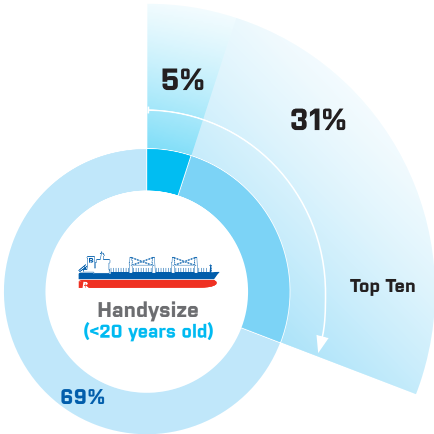
	Vessels in Operation Owned	Long-term Chartered	Short-term Chartered[1]	Total	Total Capacity (Million dwt) Owned	Average Age Owned
Handysize	75	10	30	115	2.6	12
Supramax/ Ultramax[2]	42	7	75	124	2.4	10
Capesize[3]	1	–	–	1	0.1	11
Total	118	17	105	240	5.1	12

As at 30 June 2022

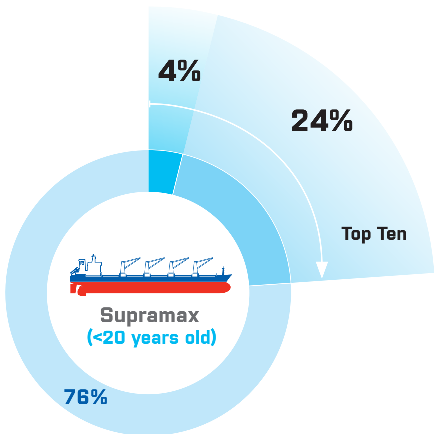
1 Average number of short-term and index-linked vessels operated in June 2022

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

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



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



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

Pacific Basin Other Top Ten Others

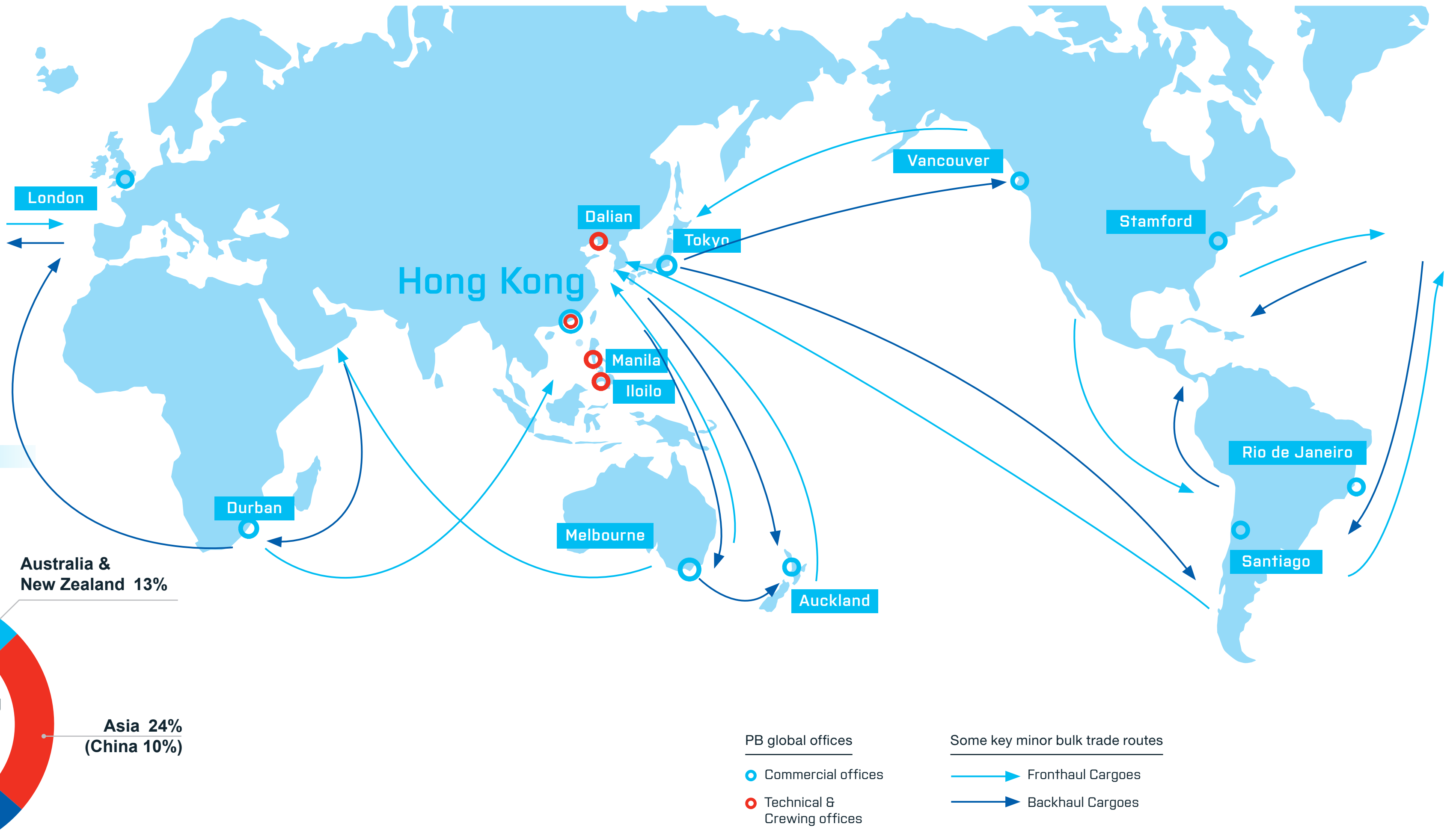
Source: Pacific Basin, Clarksons Research

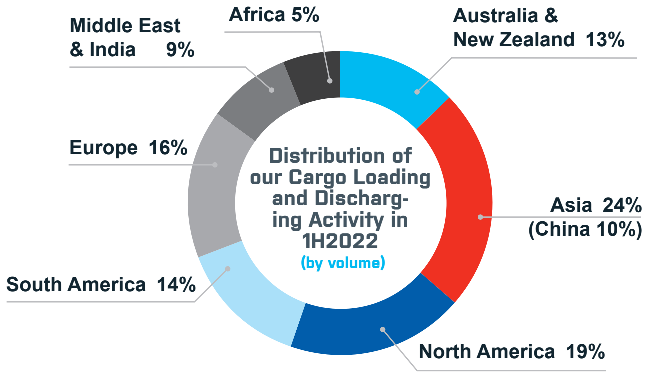
OUR GLOBAL REACH

13 office locations

- 10 commercial offices
- 4 technical & crewing offices

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





CHIEF EXECUTIVE'S REVIEW

Martin Fruergaard

Chief Executive Officer

Our record interim results reflect the strength in minor bulk demand over the period and the significant scale and competitiveness of Pacific Basin's business. I am confident that our excellent customer-focused business model, consistent strategic focus, large owned fleet and healthy balance sheet will allow us to thrive in this exciting market and continue to deliver attractive earnings and return significant cash to our shareholders

Our Best Interim Results in Our Company's History

In the first half of 2022, we generated our best interim results ever, producing an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million. This yielded an exceptionally strong return on equity of 48%, with basic EPS of HK74.5 cents.

p.31 Group Performance Review

Our results benefited from significantly higher average TCE earnings compared to the same period last year, strong operating activity results, and a competitive cost structure. We continued to significantly outperform the market index rates, especially in our Supramax business, which delivered an exceptional performance over the period.

Looking forward, we have covered the majority of our third quarter days at US$23,690* net per day for Handysize and US$28,970* net per day for Supramax respectively, underpinning continued strong earnings in what is typically the seasonally stronger part of the year.

Our financial position continues to strengthen with available committed liquidity of US$698.6 million and a net cash position of US$68.9 million as at 30 June 2022.

In light of the strong earnings, cash position and our confidence in the longer-term outlook for minor bulk shipping, the Board has declared an interim basic dividend of HK35 cents per share, representing 50% of our net profit for the period, and an additional special dividend of HK17 cents per share, representing 25% of our net profit for the period. The basic dividend and the special dividend together amount to a total dividend of HK52 cents per share.

* Indicative 3Q 2022 TCE only, voyages are still in progress

Excellent Performance Driven by Strong Revenue Generation and Competitive Cost Base

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$26,370 and US$33,840 net per day in the first half, representing an increase of 83% and 85% compared to the same period in 2021, respectively. In the period we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$4,370 per day and US$8,210 per day respectively. Our performance continues to benefit from our diverse cargo and customer base and the close customer interaction facilitated by our extensive global office network.

Our **operating activity** contributed US$30.7 million, generating a margin of US$3,330 net per day over 9,200 operating days in the first half. While margins varied over the period, they still remain historically high and our operating activity represents an on-going opportunity to utilise the commercial and operating skills of the Pacific Basin team to generate supplementary earnings for the business.

Our overheads and vessel operating expenses remain well controlled despite more expensive crew travel, quarantine and other pandemic-related manning costs.

p.15 Our Performance

Further Strengthening Our Balance Sheet

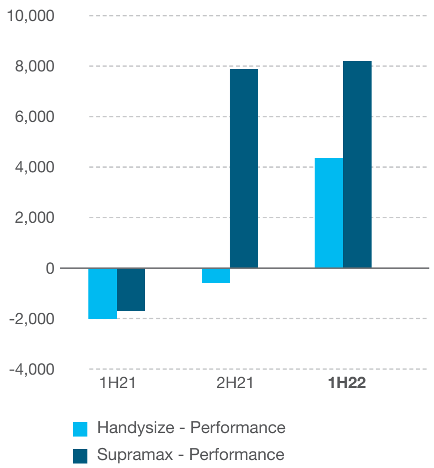
We continue to maintain a conservative balance sheet, which will allow us to invest over the cycle, while still distributing excess cash to shareholders through dividends.

During the period we structured an offer to holders of our US$175.0 million convertible bond to incentivise early conversion. This resulted in a reduction of our outstanding convertible bond to US$70.1 million. This offer has allowed us to further optimise our capital structure by reducing net borrowings and increasing the Company's equity capital, thereby deleveraging our balance sheet while at the same time lowering our finance costs.

p.20 Cash and Borrowings

PB Performance Relative to Market Index Rates

US$/day (net)



Strong Demand with Limited New Supply

The minor bulk freight market in the first half of 2022 was significantly stronger than the same period last year, driven by favourable supply and demand fundamentals. Minor bulk rates continue to be supported despite concerns over global economic growth, on-going conflict in Ukraine, and Covid-related impacts on the Chinese economy.

TCE earnings over the period began substantially higher than prior years and, despite a typical seasonal decline around Chinese New Year, rates have since been supported at historically high levels by growing minor bulk demand and some supply constraints. A softening in rates since May has been due to higher vessel availability as a result of a reduction in Black Sea grain exports and demand weakness in China.

We continue to see opportunities in this strong, yet volatile rates environment to generate further positive earnings, despite global economic short-term uncertainty

Benefitting From Our Fleet Renewal Strategy

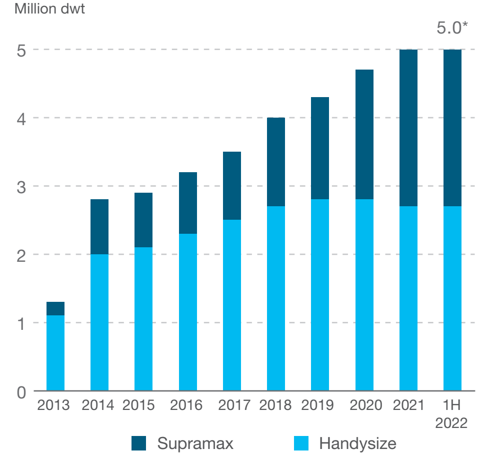
We remain committed to our long-term strategy to grow our owned fleet of Supramax ships by acquiring high-quality, modern, second-hand vessels, and to sell our older and less-efficient Handysize ships and replace them with younger and larger Handysize vessels. During the period we sold five of our older Handysize ships, while taking delivery of one Ultramax vessel purchased in 2021. This strategy is resulting in an even more efficient fleet with greater longevity, while crystallising value from historically high second-hand prices.

We expect our vessel purchasing activity to be less than last year as asset prices have approached historical highs, though we remain opportunistic where we see attractive second-hand acquisition opportunities. We currently own 117 Handysize and Supramax ships and, including chartered ships, we have approximately 240 ships on the water overall.

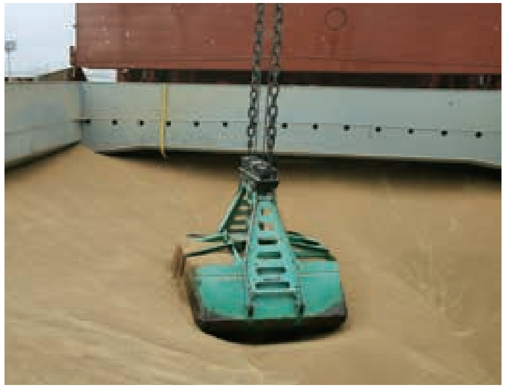
In the short term we are focused on selling some of our smaller, older Handysize ships as second-hand prices are strong, thereby crystallising value and further optimising our fleet to meet tightening environmental regulations

Significant Growth of Our Owned Fleet and Supramax Proportion

Million dwt



* including purchased and sold vessels in the first half of 2022



Our Safety First Culture

During the pandemic, travel restrictions have highlighted the need to focus our efforts on maintaining high levels of crew safety and wellbeing. Our early adoption of the latest industry best practices of online training, 24/7 online medical and wellbeing support, remote and onboard inspections, and updated communication infrastructure allow our vessels and seafarers to stay connected and continue to learn and apply updated procedures.

Despite the difficult operating environment during the pandemic, our safety management system and enhanced training programme continues to support sound crew safety KPIs.

KPIs	Unit	FY 2021	1H 2022
Health & Safety			
Total recordable case frequency	injuries per million man hours	0.55	**0.58**
Lost time injury frequency	injuries per million man hours	0.25	**0.19**

Well Prepared for IMO Carbon Intensity Reduction Rules

From January 2023, IMO's global EEXI (energy efficiency existing ship index) and CII (carbon intensity index) regulations are expected to drive technical and operational measures to improve the carbon efficiency of existing ships. We have thoroughly analysed the implications of these rules on our fleet and prepared our people, ships and systems to ensure our conventionally-fuelled ships are well positioned to comply and continue to trade for the foreseeable future through technical enhancements, operational measures and gradual fleet renewal.

The consequences of these rules will include the progressive slowing of vessel speeds and, over time, accelerated scrapping as older and less-efficient ships become no longer fit for trading.

We are preparing ourselves for shipping's eventual inclusion in the European Union Emissions Trading System (EU ETS) among other EU initiatives to drive decarbonisation in shipping. The European "Fit for 55" package remains subject to negotiations between the European Council, Parliament and Commission, and is now likely to apply to shipping from 2024 onwards.

Developing Zero-Emission-Ready Ships

We will invest in zero-emission-ready ships when they become commercially viable for minor bulk trades and the requisite global bunkering infrastructure is being built out.

In May, to accelerate this development, we committed to cooperate with Nihon Shipyard Co. and Mitsui & Co. in investigating alternative green fuels and their availability, and to develop zero-emission vessels and potentially invest in related bunkering infrastructure. Through this arrangement, Pacific Basin will continue to be at the forefront of our industry's development, and accelerate the transition to make zero-emission-ready vessels the default choice for new vessels by 2030, enabling us to meet our target of net zero emissions by 2050.

p.22 Sustainability Highlights

Retirement of Our Chairman and Executive Director

The Board announced in May that our Chairman and Executive Director David Turnbull has decided to retire from the position of Executive Director and Chairman of the Company after nearly 14 years in those positions and two prior years as an Independent Non-executive Director. David's retirement will take effect from the conclusion of the Company's 2023 annual general meeting, and he remains fully committed to his current roles in the meantime.

The Company has appointed an international recruitment firm to undertake a global search for a successor as Chairman. The Board has decided that, in future, the chairman role should be independent and non-executive.

Our Strategies

- Maintain and grow our cargo focus and scale
- Continue to be both a fully integrated owner (asset heavy) and operator (asset light)
- Be the industry leader on an earnings and cost per day basis
- Maintain empowered local chartering and operations close to customers
- Keep building our brand as a leading, admired and preferred shipping company
- Keep our cash and balance sheet strong
- Protect our leading Handysize position by replacing our older, smaller ships with younger, larger ships
- Continue to grow the proportion of our owned Supramax fleet
- Not order newbuildings until zero-emission bulkers are available and viable
- Continue to build and leverage our sustainability and decarbonisation, digitalisation, and research capabilities

Market Outlook

The IMF has lowered its global GDP growth forecast to 3.2% for 2022 and 2.9% for 2023, reflecting impacts of higher inflation and interest rates, on-going conflict in Ukraine and Covid-related disruptions to the Chinese economy.

In light of a softening global economy, we expect dry bulk demand in the second half to moderate somewhat from recent highs but remain relatively firm mainly due to seasonal factors in the grain market, elevated coal demand for electricity production and continued investment in global infrastructure.

Any revival of the Chinese economy is expected to be supported by domestic property construction, manufacturing and infrastructure spending as government policies are needed to drive growth in light of continuing Covid restrictions.

Changes in trade flows caused by the conflict in Ukraine have positively impacted tonne-mile demand for some commodities to date, but we continue to monitor the impact that the conflict might have as we come close to the typical Black Sea grain export season.

Supply is still tied up in congestion around the world, and although vessel speeds remain elevated leaving limited scope to increase vessel capacity through higher speed, historically very high bunker costs have begun to lower speeds taking some supply out of the market.

We believe uncertainty over new environmental regulations and the high cost of newbuildings, will continue to discourage any significant new ship ordering. According to Clarksons Research, current orderbook is at a 30-year low of just 7.2% of total fleet and new ordering is down 60% in the first half of 2022 compared to the same period last year. The low orderbook, coupled with IMO regulations to reduce carbon intensity likely resulting in slower speeds and increased scrapping from 2024 onwards, bodes well for the long-term health of the dry bulk market.

p.10 Market Review

Well Positioned for the Future

Given the supportive fundamentals of our industry, we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. Our large and modern owned fleet of highly versatile Handysize and Supramax ships, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, enables us to outperform in this strong earnings environment.

Having significantly further strengthened our balance sheet in the first half of 2022, we anticipate that the still healthy dry bulk market, our strong cash generation and limited expected capital expenditure will enable us to continue to reward shareholders by returning capital and take advantage of opportunities to grow our fleet going forward.

As always, I would like to take this opportunity to thank all of our loyal and talented Pacific Basin seafarers and shore-based staff, as it is not without your commitment and professionalism that we can deliver these results and continue to improve our safety performance. I also thank all Pacific Basin stakeholders for your support and your contribution to our on-going success as we strive to be the first choice partner in dry bulk.

Martin Fruergaard
Chief Executive Officer
Hong Kong, 28 July 2022

MARKET REVIEW

The Dry Bulk Freight Market Continues to Thrive

US$22,000 net ⬆ **34%**

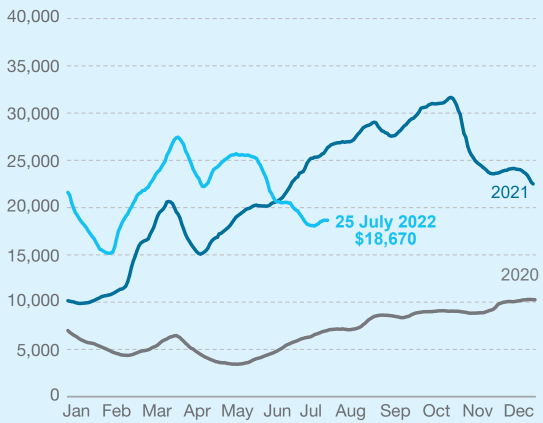
BHSI 38K (tonnage adjusted) Handysize 1H22 avg. market spot rate

US$25,630 net ⬆ **28%**

BSI 58K Supramax 1H22 avg. market spot rate

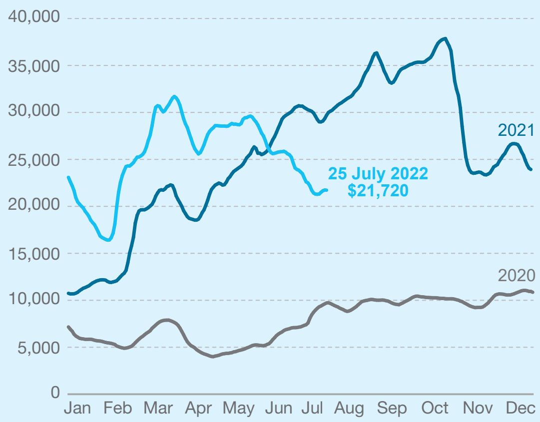
Handysize Market Spot Rates in 2020–2022

US$/day net*



Supramax Market Spot Rates in 2020–2022

US$/day net*



* Excludes 5% commission

Source: Baltic Exchange (BHSI 38,000 dwt (tonnage adjusted) and BSI 58,000 dwt)

The minor bulk freight market in the first half of 2022 saw continued favourable demand and supply fundamentals which have supported freight rates in the year to date. Freight rates saw a typical seasonal decline leading up to Chinese New Year, but otherwise remained firm over the period at higher levels than prior years, averaging US$22,000 and US$25,630 net per day for Handysize and Supramax respectively.

Demand for minor bulks over the period was robust despite concerns over global economic growth, on-going conflict in Ukraine, and Covid-related impacts on the Chinese economy. Changes to traditional trade routes as a result of the Ukraine conflict has benefited tonne-mile demand of some commodities such as coal and grain. Looking ahead, we expect that lower grain availability, slower global growth, and higher inflation may have a somewhat moderating impact on dry bulk freight demand in the second half.

Ship Values Remain Elevated

US$28.5m ⬆ **+4%**

Second-hand Handysize YOY

Vessel values have been supported by the continued strong freight market and increasing newbuilding prices. Clarksons Research currently values a benchmark five-year old Handysize at US$28.5 million, up 4% since the start of the year.

Dry bulk newbuilding prices remain above second-hand prices as shipyards offer limited pricing incentives to build dry bulk ships. Yard capacity has largely been filled up by higher margin non-dry bulk ship ordering which is likely to continue as we expect dry bulk vessel ordering will remain constrained until commercially viable zero-emission vessels are available.

Source: Clarksons Research

DEMAND: Minor Bulks Continue to Drive Demand

Global minor bulk loading volume grew approximately 9% in the first half compared to the same period last year. Construction materials were the main driver, in particular cement, clinker and aggregates where loadings were up 8% year on year. Compared to the first half of 2021, demand was strong across a broad range of commodities, in particular pet coke and bauxite loadings which were up 15% and 7% respectively. We believe increased global infrastructure spending and some relaxation of Chinese domestic property construction curbs will support minor bulk demand for the remainder of 2022 albeit at a more moderate rate then seen in the first half as slowing global growth is likely to impact demand.

Conflict in Ukraine continues to impact grain exports from the Black Sea and has been a major contributing factor in lower year to date grain loadings of 6% compared to the first half of 2021. Global food security has become a major issue as typical buyers of Ukrainian grains are forced to source from locations which are further away. Some lost volumes are being replaced by other producers, most notably the United States, Argentina, Brazil and Australia as higher grain prices have incentivised farmers around the world to increase plantings for export, with these volumes expected to benefit overall tonne-mile demand.

Coal loading volumes in the first half of 2022 increased 2% compared to the same period in 2021. Since the lifting of the Indonesian coal export ban we have seen a significant increase in coal loadings to countries in Europe, as well as India. The conflict in Ukraine has also had a positive tonne-mile impact as coal is increasingly being sourced from non-Russian areas such as Australia, United States, Canada and Colombia.

1H2022 Global Cargo Loading Volumes#

Selected Minor Bulks*	↑	+9%
Grain	↓	–6%
Iron Ore	↓	–1%
Coal	↑	+2%

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

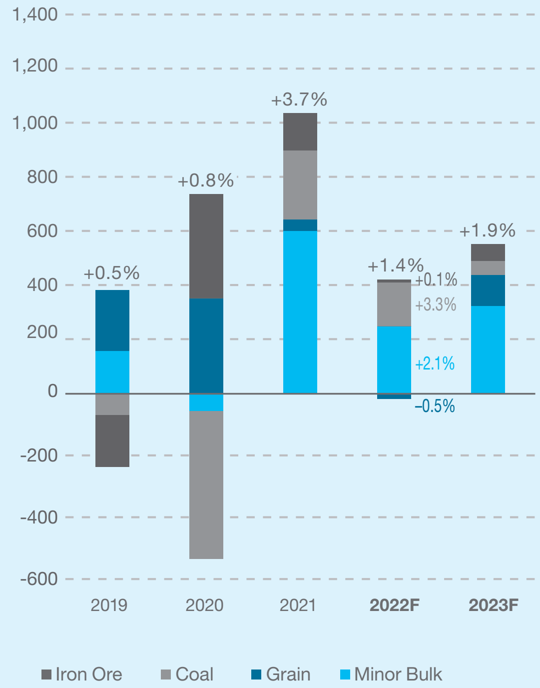
Source: Oceanbolt

Iron ore loading volumes declined 1% in the first six months of 2022 compared to the same period last year. The decline was due to seasonal weather impacting mining operations from key producers in Brazil and Australia, as well as reduced demand for steel products in China as domestic property construction underperforms, and economic growth is negatively impacted by continued Covid mitigation controls. Steel production in China is now expected to be lower than 2021 levels.

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

Annual Change in Global Dry Bulk Tonne-mile Demand

YOY change in billion tonne-miles



Source: Clarksons Research, data as at June 2022

SUPPLY: Low Net Fleet Growth and Supply Inefficiencies are Supporting Rates

Despite very little scrapping, the global dry bulk fleet grew only 1.5% net during the half-year compared to 1.9% in the same period last year mainly due to slowing newbuilding deliveries. The global fleet of Handysize and Supramax vessels grew by 1.6%, which despite slowing global economic growth has helped to support higher rates over the period.

Vessel speeds remain elevated leaving limited scope to increase vessel capacity through faster speeds, while Covid-related inefficiencies around the world, particularly in China, have further constrained the availability of tonnage to meet global demand for dry bulk shipping.

Clarksons Research forecasts scrapping in 2022 of just 0.4% of the global dry bulk fleet due to the prevailing strong TCE earnings. Scrapping is estimated to accelerate to 2.4% in 2023 which we believe to be optimistic, as we expect IMO 2023 decarbonisation regulations will not start forcing slower speeds and higher scrapping until 2024 at the earliest.

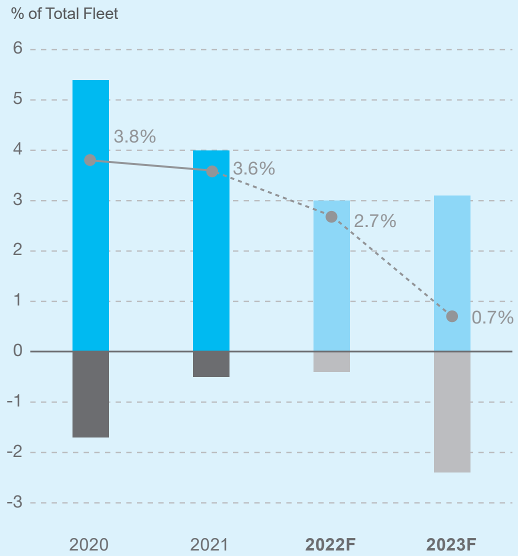
These supply constraints, and limited scope for speeding up the global world fleet, provides structural long-term support for the dry bulk market. Coupled with a healthy long-term demand outlook, despite short-term headwinds, make us optimistic about the long-term future of our market.

> Only moderate net fleet growth is expected in the next few years due to minimal new ship ordering and potentially increased scrapping as the fleet ages and decarbonisation regulations tighten. From 2024, IMO and EU decarbonisation regulations are likely to start forcing slower vessel speeds.

Overall Dry Bulk Supply Development

1.5%

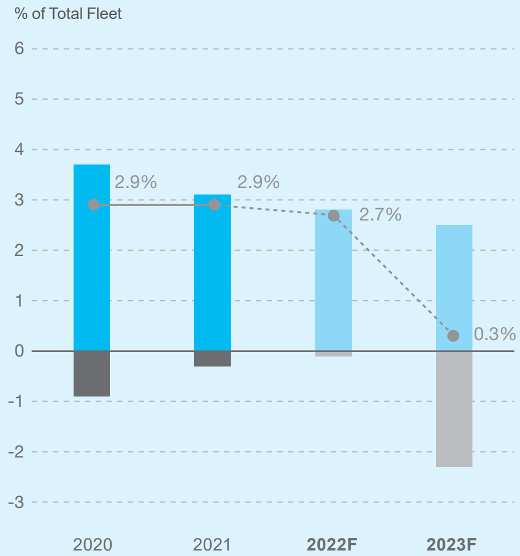
Overall dry bulk capacity 1H22



Handysize/Supramax Supply Development

1.6%

Global Handysize/Supramax capacity 1H22



New Deliveries | Scheduled Orderbook
Scrapping | Scrapping Forecast | Net Fleet Growth

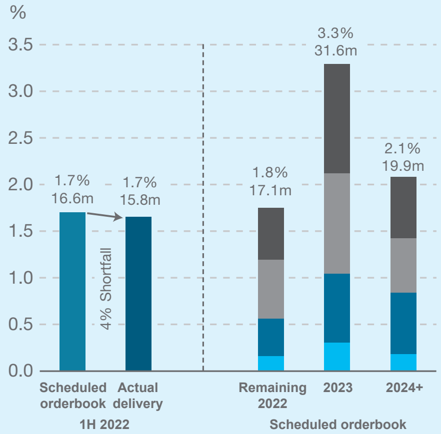
Source: Clarksons Research, data as at June 2022

ORDERBOOK: Orderbook at Record Low as New Ordering Continues to Fall

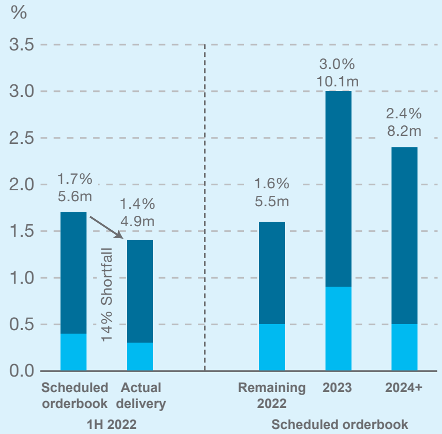
The total dry bulk orderbook stands at 7.2% of the existing fleet, which is the smallest it has been in decades. The combined Handysize and Supramax orderbook is 7.1%, presenting the basis for continued low supply growth in the next few years. Dry bulk newbuild ordering in the first half of 2022 was 9.4m dwt, compared to 23.4m dwt in the first half of 2021, a reduction of 60% compared to the same period last year.

New ship ordering is expected to remain restrained until vessel designs for clean fuels (such as ammonia and methanol) and associated bunkering infrastructure become commercially available.

Overall Dry Bulk Orderbook



Handysize & Supramax Combined Orderbook



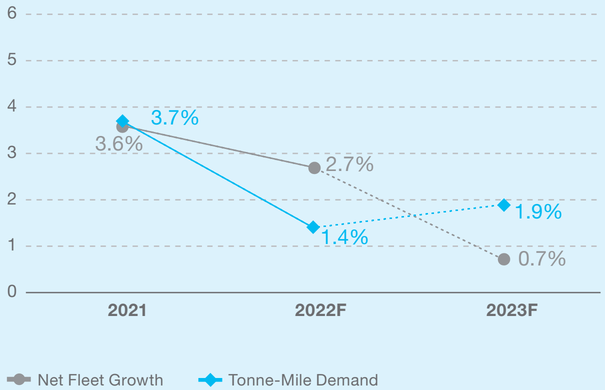
Source: Clarksons Research, data as at June 2022; 2022 orderbook excludes YTD deliveries

	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	1H 2022 Scrapping as % of 1 January 2022 Existing Fleet
Handysize (10,000–40,000 dwt)	5.6%	13	14%	0.1%
Supramax & Ultramax (40,000–70,000 dwt)	7.8%	11	9%	0.0%
Panamax & Post-Panamax (70,000–100,000 dwt)	9.1%	11	13%	0.1%
Capesize (100,000+ dwt)	6.0%	10	2%	0.4%
Total	7.2%	11	8%	0.2%

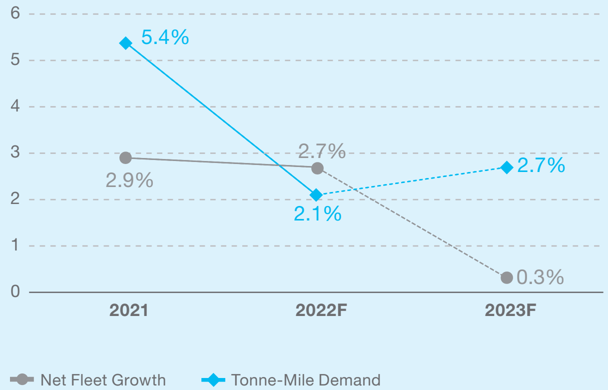
Source: Clarksons Research, data as at June 2022

MARKET BALANCE: Supportive Long-Term Demand and Supply Fundamentals

Overall Dry Bulk Demand and Supply
% YOY change



Minor Bulk Demand and Handysize/Supramax Supply
% YOY change



Source: Clarksons Research

Dry bulk demand growth is expected to outpace new supply growth from 2023.

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Limited new ship ordering and deliveries due to decarbonisation regulations and uncertainty over future vessel designs and alternative fuels, leading to tighter supply
- Higher dry bulk demand through increased global infrastructure investment and demand for commodities for the green energy transition
- Chinese economy is expected to be supported by government led property construction, manufacturing and infrastructure spending
- Slower vessel operating speeds due to emissions regulations and increased fuel cost
- Higher demand for coal as a substitute for energy production due to constraints in gas supply

THREATS

- Excessive new ship ordering in dry bulk driving increased net fleet growth
- On-going pandemic containment measures in China reducing domestic and international economic growth
- Increased inflation and slowing global growth reducing dry bulk demand
- The marginal benefit that dry bulk demand is getting from temporary factors such as fleet inefficiencies and the very strong container market may reduce

OUR PERFORMANCE

Our business generated an underlying profit of US$457.5 million (1H 2021: US$150.4 million) representing our strongest interim results ever. Our results benefited from significantly higher average TCE earnings compared to the same period last year, strong operating activity results, and competitive cost structure.

Operating Performance

US$ Million	Six months ended 30 June 2022	2021	Change
Core business Handysize contribution	**265.4**	105.2	+>100%
Core business Supramax contribution	**202.8**	65.9	+>100%
Operating activity contribution	**30.7**	11.9	+>100%
Capesize contribution[1]	**0.7**	2.1	-67%
Operating performance before overheads	**499.6**	185.1	+>100%
Adjusted total G&A overheads	**(41.8)**	(34.1)	-23%
Taxation and others	**(0.3)**	(0.6)	+50%
Underlying profit	**457.5**	150.4	+>100%
Vessel net book value (incl. assets held for sale)	**1,840.3**	1,720.0	+7%

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

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

Our Cargo Volumes in 1H 2022

Minerals	**11%**
Salt	5%
Sand & Gypsum	4%
Soda Ash	2%
Energy	**13%**
Coal	8%
Petcoke	4%
Wood Pellets	1%
Metals	**16%**
Ores	7%
Concentrates	5%
Alumina	3%
Others	1%

Agricultural Products & Related	**29%**
Grains & Agricultural Products	15%
Fertiliser	12%
Sugar	2%
Construction Materials	**31%**
Cement & Cement Clinkers	13%
Steel & Scrap	11%
Logs & Forest Products	7%

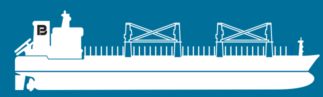
Our Commercial Activities

Core Business

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

Operating Activity

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

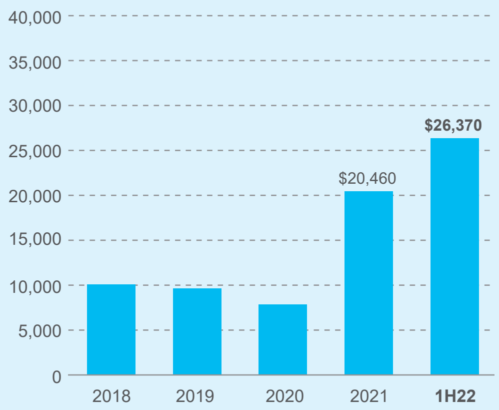


CORE BUSINESS

Handysize

TCE EARNINGS KPI

US$/day (net)

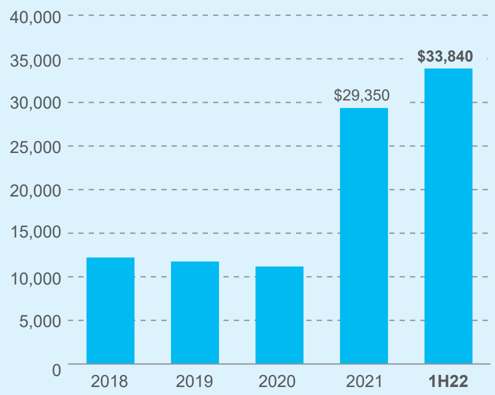


Note: Pre-2020 historical data has not been restated to split operating activity from core business

Supramax

TCE EARNINGS KPI

US$/day (net)



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

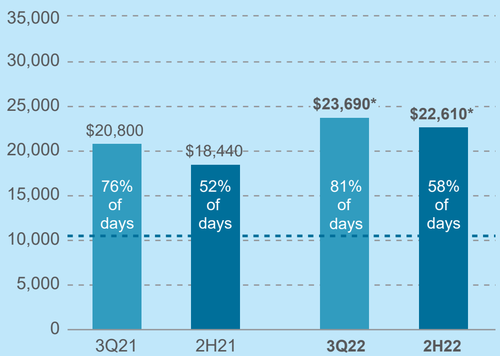
TCE EARNINGS KPI

- Our core business generated:
  - Handysize daily earnings of US$26,370 on 15,520 revenue days
  - Supramax daily earnings of US$33,840 on 8,360 revenue days
- Our daily TCE over the period were substantially higher than prior years, supported by growing minor bulk demand. Combined with our competitive cost structure, this resulted in significantly increased Handysize and Supramax core business contributions
- In the period we outperformed the average Handysize (BHSI 38,000 dwt tonnage-adjusted) and Supramax (BSI 58,000 dwt) indices by US$4,370 per day and US$8,210 per day, respectively. In the period, scrubbers fitted to our 35 core Supramax vessels contributed US$2,120 per day to outperformance

Handysize

FORWARD CARGO COVER

US$/day (net)



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

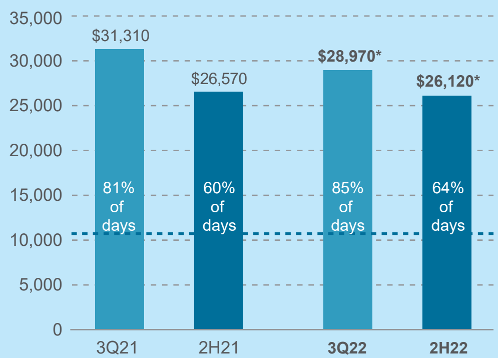
- - - Indicative core fleet P&L break-even level incl. G&A for 1H22 = US$10,260

* 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

Supramax

FORWARD CARGO COVER

US$/day (net)



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

- - - Indicative core fleet P&L break-even level incl. G&A for 1H22 = US$10,600

* Note that our Supramax cover for the rest of the year is backhaul heavy (see Handysize note) and excludes any scrubber benefit, currently about US$5,130 per day

FORWARD CARGO COVER

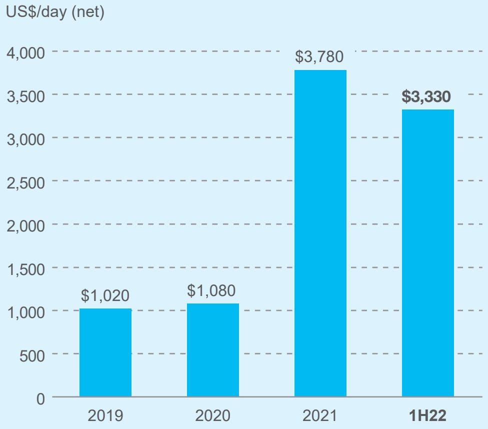
- Market activity over the period was strong allowing us to take attractive cover, while maintaining sufficient spot market exposure
- We have covered 81% and 85% of our Handysize and Supramax vessel days currently contracted for the third quarter of 2022 at US$23,690 and US$28,970 net per day respectively
- We have covered 58% and 64% of our Handysize and Supramax vessel days currently contracted for the second half of 2022 at US$22,610 and US$26,120 net per day respectively
- Our P&L break-even was US$10,260 and US$10,600 for Handysize and Supramax respectively in first half 2022

p.18 Core Business Vessel Costs

OPERATING ACTIVITY

MARGIN KPI

US$3,330 per day (net)



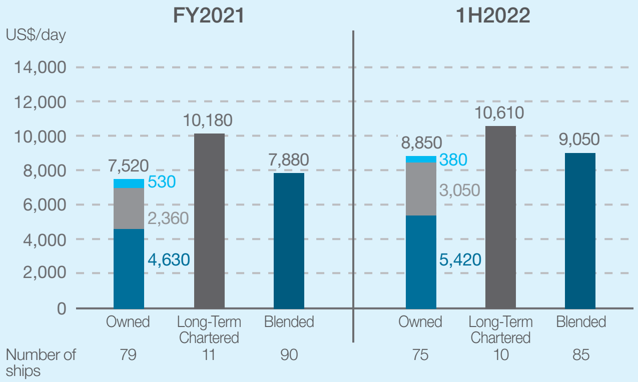
- Our operating activity generated a strong margin of US$3,330 net per day over 9,200 operating activity days in the first half of the year on short-term ships that we chartered specifically to carry spot cargoes
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships (when our core ships are unavailable), thereby making a margin and contributing to our Group's results regardless of whether the market is weak or strong

CORE BUSINESS VESSEL COSTS

Daily Vessel Costs

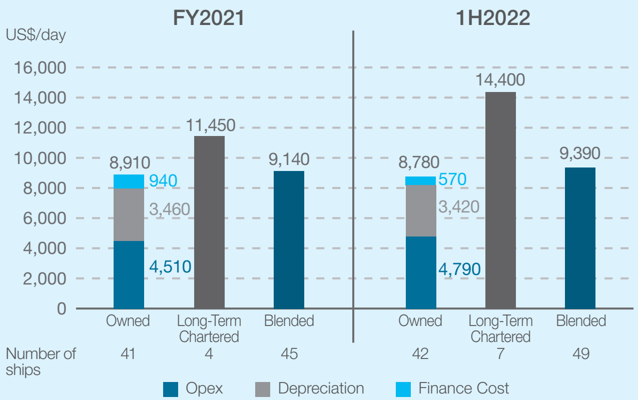
Handysize

Blended US$9,050



Supramax

Blended US$9,390



Owned Vessel Costs

- **Operating expenses**

  Our average Handysize and Supramax daily operating expenses ("Opex") increased by 13% to US$5,200 per day (FY2021: US$4,590). This was mainly due to continued high crew travel cost and other pandemic-related manning expenses. However, our Opex remained at competitive levels in the industry 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 (FY2021: 1.7 days) of unplanned technical off-hire per vessel of which 0.3 days (FY2021: 0.8 day) were Covid related.

- **Depreciation**

  Our Handysize depreciation costs increased by 29% mainly due to the reversal of an impairment provision in December 2021. Our Supramax depreciation costs were substantially unchanged.

- **Finance costs**

  Our average Handysize and Supramax daily finance costs decreased by 33% to US$450 per day (FY2021: US$670), mainly due to lower borrowings.

Long-term Chartered Vessel Costs

Long-term chartered vessel costs are mainly accounted for as depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months. Our long-term chartered vessel daily costs increased by 4% to US$10,610 and 26% to US$14,400 for Handysize and Supramax respectively, primarily due to higher charter costs on new chartered vessels due to strong market conditions.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels increased to US$9,050 and US$9,390 for Handysize and Supramax respectively (FY2021: US$7,880 and US$9,140 respectively).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads increased to US$41.8 million (1H2021: US$34.1 million and FY2021: US$82.0 million) primarily due to an increase in staff costs during the period. Spread across our total vessel days, our daily G&A overheads remain competitive at US$940 (FY2021: US$870), comprising US$1,210 and US$690 (FY2021: US$1,150 and US$630) per day for owned and chartered ships respectively.

Vessel Days

The following table shows an analysis of our vessel days in 1H2022 and FY2021:

Days	Handysize FY2021	Handysize 1H2022	Supramax FY2021	Supramax 1H2022
Core business revenue days	32,080	**15,520**	15,480	**8,360**
– Owned revenue days	27,580	**13,700**	14,040	**7,430**
– Long-term chartered days	4,500	**1,820**	1,440	**930**
Short-term core days[1]	8,710	**3,830**	19,110	**6,960**
Operating activity days	4,910	**2,260**	13,330	**6,940**
Owned off-hire days	770	**370**	130	**150**
Total vessel days	46,470	**21,980**	48,050	**22,410**

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

Future Long-term Chartered Vessel Costs

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

Year	Handysize Vessel days	Handysize Average cost (US$)	Supramax Vessel days	Supramax Average cost (US$)
2H2022	2,080	10,860	1,570	17,810
2023	2,690	11,330	2,530	19,240
2024	2,400	11,390	710	21,180
2025	1,100	12,230	–	–
2026	370	12,730	–	–
Total	**8,640**		**4,810**	

CASH AND BORROWINGS

Operating Cash Inflow

US$486.0m

Available Committed Liquidity

US$698.6m

Net Cash to Net Book Value of Owned Vessels

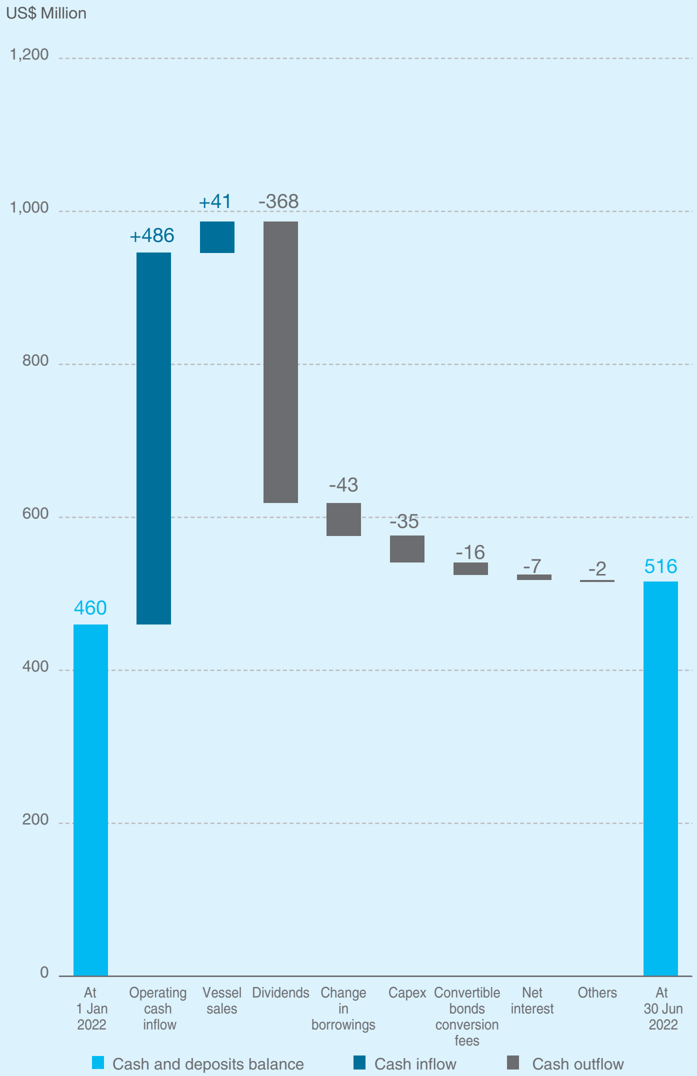
4%

Average Interest Rate (P/L)

3.9%

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

Cash Flow



Key Developments in 1H 2022

- In May we completed a conversion offer of our US$175.0 million 3% p.a. coupon guaranteed convertible bonds due 2025 which resulted in a US$104.9 million (60%) reduction of the outstanding convertible bonds to US$70.1 million and the issue of 425,987,441 shares
- Our net cash outflow from borrowings was US$43.0 million in the period
- During the period we incurred capital expenditure of US$35.3 million, including:
  - (a) US$15.5 million for one Ultramax vessel which delivered into our fleet in the first quarter; and
  - (b) US$19.8 million for dry dockings and the installation of ballast water treatment systems
- As at 30 June 2022, we had 31 unmortgaged vessels

Liquidity and Borrowings

US$ Million	30 Jun 2022	31 Dec 2021	Change
Cash and deposits (a)	**516.3**	459.7	+12%
Available undrawn committed facilities	**182.3**	208.7	-13%
Available committed liquidity	**698.6**	668.4	+5%
Current portion of borrowings	**(60.6)**	(66.8)	
Non-current portion of borrowings	**(386.8)**	(521.3)	
Total borrowings (b)	**(447.4)**	(588.1)	+24%
Net cash/(borrowings) (a) + (b)	**68.9**	(128.4)	+>100%
Net cash/(borrowings) to shareholders' equity	**3%**	(7%)	
Net cash/(borrowings) to net book value of owned vessels KPI	**4%**	(7%)	

p.43 Financial Statements Note 15 Cash and deposits (including how we invest our cash)

Borrowings and Undrawn Committed Facilities

Borrowings and Undrawn Committed Facilities – US$563.1 million (31 December 2021: US$631.6 million)

The overall decrease in secured borrowings is mainly due to repayments and scheduled loan amortisation.

A decrease in interest to US$7.7 million (1H 2021: US$10.8 million) was mainly due to a decrease in average borrowings to US$418.2 million (1H 2021: US$684.3 million).

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 2022:

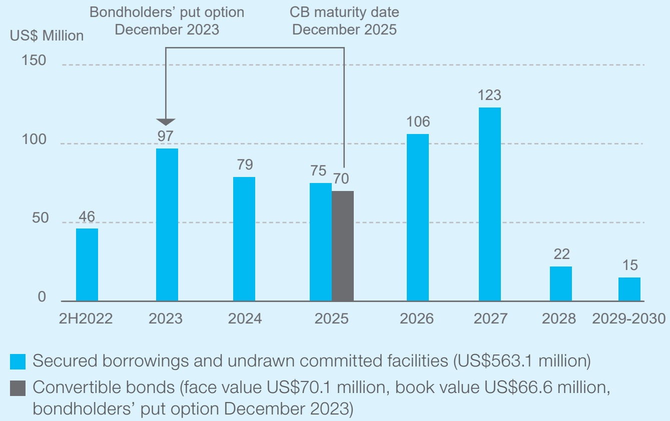
- The Group's secured borrowings were secured by 87 vessels with a total net book value of US$1,416.0 million and by an assignment of earnings and insurances in respect of these vessels
- The Group was in compliance with all its loan-to-asset value requirements

p.38 Financial Statements Note 7
Finance income and finance costs

Convertible Bonds Liability Component – US$66.6 million (31 December 2021: US$165.2 million)

As at 30 June 2022 further to the conversion offer completed in May 2022, there remained the 3% p.a. coupon guaranteed convertible bonds due 2025 with an outstanding principal of US$70.1 million and a prevailing conversion price of HK$1.93 per share.

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 2022, including the liability component of the convertible bonds, amounted to US$629.7 million (31 December 2021: US$796.8 million) and are mainly denominated in United States Dollars.

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2022	Finance costs 1H 2022	Finance costs 1H 2021	Change
Borrowings (including realised interest rate swap contracts)	3.7%	3.7%	**380.8**	**7.7**	10.8	+29%
Convertible bonds (Note)	4.7%	3.0%	**66.6**	**3.1**	3.8	+18%
	3.9%	KPI 3.6%	**447.4**	**10.8**	14.6	+26%
Other finance charges				**0.7**	0.7	
Total finance costs				**11.5**	15.3	+25%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **49.3x**	16.0x	

Note: The convertible bonds have a P/L cost of US$3.1 million and a cash cost of US$1.1 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its borrowings. As at 30 June 2022, 77% (31 December 2021: 81%) of the Group's borrowings were on fixed interest rates. We currently expect about 55% and 54% of the Group's borrowings will be on fixed interest rates as at 31 December 2022 and 2023 respectively, assuming all revolving credit facilities are fully drawn.

SUSTAINABILITY HIGHLIGHTS

Pacific Basin's active approach to sustainability is rooted in our culture and, governed by policies and systems, is integrated into our daily business behaviour and operating practices. We believe that many of the responsible actions we take – our commitment to sustainability – make us competitively stronger and enhance our financial performance, reputation and the longevity and future value of our business

Our Purpose

To safely and sustainably deliver by sea the agricultural products, raw materials and other bulk commodities that are essential to people's lives and society's progress

Our Mission

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

Our Vision

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

With You for the Long Haul

As well as serving key players across the grain, minor bulk and other industries, Pacific Basin serves leading companies in sustainable forestry in Canada, the United States, New Zealand and Australia.

Our Sustainability Strategy and Focus Areas

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

Reducing our fleet's consumption of fuel and other inputs and the resulting impacts of emissions, use of resources and climate change

Community engagement

Maintaining mutually beneficial partnerships with our customers, suppliers and other stakeholders in our communities, while always demonstrating responsible business practices

Safety, workplace and business practices

Rewarding the skills, experience, behaviour and loyalty of our staff and enhancing engagement with fair remuneration and a commitment to health and safety, development and training, equal opportunity and a comfortable and fulfilling workplace

Corporate governance

Evolving management and governance practices for best-in-class risk management, transparency and stakeholder confidence

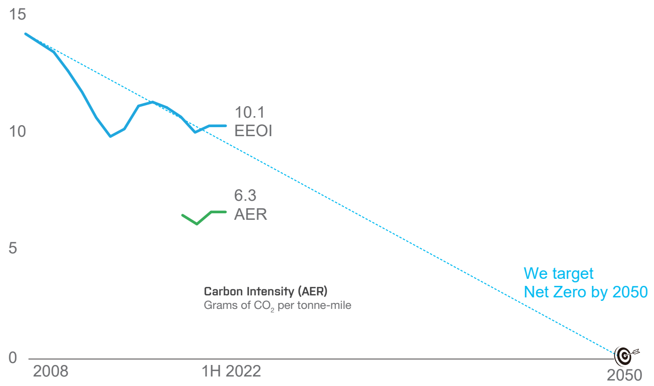
ENVIRONMENTAL STEWARDSHIP

Tracking a Course to Net Zero by 2050

KPI

Carbon Intensity (EEOI)
Grams of CO_2 per tonne-mile

The global dry bulk fleet continued to operate at high speed in the strong market resulting in largely unchanged carbon emissions intensity compared to 2021, but our decarbonisation strategies ensure we stay closely on course to achieve net zero emissions by 2050.



Partnering with Nihon Shipyard Co. and Mitsui & Co. to investigate alternative green fuels and associated bunkering infrastructure, and to develop an all-new zero-emission-ready ship design

A Parallel Approach to Decarbonisation

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

We are collaborating and making preparations to achieve the longer-term goal of complete decarbonisation by transitioning to entirely new **zero-emission-ready ships and fuels** which are not yet commercially available.

Well Prepared for 2023 Carbon Intensity Reduction Rules

We have thoroughly analysed the implications of IMO's new EEXI and CII rules on our fleet and prepared our people, ships and systems to ensure our conventionally-fuelled existing ships are well positioned to comply with the rules and continue to trade for the foreseeable future through technical enhancements, operational measures and gradual fleet renewal.

We have also been following developments and preparing ourselves for shipping's eventual inclusion in the European Union Emissions Trading System (EU ETS) and other EU initiatives to drive decarbonisation in shipping. The European "Fit for 55" package remains subject to negotiations between the European Council, Parliament and Commission, and is now likely to apply to shipping from 2024 onwards.

Collaborating to Develop Zero-Emission-Ready Vessels

In mid-May 2022, Pacific Basin committed to cooperating with top-class ship building partners in Japan to investigate and develop what we expect will be our first zero-emission-ready vessels – a crucial step to achieving our goal of net zero emissions by 2050.

Our partners are Nihon Shipyard Co. (a JV between Japan's two largest shipbuilders Imabari and Japan Marine United) and Mitsui & Co., one of the world's largest trading companies with operations spanning energy, machinery, chemicals, logistics and more.

Our collaboration will investigate alternative green fuels and associated bunkering infrastructure, and develop an all-new green ship design resulting in the eventual ordering of zero-emission-ready vessels before 2030.

SAFETY & WORKPLACE

Our increased focus on mental wellbeing in recent years has been further enhanced with:

- wellbeing assessments of all our ships' crew
- the increased use of specialist seafarer wellbeing trainers
- a seafarer helpline providing 24/7 access to unlimited, independent, professional and immediate help

We have created a new role of "Head of Training" and expanded our training programme with several new modules.

With pandemic-related travel restrictions easing, our ship managers are again visiting and inspecting our ships more frequently, resulting in more regular on-board support across our fleet.

Ongoing enhancements of our safety culture have supported yet further improvement in our crew safety KPIs.

Lost Time Injury Frequency KPI

0.19 ↓ 31%

injuries per million man hours

Total Recordable Case Frequency

0.58 ↑ 5%

injuries per million man hours

External Inspection Deficiency Rate

0.83 ↑ 38%

deficiencies per PSC inspection

We experienced increased PSC deficiencies mainly on vessels aged more than 15 years. With pandemic-related travel restrictions easing and our ship managers are now visiting our ships more frequently, our PSC inspection performance is now improving again.

The Neptune Declaration on Seafarer Wellbeing and Crew Change

Wellness at Sea

COMMUNITY ENGAGEMENT

Sponsoring Community Open Day at the Hong Kong Maritime Museum

Marking the International Day of the Seafarer in late June, Pacific Basin again sponsored free admission to the Hong Kong Maritime Museum, with Pacific Basin ship cadets and officers as well as shore-based managers and former ship captains volunteering to teach navigation skills and knot-tying, and present museum objects, seafaring stories and career paths to museum visitors. Over 1,800 visitors attended.

Employee Engagement Scores Support a Strong Employer Brand

We engaged independent consultants to conduct an anonymous staff survey. The results pointed to a high level of satisfaction and engagement across 10 main criteria, and provided useful insight into areas that may benefit from extra attention.

Overall Engagement Score

82%

"I enjoy working at Pacific Basin"

88%

WISTA Membership for Pacific Basin's Female Seafarers

Our corporate membership of WISTA (Women's International Shipping & Trading Association) is available to benefit all our female Pacific Basin seafarers and shore-based staff. WISTA is a global organisation connecting female professionals from all sectors of the maritime industry and a leader in diversity and inclusion in shipping.

Making Best Impressions Wherever We Go

We take pride in the care and professionalism we demonstrate in our interactions across the communities we engage with, and how we are perceived is important to us.

> *"Sincere thanks to you and your crew for ensuring smooth operations - the entire crew performed their duties with the highest degree of safety awareness and were always ready to help*
>
> *The professionalism and efficiency of your ship's crew was a credit to the leadership of the captain*
>
> *We appreciate the cooperation of your officers and your continued commitment to safe marine transportation and environmental protection"*

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 governance, sustainability and board engagement.

Top 10% Governance QualityScore by ISS

indicating excellent corporate governance practices and relatively low governance risk.

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

A+ Sustainability rating 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.

0 Corrupt practice or whistleblowing incidents

MACN — We are active members of the Maritime Anti-Corruption Network

RESILIENCE

We try to understand and prepare ourselves for tomorrow's potential challenges.

Our recent **climate risk scenario analysis** (in conjunction with American Bureau of Shipping) helped us to refine our understanding of the most material climate-related physical and transition risks, vulnerabilities and opportunities for our business.

Physical Risks

Shifts in climate patterns, e.g.:

- more frequent and intense tropical cyclones & floods (extreme events)
- rising sea levels & shifting agriculture patterns (longer-term events)

If not well managed, extreme climate events can disrupt business activities resulting in lost revenue, and can increase the damage and wear and tear to vessels resulting in higher repair and maintenance costs

Deep-sea shipping has over many decades developed resilience and mitigation measures (e.g. weather routing tech) that prepare us well for increasing extreme weather in the future

We focus on diverse minor bulks and grain with an agile tramping business model which allows us to change our ships' trading patterns at short notice if necessary to avoid physical risks

Transition Risks

Climate-related changes in policy, technology and markets, e.g.:

- decarbonisation rules, carbon pricing
- new fuels and propulsion systems
- changing commodity trade patterns

How well a company can respond to and comply with new regulations, how readily it can fund and adopt changing technology and assets, and how nimbly it can respond to changing market conditions can significantly impact its operations, reputation, profitability and financial strength

We have the scale and sophisticated, experienced team that enable us to navigate challenging regulatory, technological, commodity demand and other transition-related changes

Our business and decarbonisation strategies will allow us to effectively manage these identified transition risks and capture the opportunities from our industry's transition to a net-zero future

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 2022, the Group has complied with all code provisions of the Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules").

Directors' Securities Transactions

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

The Board confirms that, having made specific enquiry, the Directors have complied in full with the required standard as set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2022.

Senior Management and Staff's Securities Transactions

The Company has adopted rules for those senior managers and staff who are more likely to be in possession of unpublished inside information 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 standards set out in the Dealing Rules during the six months ended 30 June 2022.

Share Capital

During the six months ended 30 June 2022, an aggregate of 440,399,441 ordinary shares were issued, of which (i) 14,412,000 ordinary shares were issued in March 2022 to fulfil the granting of the Company's restricted awards under the Company's 2013 Share Award Scheme, and (ii) 425,987,441 ordinary shares were issued in May 2022 to two allottees, namely HSBC Nominees (Hong Kong) Limited and Citi (Nominees) Ltd, being the nominees of certain bondholders, holding an aggregate principal amount of US$104,919,000 of the 3% p.a. coupon guaranteed convertible bonds due 2025 issued by the Group, who accepted the incentivised offer to convert their convertible bonds (representing approximately 59.95% of the aggregate principal amount of the convertible bonds originally issued) at the conversion price of HK$1.93 per share. The conversion offer was aimed at further optimising the capital structure of the Company, by reducing net borrowings, and strengthening the Company's equity capital, thereby deleveraging the balance sheet, while lowering the finance costs.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2022, 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 to 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 16 August 2022 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 a total interim dividend of HK52 cents per share – comprising a basic dividend of HK35 cents per share and a special dividend of HK17 cents per share – for the six months ended 30 June 2022 which will be paid on 24 August 2022 to those shareholders whose names appear on the Company's register of members on 12 August 2022.

The register of members will be closed on 12 August 2022 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 share 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 11 August 2022. The ex-dividend date for the interim dividend will be on 10 August 2022.

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	retiring at 2023 AGM	–	–	–	Member
Martin Fruergaard, CEO	2-Jul-21	3 years until Jul 2024*	–	–	–	Chairman
Peter Schulz, CFO	30-Jul-18	3 years until 2025 AGM*	–	–	–	Member
Independent Non-executive Directors						
John M.M. Williamson	2-Nov-20	3 years until Nov 2023	Chairman	–	–	–
Robert C. Nicholson	25-Mar-04	retiring at 2023 AGM*	Member	Chairman	Chairman	–
Irene Waage Basili	1-May-14	3 years until 2023 AGM	–	Member	–	–
Stanley H. Ryan	5-Jul-16	3 years until 2024 AGM	–	Member	–	–
Kirsi K. Tikka	2-Sep-19	3 years until 2025 AGM*	Member	–	Member	–
Non-executive Director						
Alexander H.Y.K. Cheung	3-Jan-22	3 years until Jan 2025*	Member	Member	Member	–

* Re-elected as Director at the Company's annual general meeting held on 19 April 2022.

Mr. Alexander Cheung was appointed as a Non-executive Director on 3 January 2022.

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 2022, 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 issued share capital	
					30 Jun 2022	31 Dec 2021
David M. Turnbull[1]	6,911,000	568,000[2]	Long	7,479,000	0.14%	0.22%
Martin Fruergaard[1]	5,586,000	–	Long	5,586,000	0.11%	0.09%
Peter Schulz[1]	9,449,000	129,000[3]	Long	9,578,000	0.18%	0.18%
Robert C. Nicholson	250,000	0	Long	250,000	less than 0.01%	less than 0.01%
John M.M. Williamson	56,000	0	Long	56,000	less than 0.01%	less than 0.01%

Notes:

(1) Restricted share awards were granted under the 2013 Share Award Scheme and have been disclosed on page 29 of this Report.

(2) 568,000 shares are held by a trust of which Mr. Turnbull is a beneficiary.

(3) 129,000 shares are held by a trust of which Mr. Schulz is a beneficiary.

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 2022.

Save as disclosed, at no time during the six months ended 30 June 2022 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 or 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 2022 are as follows:

'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 30 Jun 2022	During the period: Unvested at 1 Jan 2022	During the period: Granted[1]	During the period: Vested and/or lapsed[2]	Vesting in: 2H2022[3]	Vesting in: 2023	Vesting in: 2024	Vesting in: 2025
Directors											
David M. Turnbull	5-Aug-08	13,416	(8,704)	4,712	4,006	706	–	1,278	1,249	1,479	706
Martin Fruergaard	2-Aug-21	5,475	(484)	4,991	3,632	1,359	–	1,210	1,210	1,212	1,359
Peter Schulz	21-Aug-17	10,949	(4,611)	6,338	5,363	975	–	1,688	1,683	1,992	975
		29,840	(13,799)	16,041	13,001	3,040	–	4,176	4,142	4,683	3,040
Other Employees				76,980	65,810	15,776	(4,606)	18,832	20,432	24,864	12,852
				93,021	78,811	18,816	(4,606)	23,008	24,574	29,547	15,892

Notes:

(1) *The closing price of the shares of the Company immediately before the grant of 18,816,000 shares on 3 March 2022 was HK$4.31.*

(2) *174,000 shares lapsed due to the resignation of one employee and a total of 4,432,000 shares vested due to the retirement of one employee and redundancy of another employee.*

(3) *23,008,000 shares vested on 14 July 2022 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 2022, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name	Capacity/ Nature of interest	Long/Short Position	Number of Shares	Approximate percentage of the issued share capital of the Company 30 Jun 2022	31 Dec 2021
Pzena Investment Management, LLC[1]	Investment manager/ Beneficial owner	Long	322,879,435	6.15%	6.71%
HSBC Holdings plc[2]	Trustee/Person having a security interest/Custodian/ Interest of corporation controlled	Long	332,076,431	6.32%	13.17%
Aggregated of Aberdeen plc affiliated investment management entities	Investment manager	Long	313,803,500	5.97%	7.01%
Citigroup Inc.[3]	Interest of corporation controlled/Approved lending agent	Long Short	298,740,668 15,580,107	5.69% 0.30%	6.36% 0.67%

Notes:

(1) The long position in shares held by Pzena Investment Management, LLC includes 513,000 shares held in dual capacities as Investment manager and Beneficial owner.

(2) The long position in shares held by HSBC Holdings plc is held in the capacities of Trustee (284,539,753 shares), Person having a security interest (24,947,070 shares), Custodian (other than an exempt custodian interest) (16,339,546 shares) and Interest of corporation controlled (6,250,062 shares).

(3) The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (15,926,591 shares) and Approved lending agent (282,814,077 shares). The short position is held in the capacity of Interest of corporation controlled (15,580,107 shares).

Human Resources

At 30 June 2022, the Company and its subsidiaries employed a total of 379 shore-based staff and over 4,600 seafarers (2021: 360 and over 4,300 respectively). The employee costs for the six months ended 30 June 2022, including crew wages and Directors' fees, totalled US$116.1 million (2021: US$89.7 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

In the first half of 2022, we generated our best interim results ever. Our results benefited from significantly higher average TCE earnings compared to the same period last year, strong operating activity results, and a competitive cost structure. We delivered an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million, yielding an exceptionally strong return on equity of 48%.

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	**2022**	2021	Change*
Revenue		**1,722.8**	1,142.0	+51%
Bunker, port disbursement & other voyage costs		**(497.3)**	(429.8)	-16%
Time-charter equivalent ("TCE") earnings	1	**1,225.5**	712.2	+72%
Owned vessel costs				
Operating expenses	2	**(112.6)**	(90.3)	-25%
Depreciation	3	**(71.3)**	(57.9)	-23%
Net finance costs	4	**(9.8)**	(15.0)	+35%
Chartered vessel costs				
Non-capitalised charter costs	5	**(509.0)**	(348.4)	-46%
Capitalised charter costs	5	**(23.2)**	(15.5)	-50%
Operating performance before overheads		**499.6**	185.1	+>100%
Adjusted total G&A overheads	6	**(41.8)**	(34.1)	-23%
Taxation and others		**(0.3)**	(0.6)	+50%
Underlying profit		**457.5**	150.4	+>100%
Unrealised derivative income	7	**13.5**	6.9	
Reversal of vessel impairment		**–**	3.7	
Net disposal gain of vessels	8	**10.9**	1.1	
Incentives and fees for conversion of convertible bonds	9	**(15.8)**	–	
Provisions	10	**(1.0)**	(2.0)	
Profit attributable to shareholders		**465.1**	160.1	+>100%
EBITDA		**566.9**	244.6	+>100%
Net profit margin		**27%**	14%	+13%
Return on average equity (annualised)		**48%**	28%	+20%

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

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

Notes

1. Total time-charter equivalent ("TCE") earnings increased significantly mainly reflecting strong dry bulk freight rates during the period.
2. Total operating expenses of our owned vessels increased by 25% as a result of continued high crew travel cost and other pandemic-related expenses.
3. Depreciation of our owned vessels increased by 23% mainly as a result of the reversal of an impairment provision of our Handysize fleet in December 2021.
4. Net finance costs decreased by 35% mainly due to lower borrowings.
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 overall charter costs is in line with the strong 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 23% 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 net disposal gain relates to the disposal of our smaller, older Handysize vessels.
9. Incentives and fees relate to the incentivised conversion offer to our convertible bondholders in May 2022.
10. Provisions relate to potential operational costs and claims.

FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June **2022** **US$'000**	 2021 US$'000
Revenue	4	**1,722,828**	1,142,072
Cost of services	5	**(1,234,390)**	(963,553)
Gross profit		**488,438**	178,519
Indirect general and administrative overheads	5	**(5,661)**	(4,178)
Other income and gains	6	**12,856**	4,911
Other expenses	5	**(18,612)**	(2,086)
Finance income	7	**1,725**	313
Finance costs	7	**(12,908)**	(16,771)
Profit before taxation		**465,838**	160,708
Tax charges	8	**(710)**	(604)
Profit attributable to shareholders		**465,128**	160,104
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	10(a)	**9.53**	3.40
Diluted earnings per share	10(b)	**8.79**	3.04

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June **2022** **US$'000**	 2021 US$'000
Profit attributable to shareholders	**465,128**	160,104
Other comprehensive income Items that may be reclassified to income statement		
Cash flow hedges		
– fair value gains/(losses)	**3,162**	(173)
– transferred to income statement	**3,219**	2,980
Currency translation differences	**(1,238)**	33
Total comprehensive income attributable to shareholders	**470,271**	162,944

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2022 US$'000	31 December 2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,828,059**	1,906,019
Right-of-use assets	12	**86,279**	55,302
Goodwill	11	**25,256**	25,256
Derivative assets	13	**4,190**	496
Trade and other receivables	14	**5,284**	8,499
Restricted bank deposits	15	**51**	51
		1,949,119	1,995,623
Current assets			
Inventories		**160,966**	103,590
Derivative assets	13	**36,309**	14,710
Trade and other receivables	14	**207,419**	171,839
Assets held for sale	16	**14,400**	–
Cash and deposits	15	**516,277**	459,670
		935,371	749,809
Total assets		**2,884,490**	2,745,432

	Note	30 June 2022 US$'000	31 December 2021 US$'000
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	20	**52,497**	47,858
Retained profits		**839,525**	744,553
Other reserves		**1,144,684**	1,038,815
Total equity		**2,036,706**	1,831,226
LIABILITIES			
Non-current liabilities			
Borrowings	18	**386,796**	521,363
Lease liabilities	19	**39,523**	29,270
Derivative liabilities	13	**4,145**	6,540
Trade and other payables	17	**–**	17
		430,464	557,190
Current liabilities			
Borrowings	18	**60,664**	66,793
Lease liabilities	19	**50,675**	31,159
Derivative liabilities	13	**19,388**	10,232
Trade and other payables	17	**285,129**	247,554
Taxation payable		**1,464**	1,278
		417,320	357,016
Total liabilities		**847,784**	914,206

Unaudited Condensed Consolidated Statement of Changes in Equity

Capital and reserves attributable to shareholders

US$'000	2022 Share capital	2022 Share premium	2022 Merger reserve	2022 Convertible bonds reserve	2022 Staff benefits reserve	2022 Hedging reserve	2022 Exchange reserve	2022 Contributed surplus	2022 Retained profits	2022 Total	2021 Share capital	2021 Share premium	2021 Merger reserve	2021 Convertible bonds reserve	2021 Staff benefits reserve	2021 Hedging reserve	2021 Exchange reserve	2021 Contributed surplus	2021 Retained profits/ (accumulated losses)	2021 Total
At 1 January	47,858	313,375	(56,606)	13,121	(8,035)	(2,613)	(365)	779,938	744,553	1,831,226	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	–	–	–	–	–	–	–	–	465,128	465,128	–	–	–	–	–	–	–	–	160,104	160,104
Other comprehensive income																				
Cash flow hedges																				
– fair value gains/(losses)	–	–	–	–	–	3,162	–	–	–	3,162	–	–	–	–	–	(173)	–	–	–	(173)
– transferred to income statement	–	–	–	–	–	3,219	–	–	–	3,219	–	–	–	–	–	2,980	–	–	–	2,980
Currency translation differences	–	–	–	–	–	–	(1,238)	–	–	(1,238)	–	–	–	–	–	–	33	–	–	33
Total comprehensive income	–	–	–	–	–	6,381	(1,238)	–	465,128	470,271	–	–	–	–	–	2,807	33	–	160,104	162,944
Transactions with owners in their capacity as owners																				
Shares issued upon conversion of convertible bonds (Note 20(a))	4,260	104,211	–	(7,866)	–	–	–	–	–	100,605	–	–	–	–	–	–	–	–	–	–
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(367,696)	(367,696)	–	–	–	–	–	–	–	–	–	–
Share-based compensation	–	–	–	–	4,009	–	–	–	–	4,009	–	–	–	–	2,835	–	–	–	–	2,835
Share awards granted (Note 20(b))	1,978	–	–	–	482	–	–	–	(2,460)	–	1,335	–	–	–	1,135	–	–	–	(2,470)	–
Shares issued upon grant of restricted share awards (Note 20(b))	144	7,949	–	–	(8,093)	–	–	–	–	–	238	6,236	–	–	(6,474)	–	–	–	–	–
Shares purchased by trustee of the SAS (Note 20(b))	(1,709)	–	–	–	–	–	–	–	–	(1,709)	(936)	–	–	–	–	–	–	–	–	(936)
Share awards lapsed (Note 20(b))	(34)	–	–	–	34	–	–	–	–	–	(173)	–	–	–	173	–	–	–	–	–
At 30 June	52,497	425,535	(56,606)	5,255	(11,603)	3,768	(1,603)	779,938	839,525	2,036,706	47,954	313,375	(56,606)	13,121	(9,530)	(5,149)	(55)	779,938	146,304	1,229,352

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2022 US$'000	2021 US$'000
Operating activities			
Cash generated from operations	21	**512,064**	221,342
Taxation paid		**(531)**	(224)
Net cash generated from operating activities		**511,533**	221,118
Investing activities			
Purchase of property, plant and equipment		**(35,322)**	(114,561)
Disposal of property, plant and equipment		**40,826**	7,696
Disposal of assets held for sale		**–**	7,839
Decrease/(increase) in term deposits		**75,036**	(1,500)
Bank interest received	7	**1,725**	306
Receipt of subleasing receivables – principal element		**–**	1,915
Subleasing receivables interest received		**–**	7
Net cash generated from/(used in) investing activities		**82,265**	(98,298)

	Note	Six months ended 30 June 2022 US$'000	2021 US$'000
Financing activities			
Drawdown of bank loans and other borrowings		**–**	45,000
Repayment of bank loans and other borrowings		**(43,045)**	(143,938)
Interest on borrowings and other finance charges paid		**(8,191)**	(13,188)
Incentives and fees for conversion of convertible bonds		**(15,824)**	–
Repayment of lease liabilities – principal element	19	**(24,158)**	(17,622)
Interest on lease liabilities paid	7	**(1,412)**	(1,497)
Dividends paid	9	**(367,696)**	–
Payment for shares purchased by trustee of the SAS	20(b)	**(1,709)**	(936)
Net cash used in financing activities		**(462,035)**	(132,181)
Net increase/(decrease) in cash and cash equivalents		**131,763**	(9,361)
Cash and cash equivalents			
At 1 January		**309,634**	226,273
Net increase/(decrease) in cash and cash equivalents		**131,763**	(9,361)
Exchange losses		**(120)**	(1)
At 30 June	15	**441,277**	216,911
Term deposits			
At 1 January		**150,036**	8,500
(Decrease)/increase in term deposits		**(75,036)**	1,500
At 30 June	15	**75,000**	10,000
Cash and deposits at 30 June	15	**516,277**	226,911

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	**1,388,748**	975,862
Charter-hire		
– lease component	**272,265**	119,318
– non-lease component	**61,815**	46,889
Other revenues	**–**	3
	1,722,828	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
Vessel-related expenses		
Vessel charter costs (a)	**509,039**	348,435
Bunkers consumed	**300,139**	224,188
Port disbursements and other voyage costs	**219,443**	216,021
Vessel depreciation		
– owned vessels	**71,307**	57,892
– right-of-use assets	**21,893**	14,158
Employee benefit expenses – crew wages and other related costs	**79,742**	60,894
Vessel operating expenses	**27,121**	24,318
Lubricating oil consumed	**5,719**	5,104
Net gains on bunker swap contracts	**(35,972)**	(17,155)
	1,198,431	933,855
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments	**36,350**	28,776
Other PP&E depreciation		
– right-of-use assets	**1,133**	1,150
– owned other PP&E	**744**	819
Office lease expenses	**331**	340
Net foreign exchange (gains)/losses	**(1,199)**	248
Other general and administrative expenses	**4,261**	2,543
	41,620	33,876

US$'000	Six months ended 30 June 2022	2021
Other expenses		
Incentives and fees for conversion of convertible bonds	**15,824**	–
Provision for impairment – owned vessel (c)	**1,513**	–
Provisions	**950**	2,000
Net losses on forward freight agreements	**325**	86
	18,612	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	**1,258,663**	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	**35,959**	29,698
Indirect G&A overheads	**5,661**	4,178
Total G&A overheads	**41,620**	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

US$'000	Six months ended 30 June 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

US$'000	Six months ended 30 June 2022	2021
Finance income		
Bank interest income	**(1,725)**	(306)
Subleasing receivables interest income	**–**	(7)
	(1,725)	(313)
Finance costs		
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:

US$'000	Six months ended 30 June 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)	**465,128**	160,104
Weighted average number of shares in issue	('000)	**4,880,350**	4,707,504
Basic earnings per share	(US cents)	**9.53**	3.40
Equivalent to	(HK cents)	**74.52**	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$'000)	**465,128**	160,104
Effect of interest on convertible bonds	(US$'000)	**3,097**	3,757
Effect of incentives and fees for conversion of convertible bonds	(US$'000)	**15,824**	–
Adjusted profit attributable to shareholders	(US$'000)	**484,049**	163,861
Weighted average number of shares in issue	('000)	**4,880,350**	4,707,504
Effect of unvested restricted shares	('000)	**65,978**	96,226
Effect of convertible bonds	('000)	**561,432**	586,033
Diluted weighted average number of shares	('000)	**5,507,760**	5,389,763
Diluted earnings per share	(US cents)	**8.79**	3.04
Equivalent to	(HK cents)	**68.72**	23.59

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

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

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[1]	**13**	**11.0**	**143.2**
Large Handysize[2]	**61**	**14.4**	**878.6**
Supramax	**42**	**18.4**	**771.1**
Capesize	**1**	**33.0**	**33.0**
	117		**1,825.9**

1 "Small Handysize" represents Handysize vessels smaller than 30,000 dwt.

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

12 Right-of-use assets

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

	30 June 2022		31 December 2021	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Cash flow hedges				
Interest rate swap contracts (a)	**3,529**	**–**	–	(2,687)
Forward foreign exchange contracts (b)(i)	**–**	**(4,095)**	–	(3,834)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**661**	**(50)**	494	(19)
Forward foreign exchange contracts (b)(ii)	**–**	**–**	2	–
	4,190	**(4,145)**	496	(6,540)
Current				
Cash flow hedges				
Interest rate swap contracts (a)	**–**	**–**	–	(7)
Forward foreign exchange contracts (b)(i)	**–**	**(224)**	264	(181)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (c)	**36,241**	**(19,164)**	14,435	(10,021)
Forward foreign exchange contracts (b)(ii)	**45**	**–**	3	(23)
Forward freight agreements (d)	**23**	**–**	8	–
	36,309	**(19,388)**	14,710	(10,232)
Total	**40,499**	**(23,533)**	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
At 30 June 2022 & 31 December 2021			
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
At 31 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 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
At 30 June 2022					
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
At 31 December 2021					
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[1]	Quantity (days)	Contract daily price (US$)	Expiry through
At 30 June 2022				
Buy	BHSI	30	19,750	December 2022
Sell	BHSI	30	20,500	December 2022
At 31 December 2021				
Sell	BHSI	105	22,536	December 2022

1 "BHSI" stands for "Baltic Handysize Index".

14 Trade and other receivables

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

p.20 Cash and Borrowings

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
Non-current		
Receipts in advance	**–**	17
Current		
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
Non-current		
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
Current		
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 Number of shares	2022 US$'000	2021 Number of shares	2021 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
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	
Sources of shares granted	**Number of granted shares awards**	**Related movement US$'000**	Number of granted shares awards	Related movement US$'000
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:

		Vesting in			
Date of grant	**Number of unvested share awards**	**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

	Six months ended 30 June	
US$'000	**2022**	2021
Profit before taxation	**465,838**	160,708
Assets and liabilities adjustments		
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)
Capital and funding adjustments		
Share-based compensation	**4,009**	2,835
Results adjustments		
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
At 30 June 2022			
Within one year	**208,979**	**11**	**208,990**
In the second to fifth year	**44,698**	**10**	**44,708**
	253,677	**21**	**253,698**
At 31 December 2021			
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)

	Six months ended 30 June	
US$'000	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.

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 32 to 47, 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 2022 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 notes, comprising significant accounting policies and other explanatory information. 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.

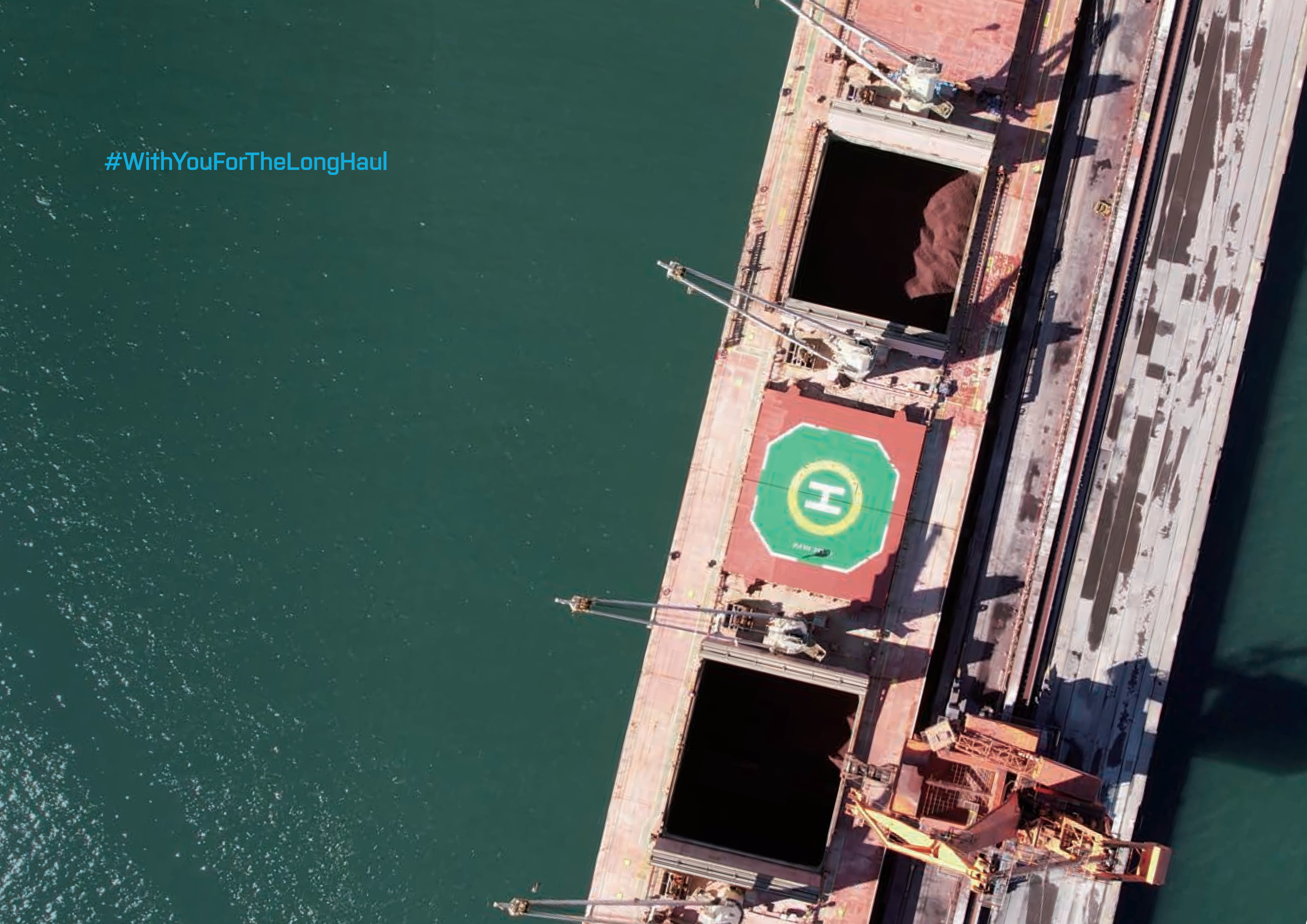
Conclusion

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

Certified Public Accountants

Hong Kong, 28 July 2022


#WithYouForTheLongHaul

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

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

INTERIM REPORT 2022

Scan here for our Company website

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