

# 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 57.

These financial statements have been approved for issue by the Board of Directors on 31 July 2023.

 **p.16** [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 2022, 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 2022.

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 2022.

## 4 Revenue and segment information

US\$’000	Six months ended 30 June	
	2023	2022
Freight	<b>975,172</b>	1,388,748
Charter-hire		
– lease component	<b>116,327</b>	272,265
– non-lease component	<b>56,585</b>	61,815
	<b>1,148,084</b>	1,722,828

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	
	2023	2022
<b>Vessel-related expenses</b>		
Vessel charter costs (a)	<b>315,017</b>	509,039
Bunkers consumed	<b>287,410</b>	300,139
Port disbursements and other voyage costs	<b>220,714</b>	219,443
Vessel depreciation		
– owned vessels	<b>73,920</b>	71,307
– right-of-use assets	<b>31,324</b>	21,893
Employee benefit expenses – crew wages and other related costs	<b>68,089</b>	79,742
Vessel operating expenses	<b>29,054</b>	27,121
Lubricating oil consumed	<b>6,491</b>	5,719
Net losses/(gains) on bunker swap contracts	<b>1,253</b>	(35,972)
	<b>1,033,272</b>	1,198,431
<b>General and administrative overheads (b)</b>		
Employee benefit expenses including Directors' emoluments	<b>30,704</b>	36,350
Other PP&E depreciation		
– right-of-use assets	<b>1,078</b>	1,133
– owned other PP&E	<b>630</b>	744
Office lease expenses	<b>462</b>	331
Net foreign exchange gains	<b>(672)</b>	(1,199)
Other general and administrative expenses	<b>5,950</b>	4,261
	<b>38,152</b>	41,620

US\$'000	Six months ended 30 June	
	2023	2022
<b>Other expenses</b>		
Incentives and fees for conversion of convertible bonds	<b>–</b>	15,824
Provision for impairment – owned vessel	<b>–</b>	1,513
Provisions	<b>–</b>	950
Net losses on forward freight agreements	<b>–</b>	325
	<b>–</b>	18,612
The sum of the above reconciles to the following items in the income statement: (i) Cost of services, (ii) Indirect general and administrative overheads and (iii) Other expenses	<b>1,071,424</b>	1,258,663

### (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\$8.7 million (2022: US\$14.5 million).

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

US\$'000	Six months ended 30 June	
	2023	2022
Direct G&A overheads included in cost of services	<b>34,254</b>	35,959
Indirect G&A overheads	<b>3,898</b>	5,661
Total G&A overheads	<b>38,152</b>	41,620

## 6 Other income and gains

US\$'000	Six months ended 30 June	
	2023	2022
Gains on disposal of assets held for sale	6,247	–
Net gains on forward freight agreements	4,013	–
Gains on disposal of PP&E	2,643	12,376
Government subsidies	57	417
Net gains on forward foreign exchange contracts	–	63
	<b>12,960</b>	12,856

## 7 Finance income and finance costs

US\$'000	Six months ended 30 June	
	2023	2022
<b>Finance income</b>		
Bank interest income	(7,922)	(1,725)
Other interest income	(160)	–
	<b>(8,082)</b>	(1,725)
<b>Finance costs</b>		
Interest on borrowings		
– bank loans	9,252	6,012
– convertible bonds	751	3,097
– other borrowings	744	865
Interest on lease liabilities		
– vessels	1,482	1,259
– other PP&E	165	153
Net (gain)/losses on interest rate swap contracts	(1,524)	824
Other finance charges	857	698
	<b>11,727</b>	12,908
Finance costs, net	<b>3,645</b>	11,183

## 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	
	2023	2022
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2022: 16.5%)	370	430
Overseas tax, provided at the rates of taxation prevailing in the countries	292	263
Adjustments in respect of prior year	(26)	17
Tax charges	<b>636</b>	710

## 9 Dividends

	Six months ended 30 June					
	2023			2022		
	HK cents per share	US cents per share	US\$'000	HK cents per share	US cents per share	US\$'000
Interim dividend (a)	6.5	0.8	43,676	52.0	6.6	348,500
Dividends paid during the period (b)	26.0	3.4	174,225	60.0	7.7	367,696

- (a) The interim dividend is declared on 31 July 2023 and therefore not reflected in the financial statements.  
(b) Dividends paid during the period represent final basic dividend and final 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	
		2023	2022
Profit attributable to shareholders	(US\$'000)	<b>85,339</b>	465,128
Weighted average number of shares in issue	('000)	<b>5,196,025</b>	4,880,350
Basic earnings per share	(US cents)	<b>1.64</b>	9.53
Equivalent to	(HK cents)	<b>12.87</b>	74.52

### (b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the basic earnings, after adjusting for effect 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 17(c)) and unvested restricted shares (Note 20(b)).

		Six months ended 30 June	
		2023	2022
Profit attributable to shareholders	(US\$'000)	<b>85,339</b>	465,128
Effect of interest on convertible bonds	(US\$'000)	<b>751</b>	3,097
Effect of incentives and fees for conversion of convertible bonds	(US\$'000)	<b>–</b>	15,824
Adjusted profit attributable to shareholders	(US\$'000)	<b>86,090</b>	484,049
Weighted average number of shares in issue	('000)	<b>5,196,025</b>	4,880,350
Effect of convertible bonds	('000)	<b>168,641</b>	561,432
Effect of unvested restricted shares	('000)	<b>50,615</b>	65,978
Diluted weighted average number of shares	('000)	<b>5,415,281</b>	5,507,760
Diluted earnings per share	(US cents)	<b>1.59</b>	8.79
Equivalent to	(HK cents)	<b>12.45</b>	68.72

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

US\$'000	Property, plant and equipment		Goodwill
	2023	2022	2023 & 2022
<b>Net book value</b>			
At 1 January	<b>1,772,168</b>	1,906,019	<b>25,256</b>
Additions	<b>210,606</b>	38,537	–
Depreciation	<b>(74,550)</b>	(72,051)	–
Transfer to assets held for sale (Note 16)	<b>(6,034)</b>	(14,400)	–
Disposals	<b>(5,654)</b>	(28,450)	–
Provision for impairment	–	(1,513)	–
Exchange differences	<b>18</b>	(83)	–
At 30 June	<b>1,896,554</b>	1,828,059	<b>25,256</b>

As at 30 June 2023, excluding assets held for sale, the Group owned vessels with net book value of US\$1,895.3 million as follows:

	Number of vessels	Average net book value (US\$ Million)	Total net book value (US\$ Million)
Small Handysize <sup>1</sup>	<b>11</b>	<b>10.8</b>	<b>119.0</b>
Large Handysize <sup>2</sup>	<b>59</b>	<b>14.2</b>	<b>837.4</b>
Supramax	<b>50</b>	<b>18.2</b>	<b>910.7</b>
Capesize	<b>1</b>	<b>28.2</b>	<b>28.2</b>
	<b>121</b>		<b>1,895.3</b>

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

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

## 12 Right-of-use assets

US\$'000	Vessels	Other PP&E	Total
<b>At 1 January 2023</b>	<b>81,185</b>	<b>8,682</b>	<b>89,867</b>
Additions	8,949	16	8,965
Lease modification	5,349	–	5,349
Depreciation	(31,324)	(1,078)	(32,402)
Exchange differences	–	(147)	(147)
<b>At 30 June 2023</b>	<b>64,159</b>	<b>7,473</b>	<b>71,632</b>
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

## 13 Derivative assets and liabilities

The Group is exposed to fluctuations in interest rates, bunker prices, currency exchange rates and freight 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
Bunker swap contracts	Level 2
Forward foreign exchange contracts	Level 2
Forward freight agreements	Level 1

### Fair value levels

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

US\$'000	30 June 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
<b>Non-current</b>				
Cash flow hedges				
Interest rate swap contracts (a)	5,724	–	5,918	–
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (b)	109	(114)	202	(292)
	<b>5,833</b>	<b>(114)</b>	6,120	(292)
<b>Current</b>				
Cash flow hedges				
Forward foreign exchange contracts (c)	–	(877)	–	(2,326)
Derivatives that do not qualify for hedge accounting				
Bunker swap contracts (b)	1,699	(2,935)	2,965	(4,816)
Forward freight agreements (d)	2,193	(1,294)	436	(126)
Forward foreign exchange contracts	–	–	1,020	–
	<b>3,892</b>	<b>(5,106)</b>	4,421	(7,268)
<b>Total</b>	<b>9,725</b>	<b>(5,220)</b>	10,541	(7,560)

## 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	Outstanding notional amount	Fixed swap rates	Expiry through
<b>At 30 June 2023</b>			
December 2018 to September 2019	US\$96 million	USD LIBOR swapped to 1.5% to 3.0% per annum	August to December 2023
At 31 December 2022			
December 2018 to September 2019	US\$104 million	USD LIBOR swapped to 1.5% to 3.0% per annum	June 2025 to May 2026

At 30 June 2023, the Group had LIBOR-based outstanding committed facilities of US\$344.3 million matured after June 2023, of which US\$96.0 million were hedged by interest rate swap contracts.

As a result of the global interest rate benchmark reform, LIBOR has been fully replaced by alternative reference rates on 1 July 2023. This affects LIBOR-based borrowings with maturities beyond mid-2023 and their corresponding interest rate swap contracts. After the final LIBOR-based interest period, the Group adopted Term SOFR as alternative reference rates for its LIBOR-based borrowings and corresponding interest rate swap contracts with their original expiry dates since the second half of 2023.

### (b) Bunker swap contracts

#### None of our bunker swap contracts qualifies for hedge accounting

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

The Group had outstanding bunker swap contracts as follows:

Fuel type	Quantity (Metric tonnes)	Weighted average deal price (US\$)	Expiry through
<b>At 30 June 2023</b>			
Very low sulphur fuel oil	86,665	525	January 2025
Marine gas oil	8,177	688	January 2025
Fuel oil	1,775	462	December 2023
At 31 December 2022			
Very low sulphur fuel oil	79,701	585	December 2024
Marine gas oil	8,909	647	December 2024
Fuel oil	3,275	421	December 2023

## 13 Derivative assets and liabilities (continued)

### (c) Forward foreign exchange contracts

All our forward foreign exchange contracts qualify for hedge accounting as cash flow hedges

The Group has bank borrowings denominated in Danish Kroner (“DKK”) with maturity in August 2023. The Group entered into forward foreign exchange contracts with terms that match the repayment schedules of such bank loans.

At 30 June 2023, the Group had outstanding forward foreign exchange contracts to buy approximately DKK29.7 million (31 December 2022: DKK74.7 million) and simultaneously sell approximately US\$5.2 million (31 December 2022: US\$13.2 million), which expire through August 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 physical tonnage and cargo commitments of its Handysize and Supramax fleet.

The Group had outstanding forward freight agreements as follows:

Index <sup>1</sup>	Contract type	Quantity (days)	Weighted average contract daily price (US\$)	Expiry through
<b>At 30 June 2023</b>				
BHSI	Buy	60	12,975	December 2023
BHSI	Sell	210	12,171	December 2023
BSI	Buy	210	15,871	December 2023
BSI	Sell	495	13,998	December 2023
At 31 December 2022				
BHSI	Sell	285	11,558	March 2023
BSI	Sell	495	12,591	June 2023

<sup>1</sup> “BHSI” stands for “Baltic Handysize Index” and “BSI” stands for “Baltic Supramax Index”.

## 14 Trade and other receivables

US\$'000	30 June 2023	31 December 2022
<b>Non-current</b>		
Prepayments (a)	<b>4,215</b>	5,276
<b>Current</b>		
Trade receivables (b)	<b>110,573</b>	112,429
Other receivables	<b>28,528</b>	29,003
Prepayments	<b>19,092</b>	15,923
	<b>158,193</b>	157,355

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.

### (b) Trade receivables

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

US\$'000	30 June 2023	31 December 2022
≤ 30 days	<b>83,672</b>	78,096
31-60 days	<b>4,090</b>	10,447
61-90 days	<b>3,544</b>	3,941
> 90 days	<b>19,267</b>	19,945
	<b>110,573</b>	112,429

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 2023	31 December 2022
Term deposits with original maturities of 3 months or less	142,861	306,833
Cash at bank and on hand	72,125	52,005
Cash and cash equivalents	214,986	358,838
Term deposits with original maturities over 3 months	–	84,987
Cash and deposits	214,986	443,825
Restricted cash	53	52
Total cash and deposits	215,039	443,877

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

The Group invests its cash in a mix of financial products, based on its 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 2023 comprised US\$211.0 million in United States Dollars and US\$4.0 million in other currencies. They are primarily placed in term deposits and saving accounts.

 [p.26 Cash and Borrowings](#)

## 16 Assets held for sale

US\$'000	2023	2022
At 1 January	19,884	–
Transfer from PP&E (Note 11)	6,034	14,400
Disposals	(19,909)	–
Others	25	–
At 30 June	6,034	14,400

## 17 Borrowings

US\$'000	30 June 2023	31 December 2022
<b>Non-current</b>		
Bank loans (a)	229,471	256,248
Other borrowings (b)	23,149	24,555
	252,620	280,803
<b>Current</b>		
Bank loans (a)	48,220	54,384
Convertible bonds (c)	32,423	32,664
Other borrowings (b)	9,910	10,757
	90,553	97,805
Total	343,173	378,608

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\$953.4 million (31 December 2022: US\$973.3 million); and
- Assignment of earnings and insurances compensation in respect of these vessels.

These bank loans are repayable as follows:

US\$'000	30 June 2023	31 December 2022
Within one year	48,220	54,384
In the second year	52,363	53,144
In the third to fifth year	164,782	180,408
After the fifth year	12,326	22,696
	277,691	310,632



## 17 Borrowings (continued)

### (b) Other borrowings

The Group's other borrowings related to four (31 December 2022: four) owned vessels with a combined net book value of US\$56.7 million (31 December 2022: US\$59.1 million) which were sold and simultaneously leased back by the Group on a bareboat charter basis. Under the terms of the leases, the Group has options to purchase these vessels at pre-determined timings during the lease period and is obliged to purchase these vessels upon the expiry of the respective lease. Such borrowings are effectively secured as the rights to the leased vessels revert to the lessors in the event of default.

These other borrowings are repayable as follows:

US\$'000	30 June 2023	31 December 2022
Within one year	9,910	10,757
In the second year	2,908	2,857
In the third to fifth year	20,241	7,813
After the fifth year	–	13,885
	<b>33,059</b>	35,312

### (c) Convertible bonds

US\$'000	30 June 2023		31 December 2022	
	Principal amount	Liability component	Principal amount	Liability component
3.0% coupon due 2025	33,610	32,423	34,110	32,664

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\$1.50 (with effect from 25 April 2023) (Note)
Conversion at bondholders' options	Anytime on or after 20 January 2020. On 23 May 2023, an aggregate principal amount of US\$500,000 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. As this is an unconditional put option, accounting standards require the Group to treat the convertible bonds as falling due on the put date.

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.

## 18 Lease liabilities

US\$'000	2023	2022
At 1 January	<b>93,291</b>	60,429
Additions	<b>8,965</b>	43,362
Lease modification	<b>5,349</b>	10,950
Repayments	<b>(32,759)</b>	(24,158)
Exchange differences	<b>(134)</b>	(385)
At 30 June	<b>74,712</b>	90,198
Non-current	<b>19,385</b>	39,523
Current	<b>55,327</b>	50,675
	<b>74,712</b>	90,198

The lease liabilities are repayable as follows:

US\$'000	30 June 2023	30 June 2022
Within one year	<b>55,327</b>	50,675
In the second year	<b>12,880</b>	16,843
In the third to fifth year	<b>6,396</b>	22,003
After the fifth year	<b>109</b>	677
	<b>74,712</b>	90,198

The total cash outflow for all leases amounted to US\$331.8 million (2022: US\$517.5 million).

## 19 Trade and other payables

US\$'000	30 June 2023	31 December 2022
Trade payables	<b>91,000</b>	80,793
Accruals and other payables	<b>104,608</b>	120,746
Receipts in advance	<b>75,171</b>	60,331
	<b>270,779</b>	261,870

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 2023	31 December 2022
≤ 30 days	<b>81,838</b>	73,432
31-60 days	<b>241</b>	286
61-90 days	<b>202</b>	574
> 90 days	<b>8,719</b>	6,501
	<b>91,000</b>	80,793

## 20 Share capital

	2023		2022	
	Number of shares	US\$'000	Number of shares	US\$'000
<b>Authorised</b>	<b>36,000,000,000</b>	<b>360,000</b>	36,000,000,000	360,000
<b>Issued and fully paid</b>				
At 1 January	<b>5,260,541,023</b>	<b>52,464</b>	4,811,327,272	47,858
Shares issued upon conversion of convertible bonds (a)	<b>2,612,033</b>	<b>26</b>	425,987,441	4,260
Shares transferred back to trustee upon lapse of restricted share awards (b)	<b>(341,000)</b>	<b>(79)</b>	(174,000)	(34)
Shares issued upon grant of restricted share awards	-	-	14,412,000	144
Shares granted to employees in the form of restricted share awards	-	-	4,404,000	1,978
Shares purchased by trustee of the SAS	-	-	(3,040,000)	(1,709)
At 30 June	<b>5,262,812,056</b>	<b>52,411</b>	5,252,916,713	52,497

The issued share capital of the Company as at 30 June 2023 was 5,263,823,056 shares. The difference of 1,011,000 shares compared to the number of shares shown in the table above represents the shares held by the trustee of the Company's SAS, amounting to US\$227,000 which are recognised as a debit to share capital.

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

On 23 May 2023, 2,612,033 shares were issued upon the conversion of the 3% p.a. coupon guaranteed convertible bonds due 2025 in an aggregate principal amount of US\$500,000 at a conversion price of HK\$1.50 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 equivalents 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	2023	2022
At 1 January	<b>69,236</b>	78,811
Granted	-	18,816
Vested	<b>(10,086)</b>	(4,432)
Lapsed	<b>(341)</b>	(174)
At 30 June	<b>58,809</b>	93,021

The grant dates and vesting dates of the unvested restricted share awards as at 30 June 2023 are as follows:

Date of grant	Number of unvested share awards	Vesting in		
		second half of 2023	2024	2025
24 January 2020	17,950,000	17,950,000	-	-
24 January 2021	22,285,000	80,000	22,205,000	-
2 August 2021	2,422,000	1,210,000	1,212,000	-
21 January 2022	16,152,000	1,211,000	1,211,000	13,730,000
	58,809,000	20,451,000	24,628,000	13,730,000

 **p.36** Other information – Share Award Scheme

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

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

US\$'000	Six months ended 30 June	
	2023	2022
Profit before taxation	85,975	465,838
<b>Assets and liabilities adjustments</b>		
Depreciation on vessels and other PP&E	74,550	72,051
Depreciation on right-of-use assets	32,402	23,026
Gains on disposal of PP&E	(2,643)	(12,376)
Gains on disposal of assets held for sale	(6,247)	–
Net unrealised gains on derivative instruments not qualified as hedges	(269)	(12,878)
Incentives and fees for conversion of convertible bonds	–	15,824
Provision for impairment – owned vessel	–	1,513
Provisions	–	950
<b>Capital and funding adjustments</b>		
Share-based compensation	3,388	4,009
<b>Results adjustments</b>		
Finance costs, net	3,645	11,183
Net foreign exchange gains	(1,664)	(1,199)
Profit before taxation before working capital changes	189,137	567,941
Increase in inventories	(4,685)	(57,376)
Decrease/(increase) in trade and other receivables	400	(35,313)
Increase in trade and other payables	251	36,812
Cash generated from operations	185,103	512,064

## 22 Commitments

### (a) Capital commitments

US\$'000	30 June 2023	31 December 2022
Contracted for but not recognised as liabilities – vessel acquisitions and vessel equipment contracts	202	42,399

### (b) Commitments under operating leases

#### (i) The Group as the lessee – payments

The non-cancellable lease commitment included leases of low-value assets, short-term leases with a term of 12 months or less and long-term leases with a term of over 12 months not yet commenced at 30 June 2023.

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

US\$'000	Vessels	Office equipment	Total
<b>At 30 June 2023</b>			
Within one year	101,852	91	101,943
In the second to fifth year	151,750	8	151,758
After the fifth year	50,963	–	50,963
	<b>304,565</b>	<b>99</b>	<b>304,664</b>
<b>At 31 December 2022</b>			
Within one year	92,050	8	92,058
In the second to fifth year	87,979	7	87,986
After the fifth year	29,033	–	29,033
	209,062	15	209,077

#### (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 2023	31 December 2022
Within one year	47,470	71,634
In the second to fifth year	13,140	19,120
	<b>60,610</b>	90,754

The Group leases vessels with leases expiring within 1 year to 3 years (31 December 2022: within 1 year to 4 years). The lease expiring in 3 years relates to a Capesize vessel.

## 23 Significant related party transactions

Significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis, were as follows:

### Key management compensation (including Directors' emoluments)

US\$'000	Six months ended 30 June	
	2023	2022
Directors' fees	324	377
Salaries and bonus	1,807	1,985
Share-based compensation	1,187	925
Retirement benefit costs	2	3
	<b>3,320</b>	3,290

## 24 Contingent liabilities and contingent assets

The Group had no material contingent liabilities and contingent assets at 30 June 2023 and 31 December 2022.