Pacific Basin Shipping Limited

(*incorporated in Bermuda with limited liability*)

(Stock Code: 2343)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the "Board") of Pacific Basin Shipping Limited ("Pacific Basin" or the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 as follows:

BUSINESS HIGHLIGHTS

Global Covid-19 containment measures disrupted economic activity and impacted dry bulk trade, but we continued to significantly outperform the market. We have observed increasing levels of trade and enquiries in recent months, and we expect generally improved market conditions assisted by stimulus measures and potential supply-side improvements.

Group

- We booked an underlying loss of US$26.6 million due to weaker freight markets in the first half
- We made a net loss of US$222.4 million, mostly attributable to a US$198.2 million one-off non-cash impairment of our Handysize core fleet
- Our core Handysize and Supramax daily TCE earnings outperformed the market indices by US$2,270 and US$4,250
- Our operating activity generated a daily margin of US$1,790 net
- Our mid-year committed liquidity amounted to US$349.5m (cash and committed facilities) with net gearing of 41%

	Six Months Ended 30 June	
US$ Million	**2020**	2019
Revenue	**681.5**	767.1
EBITDA #	**79.2**	101.1
Underlying loss	**(26.6)**	(0.6)
(Loss)/profit attributable to shareholders	**(222.4)**	8.2
Basic earnings per share *(HK cents)*	**(37.1)**	1.4
Dividend per share *(HK cents)*	**–**	–

\# *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, net unrealised derivative income and expenses.*

Our Fleet (as at 30 June 2020)

	Vessels in operation: Owned	Vessels in operation: Long-term Chartered	Vessels in operation: Short-term Chartered[1]	Total	Total Capacity (million DWT) Owned	Average Age Owned
Handysize	81	15	42	138	2.69	11.6
Supramax	35	4	56	95	2.01	8.4
Post-Panamax	1	1	0	2	0.12	9.0
Total	117	20	98	235	4.82	10.6

[1] Average number of short-term and index-linked vessels operated in June 2020

Fleet

- We took delivery of three modern vessels and sold one older, small Handysize
- We currently own 117 ships, and have 235 ships on the water overall
- We have covered 60% and 75% of our Handysize and Supramax revenue days for second half 2020 at US$8,420 and US$10,810 per day net respectively
- Our blended Handysize and Supramax operating expenses have reduced to US$3,940 per day

Outlook

- Despite significantly weaker global GDP and dry bulk demand forecasts for 2020 overall, we have observed increasing levels of trade and enquiries in recent months. Chinese activity has significantly recovered, grain volumes are stronger compared to last year and indicative iron ore loadings are at all-time highs.
- Many countries have begun to ease pandemic-related national lockdowns since May and are now applying more targeted measures to contain the spread and enable more economic activity. We expect coal and construction materials such as steel, cement and logs which suffered during earlier lockdowns to slowly recover.
- We expect a seasonally stronger albeit volatile second half and generally improved market conditions, assisted by stimulus measures and potential supply-side improvements including fewer newbuilding deliveries.
- Our healthy balance sheet and strong liquidity position, combined with our substantially larger owned fleet, our ability to outperform the market indices and our competitive cost structure, position us well for what we believe will be improved freight market conditions in the second half.

CHIEF EXECUTIVE'S REVIEW

Our overall competitiveness enabled us to navigate what we believe to have been the worst of the Covid-19 turbulence and positions us well for improving conditions in the second half of 2020 and going into 2021.

Financial Results

In a half-year period dominated by the global Covid-19 coronavirus pandemic and related economic disruption, we made an underlying loss of US$26.6 million (2019: US$0.6 million loss), while achieving a positive EBITDA of US$79.2 million (2019: US$101.1 million).

We made a net loss of US$222.4 million (2019: US$8.2 million profit), mostly attributable to a US$198.2 million non-cash impairment of our Handysize core fleet. Basic EPS was negative HK37 cents.

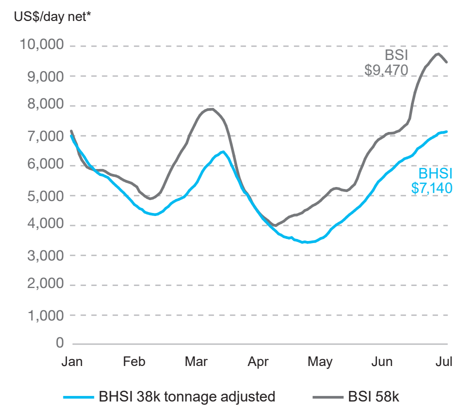
Our underlying results were negatively impacted by markedly weaker dry bulk market freight rates due to global efforts to contain the pandemic while the dry bulk fleet continued to grow.

The impairment relates primarily to our smallest and oldest Handysize vessels and was made after a review of the carrying values of our owned vessels and right-of-use assets following a significant reduction in market freight rates and the uncertain market outlook, and as smaller, older Handysize vessels are no longer fully interchangeable with younger, larger Handysize vessels. The impairment does not impact our operating cash flows, EBITDA or available liquidity, and will result in lower depreciation costs, higher EPS and higher return on equity going forward, all things being equal. In line with previous guidance, we are continuing to gradually sell our oldest and smallest Handysize vessels and replace them with newer, larger vessels.

Containment Measures Impacted Dry Bulk Trade but Recovery is Underway

Seasonal Chinese New Year weakness early in the year was compounded by disrupted logistics caused by measures to contain the Covid outbreak in China. Following a brief recovery in March as Chinese activity gradually returned, the market weakened again from late March until early May as the coronavirus spread and severely impacted activity around other parts of the world. With Chinese activity significantly recovered and more countries partly reopening their economies, freight earnings have improved since May.

Significant Rate Increase Since May



* excludes 5% commission
Source: Baltic Exchange, data as at 27 July 2020

Competitive on Every Level

Despite the weak freight market, our **core business** of deploying owned and long-term chartered ships generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$7,190 and US$9,980 net per day, which were down 22% and 8% year on year.

Our average TCE earnings outperformed the BHSI (tonnage adjusted) and BSI spot market indices by US$2,270 and US$4,250 respectively in the first half, and by US$2,290 and US$2,550 in the past 12 months.

Our **operating activity** generated margin of US$1,790 net per day over 6,940 operating days in the first half.

Our ship operating expenses ("Opex") of US$3,940 per day, general and administrative ("G&A") overheads of US$770 per day and financing costs of US$770 per day remain well controlled and very competitive compared to our peers.

The premium we generate over index earnings comes from harnessing our experienced commercial and technical teams, global office network, strong cargo support and large fleet of high-quality interchangeable ships in ways that optimise ship and cargo combinations for maximum utilisation. As a result, our ships are laden with cargo over 90% of the time. Our cost competitiveness comes primarily from scale benefits and other efficiencies we generate through good systems and strict cost control.

Fleet Growth Strategy

In the first half of 2020, we took delivery of three modern secondhand vessels (one Handysize and two Supramax) and we completed the sale of one older, small Handysize. These transactions have expanded our owned fleet to 117 ships. Including chartered ships, we had an average of 215 Handysize and Supramax ships on the water during the first half of 2020.

Consistent with our strategy, we reduced our long-term chartered fleet by five vessels, relying more on our growing fleet of owned ships and short-term chartered ships typically on one-year charters or less.

Out of caution during the uncertain market conditions, we paused our spending on growing our owned fleet with larger, high-quality secondhand acquisitions, but we will consider resuming our ship acquisitions as the market recovers and as we find particularly compelling opportunities.

Strong Balance Sheet and Liquidity

In June 2020 we closed a new US$30.1 million bilateral 7-year reducing revolving credit facility secured against three unmortgaged vessels at an interest cost of LIBOR plus 1.60%.

As at 30 June 2020, we had cash and deposits of US$316.0 million and net borrowings of US$704.8 million, which is 41% of the net book value of our owned vessels at mid-year.

We have finalised an additional US$33.5 million in committed borrowings secured against two additional unmortgaged vessels which is expected to be available to draw upon in the third quarter, thereby further enhancing our committed liquidity position to US$349.5 million.

The Pandemic Presents a Major Crew Change Challenge

Despite significant Covid related disruption, port and cargo handling activity has continued largely as normal, albeit with strict measures in place to prevent the spread of infection.

However, lockdown and travel restrictions around the world have made it very difficult to change crews since the pandemic began. We have been vocal in our efforts to raise the alarm and push governments for solutions, but progress is slow and we are only now beginning to see some easing of restrictions in some countries. We have successfully changed and repatriated several of our crews in recent weeks, and both seagoing and shore-based staff and management are doing their utmost to provide our seafarers with support and encouragement so that they remain motivated, feel appreciated, look after each other, and do their professional best while global lockdown conditions keep them at sea.

Across our offices ashore, we introduced flexible hours, split-team arrangements and other business continuity initiatives so that, whether our staff work from home or the office, our business remains fully operational and our customers can depend on us to provide our usual world-class service.

Compliance with New Environmental Regulations

All of our vessels comply with the IMO 2020 global 0.5% sulphur limit that took effect on 1 January 2020, either by using low-sulphur fuel or, in the case of 28 of our owned Supramax vessels, by operating exhaust gas scrubbers. So far, we have achieved a net saving of US$23.1 million on our scrubbers, representing 38% of our original investment. US$7.4 million of the saving was achieved by closing out bunker price spread hedges.

66 of our owned ships are now fitted with ballast water treatment systems (BWTS), and we have arranged to retrofit our remaining owned vessels with BWTS by the end of 2022 to comply with the Ballast Water Management Convention ahead of schedule.

We are constantly working on initiatives to incrementally reduce our fleet's carbon intensity, and we have joined the recently formed Getting to Zero Coalition which is committed to exploring how to get commercially viable deep-sea zero-emission vessels into operation by 2030 – shipping's moon-shot ambition.

As usual, we will expand on these developments in our full-year sustainability reporting.

Market Outlook

In June, the IMF significantly downgraded its global GDP growth forecast to -4.9% in 2020 (and +5.4% in 2021), reflecting the worse than anticipated impact of the Covid pandemic on activity in the first half of 2020 and the more gradual projected recovery than previously forecast.

Earlier questions about geopolitical and trade tensions are overshadowed by the more severe impact of efforts to contain the pandemic. The containment timeline is unclear, hence there is a greater than usual uncertainty around GDP and dry bulk trade forecasts.

We believe many of the dry bulk demand forecasts for 2020, including Clarksons' estimated 7.3% drop in minor bulk demand, are too bearish in view of the increasing levels of trade and enquiries we have observed in recent months, with a few exceptions. Chinese activity has significantly recovered, grain volumes are stronger compared to last year and indicative iron ore loadings appear to be at all-time highs. Coal and construction materials such as steel, cement and logs have been notable exceptions due to the negative effect of lockdown measures on energy consumption and building projects.

However, many countries have begun to ease pandemic-related national lockdowns since May and are now applying more targeted measures to contain the spread and enable more economic activity, and we are seeing more dry bulk activity globally. We expect a seasonally stronger albeit volatile second half and generally improved market conditions, assisted by stimulus measures and potential supply-side improvements including fewer newbuilding deliveries.

Well Positioned for the Future

Our healthy balance sheet and strong liquidity position, combined with our substantially larger owned fleet, our ability to outperform the market indices and our competitive cost structure, position us well for what we believe will be improved freight market conditions in the second half.

I would like to take this opportunity to express all Pacific Basin staff and board members' sincere appreciation, pride and solidarity with our extraordinarily loyal and capable seafarers who we commend for their determination and professionalism with which they continue their hard work during the ongoing global pandemic. They are our Pacific Basin Heroes at Sea.

Mats Berglund
Chief Executive Officer
Hong Kong, 30 July 2020

Possible Market Drivers in the Medium Term

OPPORTUNITIES

- Post-pandemic recovery in Chinese industrial production and extensive stimulus in other key economies driving a rebound in economic activity and catch-up demand for dry bulk commodities
- Slower operating speed of ships consuming more expensive low-sulphur fuel
- Limited new ship ordering and deliveries due to uncertainty over environmental regulations and future vessel designs, leading to tighter supply
- Increased scrapping of poor quality and poorly designed tonnage facing onerous environmental regulations and expensive maintenance and upgrade costs

THREATS

- Expanding or renewed Covid-19 containment measures further impacting global economic activity and the trade in dry bulk commodities
- Too many newbuilding deliveries in 2020, combined with continued minimal scrapping
- Periods of low fuel prices supporting faster ship operating speeds which increases supply
- Tariffs and protectionism driving local production at the expense of global trade

Freight Market Summary

Seasonal Chinese New Year weakness early in the year was compounded by measures to contain the Covid-19 outbreak in China. Following a partial recovery in March as Chinese activity gradually returned, the market weakened again from late March until early May as the coronavirus spread and severely impacted activity around other parts of the world.

Overall, average Handysize[1] and Supramax spot market rates declined 26% year on year to US$4,920 and US$5,730 per day net respectively in the first half of 2020.

With Chinese activity significantly recovered and more countries partly reopening their economies, freight earnings have improved since May and are currently over US$7,000 per day net for Handysize[1] and US$9,000 per day net for Supramax.

[1] BHSI 38k tonnage adjusted

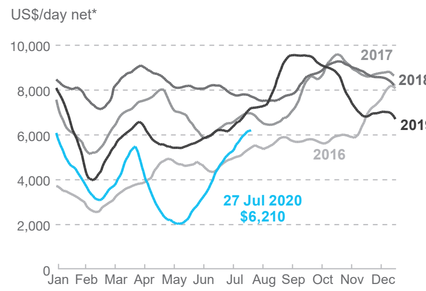
US$4,920 net ⬇ 26%

BHSI 38k (tonnage adjusted) Handysize
1H20 average market spot rate

US$5,730 net ⬇ 26%

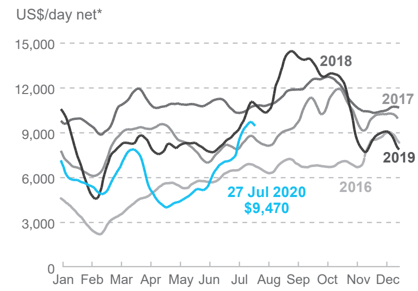
BSI 58k Supramax
1H20 average market spot rate

Handysize Market Spot Rates in 2016–2020



BHSI 28,000 dwt for all years for consistency

Supramax Market Spot Rates in 2016–2020



BSI 58,000 dwt

2020 — 2019 — 2018 — 2017 — 2016

* excludes 5% commission
Source: Baltic Exchange, data as at 27 July 2020

Market Activity more Resilient than Demand Estimates seem to Indicate

Despite estimates of a significant reduction in demand in the first half of the year, we have observed increasing levels of trade and enquiries in recent months, with a few exceptions.

Strong grain exports from South America and the Black Sea (especially to Pacific destinations) drove a year-on-year increase in overall grain volumes.

Other positive developments included increasing Japanese steel exports and global demand for bauxite and wood pellets out of North America.

However, some minor bulk segments were negatively affected in the period, with log volumes out of New Zealand being particularly hard hit by the country's earlier ports lockdown. Nickel ore volumes also reduced sharply after Indonesia's ban on nickel ore exports took effect in January, and steel exports from China reduced due to strong domestic demand.

Iron ore provided valuable support to the dry bulk market overall. Based on cargo movement data, global iron ore loadings in the first six months of 2020 appear to have increased slightly compared to the same period last year due to strong Chinese demand growth outweighing reduced imports to Japan and Korea. Chinese imports of coal increased 12% while global coal trade volumes fell about 10% overall as lockdown measures impacted energy consumption.

1H20 Chinese Import Volumes

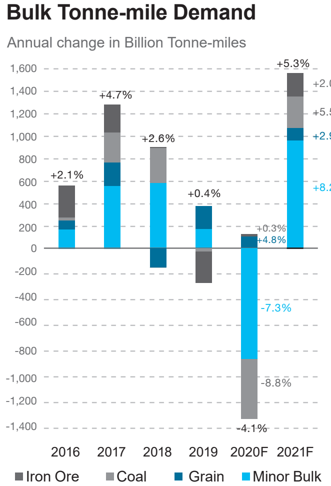
Iron Ore	⬆	9%
Coal	⬆	12%
Soybean	⬆	17%
Minor Bulks*	⬇	-7%

* Chinese imports of 6 minor bulks including logs, fertiliser, bauxite, nickel, copper concentrates & steel

Source: Bloomberg, data as at July 2020

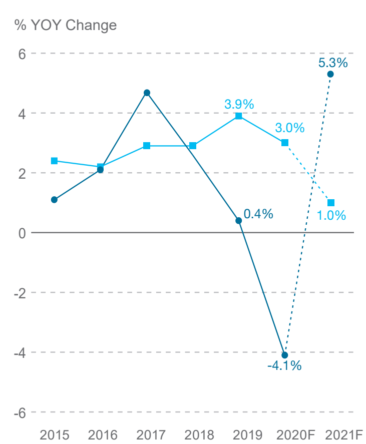
Clarksons Research is forecasting significant reductions in dry bulk and minor bulk tonne-mile demand in 2020 which we consider too bearish in view of the increasing levels of trade and enquiries we have been observing.

Annual Change in Global Dry Bulk Tonne-mile Demand

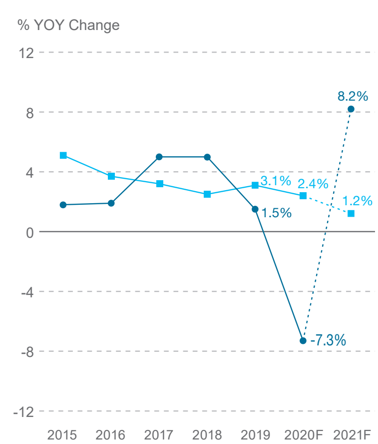


Source: Clarksons Research, data as at July 2020

Overall Dry Bulk Supply and Demand



Minor Bulk Demand and Supply



Net Fleet Growth — Tonne-mile Demand

Source: Clarksons Research, supply data as at July 2020

Net Fleet Growth is Expected to Reduce Going Forward

The global dry bulk fleet grew 2.2% net during the half year compared to 1.6% a year ago, mainly due to significant Panamax and Capesize newbuilding deliveries and very little scrapping.

Scrapping crept up to 0.9% of existing dry bulk capacity but is still very low, partly due to lockdowns on the Indian sub-continent, and was concentrated in the much larger Capesize and ore carrier segments. Handysize and Supramax scrapping was very limited.

The global fleet of Handysize (25,000-41,999 dwt) and Supramax (42,000-64,999 dwt) ships in which we specialise grew at 1.8% net, pointing to relatively healthier supply fundamentals compared to the large vessel sizes.

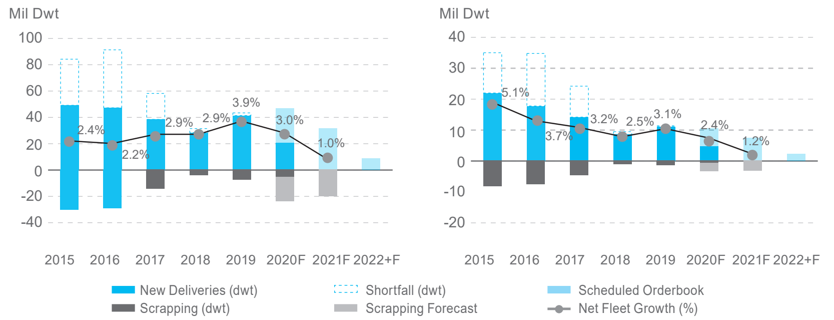
Global dry bulk fleet growth is expected to reduce going forward.

+2.2% ↑ **0.6% YOY**

Overall dry bulk capacity 1H20

+1.8% ↑ **0.3% YOY**

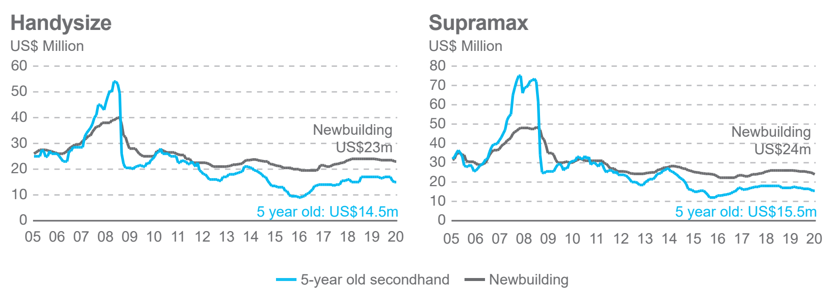
Global Handy/Supra capacity 1H20



Source: Clarksons Research, data as at July 2020

Ship Values are Bottoming Out

Vessel values weakened in the first half but recent transactions show values bottoming out, supported by strengthening freight rates. Clarksons Research currently values a benchmark five-year old Handysize at US$14.5 million, down 15% since the start of the year.

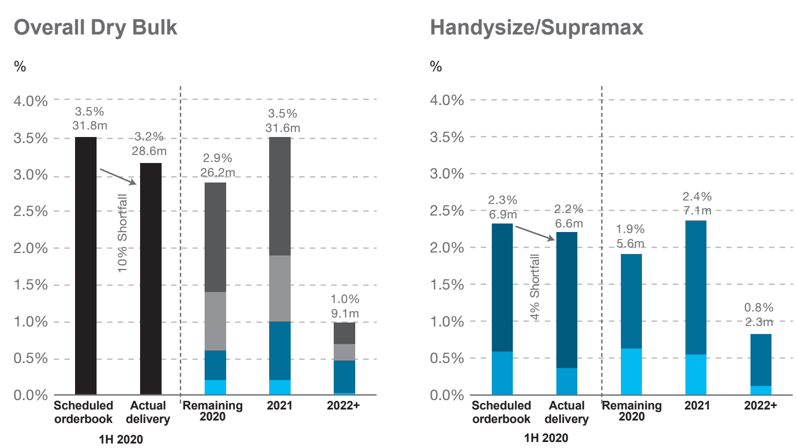


Source: Clarksons Research, data as at 15 July 2020

Dry Bulk Orderbook Nears All-Time Low

New ship ordering in the first half of 2020 was significantly lower than a year ago and remained concentrated in the Panamax and Capesize segments, while orders for Handysize and Supramax vessels remained more limited. The combined Handysize and Supramax orderbook now stands at 5.1%, which is the lowest since the 1990s. The overall dry bulk orderbook is expected to reach an all-time low later this year.

New ship ordering is expected to remain restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over future environmental regulations to meet IMO's ambitious greenhouse gas reduction targets and their impact on future vessel designs.



	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H20 SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–41,999 dwt)	4.2%	11	11%	0.6%
Supramax (42,000–64,999 dwt)	5.4%	10	8%	0.5%
Panamax & Post-Panamax (65,000–119,999 dwt)	7.1%	10	9%	0.2%
Capesize (incl. VLOC) (120,000+ dwt)	10.0%	9	3%	4.1%
Total Dry Bulk >10,000 dwt	7.4%	10	7%	1.8%

Source: Clarksons Research, data as at 1 July 2020

OUR PERFORMANCE

Our business generated an underlying loss of US$26.6 million (2019: underlying loss of US$0.6 million) in volatile and overall weaker minor bulk market conditions during the global Covid-19 pandemic. We delivered daily TCE earnings that outperformed the BHSI and BSI indices, generated strong operating activity margins, and continued to maintain good control of our vessel operating costs.

	Six months ended 30 June		
US$ Million	**2020**	**2019**	**Change**
Core business Handysize contribution	**(16.0)**	16.3	>-100%
Core business Supramax contribution	**5.0**	6.7	-25%
Operating activity contribution	**12.5**	5.6	+123%
Post-Panamax contribution	**2.1**	2.1	0%
Performance before overheads	**3.6**	30.7	-88%
Adjusted total G&A overheads	**(30.0)**	(30.5)	+2%
Tax and others	**(0.2)**	(0.8)	+75%
Underlying loss	**(26.6)**	(0.6)	>-100%
Vessel net book value	**1,717.5**	1,842.7	-7%

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

CORE BUSINESS

TCE Earnings and Outperformance KPI

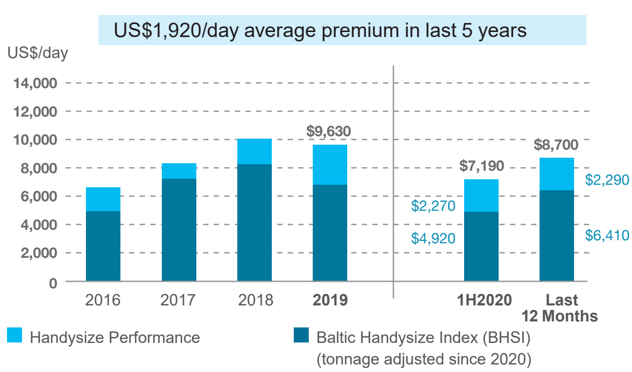
Handysize

TCE EARNINGS KPI

US$7,190 per day (net)

OUTPERFORMANCE VS MARKET KPI

US$2,270 per day (net)



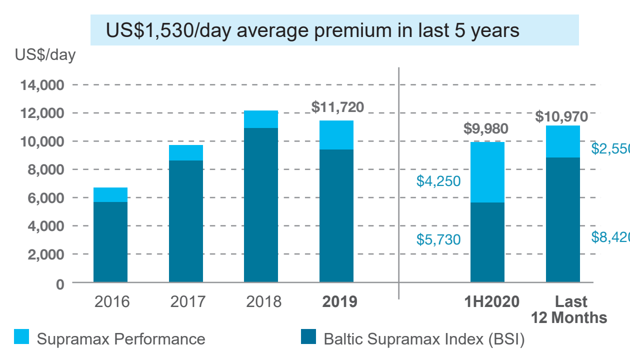
Supramax

TCE EARNINGS KPI

US$9,980 per day (net)

OUTPERFORMANCE VS MARKET KPI

US$4,250 per day (net)



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

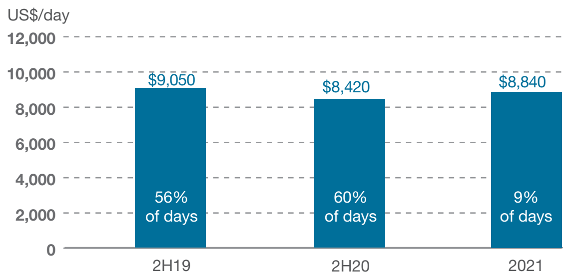
- Our core business generated:
  - Handysize daily earnings of US$7,190 on 16,980 revenue days.
  - Supramax daily earnings of US$9,980 on 6,950 revenue days.
- Our Handysize and Supramax contributions reduced due to volatile and overall weaker minor bulk market conditions, despite our strong outperformance compared to spot market indices and our good cost control.
- Our Supramax outperformance in the first half was particularly strong due to the significant scrubber benefit that we saw early in the period.
- Our outperformance compared to spot market indices reflects the value of our fleet scale and cargo book, and our ability to optimise cargo combinations and match the right ships with the right cargoes to maximise our utilisation and vessel earnings.

Starting from 2020, we compare our Handysize TCE performance against the new 38,000 dwt Baltic Handysize Index, tonnage-adjusted to the average vessel size of our core Handysize fleet.

Future Earnings and Cargo Cover KPI

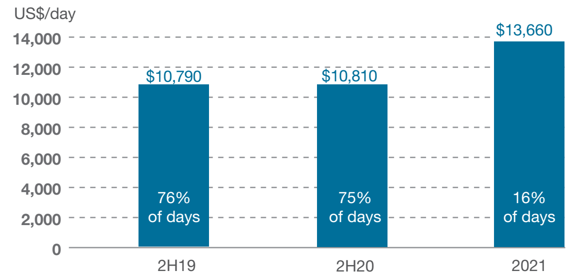
Handysize

US$8,420 per day (net)



Supramax

US$10,810 per day (net)



- We have covered 60% and 75% of our 19,070 Handysize and 10,040 Supramax vessel days currently contracted for the second half of 2020 at US$8,420 and US$10,810 per day net respectively. (Cargo cover excludes operating activity.)

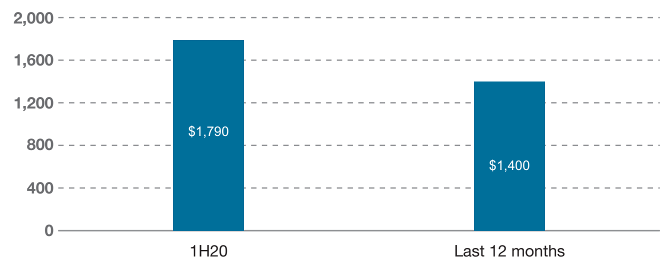
OPERATING ACTIVITY

- Our operating activity generated a margin of US$1,790 net per day over 6,940 operating days in the first half of the year and US$1,400 net per day over 13,610 operating days in the past 12 months on short-term ships that we chartered specifically to carry spot cargoes.
- Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered ships (when our core ships are unavailable), thereby making a margin and contributing to our group results regardless of whether the market is weak or strong.

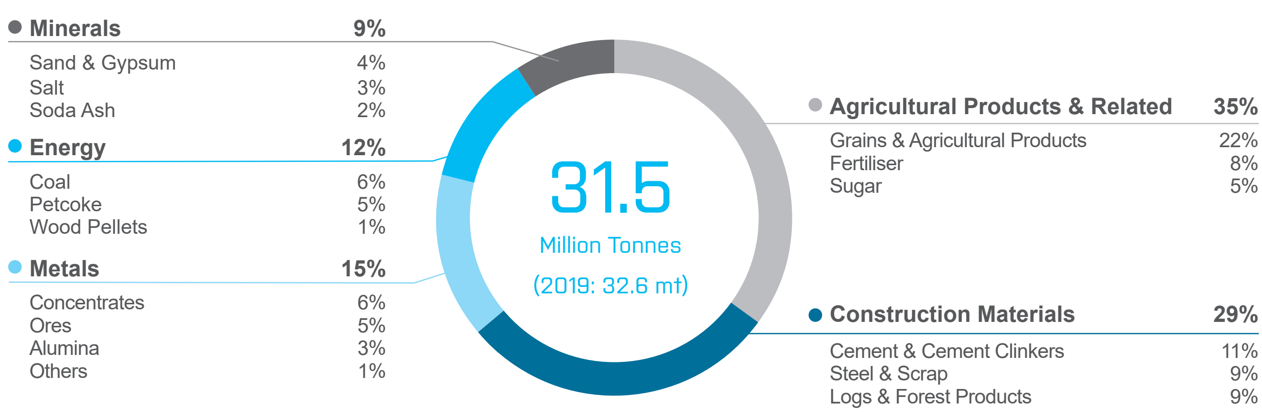
Please refer to our Interim Report (to be published on or around 14 August 2020) for a more detailed definition of operating activity.

Margin KPI

US$1,790 per day (net)

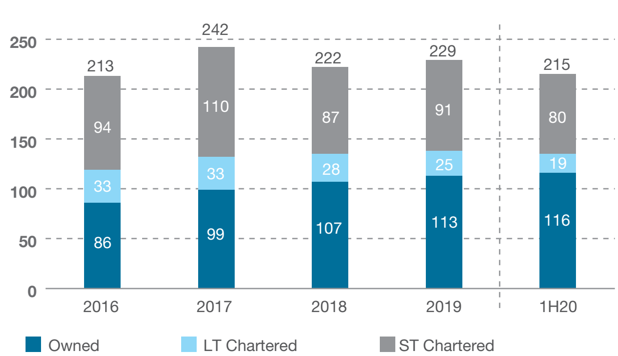


OUR CARGO VOLUMES IN 1H2020



PACIFIC BASIN FLEET DEVELOPMENT

Average No. of Handysize and Supramax Ships Operated During the Period



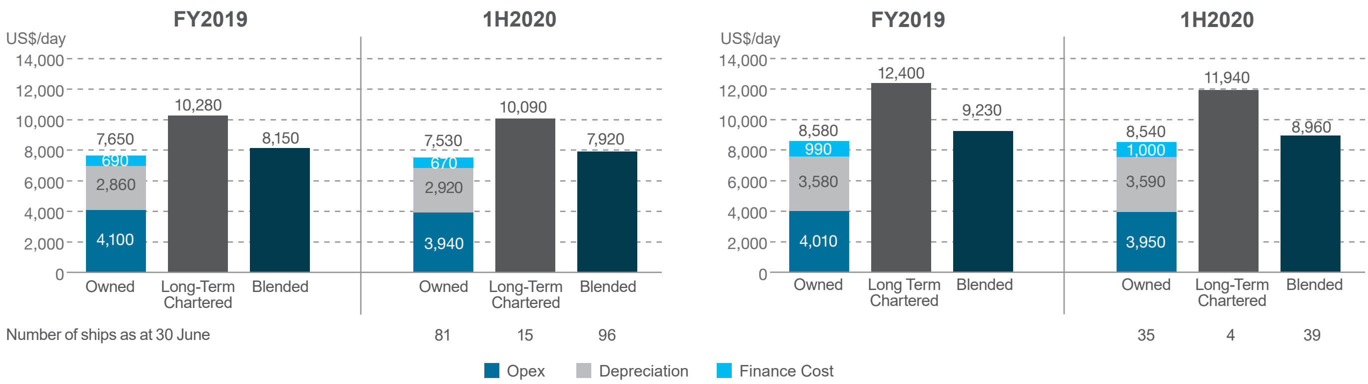
- As at 30 June 2020, we owned 81 Handysize and 35 Supramax ships.
- Including owned and chartered vessels, we operated an average of 127 Handysize and 88 Supramax ships in the first half of 2020. We had fewer chartered ships especially in the middle of the period due to uncertain market conditions and logistical risks due to the pandemic, but our chartered fleet has since increased and our fleet now comprises 235 ships overall.
- Out of caution during the uncertain market conditions, we paused our spending on growing our owned fleet with larger, high-quality secondhand acquisitions, but we will consider resuming our ship acquisitions as the market recovers and as we find particularly compelling opportunities.
- Excluded above are one owned and one chartered Post-Panamax vessels which are employed under long-term charters.

CORE BUSINESS VESSEL COSTS

Daily Vessel Costs (Before G&A Overheads)

Handysize
US$ 7,920 per day (blended)

Supramax
US$ 8,960 per day (blended)



Owned Vessel Costs

Operating expenses

Our daily vessel operating expenses ("Opex") decreased by 4% and 1% compared to FY2019 for Handysize and Supramax respectively mainly due to decreased crew travel costs partly offset by increased repair and maintenance costs. Our Opex remained at very competitive levels as a result of efficient management, good cost control and scale benefits, including operational and procurement cost efficiencies.

Our blended Handysize and Supramax Opex averaged US$3,940 per day (FY2019: US$4,080).

During the period, our fleet of owned vessels experienced on average 0.4 days (FY2019: 0.9 days) of unplanned technical off-hire per vessel.

Depreciation

Our daily depreciation costs (including capitalisation of dry-docking costs) increased principally due to the installation of ballast water treatment systems and scrubbers.

Finance costs

Our daily finance costs were substantially unchanged. Our blended Handysize and Supramax finance costs averaged US$770 per day (FY2019: US$770)

Long-term Chartered Vessel Costs

The long-term chartered vessel daily costs mainly comprise the depreciation of right-of-use assets, interest expenses of lease liabilities and technical management service costs for leases over 12 months.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels were US$7,920 and US$8,960 for Handysize and Supramax respectively (FY2019: US$8,150 and US$9,230).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads reduced to US$30.0 million (1H2019: US$30.5 million and FY2019: US$61.2 million) due primarily to a decrease in our travel and entertainment costs during the period. Spread across all our vessel days, our daily G&A overheads per ship remain competitive at US$770 (FY2019: US$730), comprising US$950 and US$550 (FY2019: US$940 and US$530) per day for owned and chartered ships respectively.

Long-term Chartered Commitments

	Handysize		Supramax	
Year	Vessel days	Average cost	Vessel days	Average cost
2H2020	2,590	10,370	710	11,890
2021	3,490	10,270	590	11,190
2022	2,880	9,980	340	10,980
2023	2,200	10,560	–	–
2024	1,660	10,630	–	–
2025+	370	10,930	–	–
Total	**13,190**		**1,640**	

Vessel Days

	Handysize		Supramax	
Days	FY2019	1H2020	FY2019	1H2020
Core revenue days	36,220	**16,980**	12,380	**6,950**
– Owned revenue days	29,270	**14,330**	10,090	**6,060**
– Long-term chartered days	6,950	**2,650**	2,290	**890**
Short-term core days	5,770	**2,150**	13,270	**5,390**
Operating days	6,230	**3,490**	7,970	**3,450**
Owned off-hire days	680	**460**	1,050	**230**
Total vessel days	48,900	**23,080**	34,670	**16,020**

FUNDING

Cash Flow and Cash

The Group's four main sources of funds are operating cash flows, loans, convertible bonds and equity. The major factors influencing future cash balances are operating cash flows, the purchase and sale of vessels, and drawdown and repayment of borrowings.

We actively manage the cash and borrowings of the Group to ensure sufficient funds are available to meet our Group's commitments and an appropriate level of liquidity is maintained during different stages of the shipping cycle.

Over the long term, we aim to maintain a consolidated net gearing of no greater than 50% – defined as the ratio of net borrowings to net book value of owned vessels – which we believe is appropriate over all stages of the shipping cycle.

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

Key Developments in 1H 2020

- Our operating cash inflow inclusive of all long and short term charter-hire payments was US$77.5 million, as compared with US$72.2 million in the first half of 2019 and US$173.9 million in the full year 2019.
- In June 2020 we closed a new US$30.1 million bilateral 7-year reducing revolving credit facility secured against 3 unmortgaged vessels at an interest cost of LIBOR plus 1.60%.
- Our borrowings increased by US$153.7 million in the period after we drew down US$212.7 million net under our committed loan facilities while making net repayments of US$59.0 million of secured borrowings and revolving facilities.
- During the period we incurred capital expenditure of US$90.6 million in cash, of which:
  - (a) we paid US$38.4 million for one secondhand Handysize and two secondhand Supramaxes which were delivered into our fleet in the first half of 2020; and
  - (b) we paid US$52.2 million for dry dockings and the installation of ballast water treatment systems and scrubbers.
- In addition to the above cash payments for ships, we issued new shares at HK$1.8 per share equivalent to a total of US$11.9 million to the ship sellers for two of the vessels that we committed to purchase in September 2019 and that delivered in the period.

As at 30 June 2020:

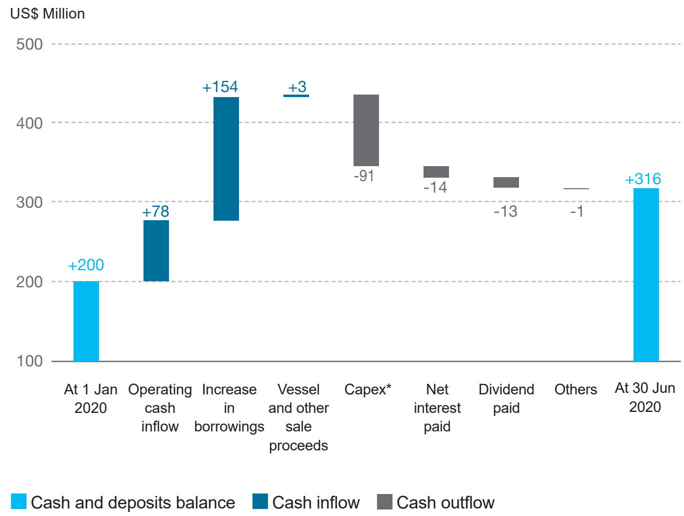
- the Group's cash and deposits were US$316.0 million and we had a 41% net gearing ratio.
- our available committed banking facilities were fully drawn.
- we have three unmortgaged vessels.
- we have finalised an additional US$33.5 million in committed borrowings secured against two additional unmortgaged vessels which is expected to be available to draw upon within the third quarter of 2020.

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

The Group's cash and deposits at 30 June 2020 comprised US$312.5 million in United States Dollars and US$3.5 million in other currencies. They are primarily placed in liquid deposits of three months or less and saving accounts. This maintains liquidity to meet the Group's working capital needs and any vessel purchase commitments.

During the first half of 2020, we achieved a 1.6% return on the Group's cash.

Cash Inflow and Outflow in 1H 2020



* excluding Capex of US$11.9 million funded by equity

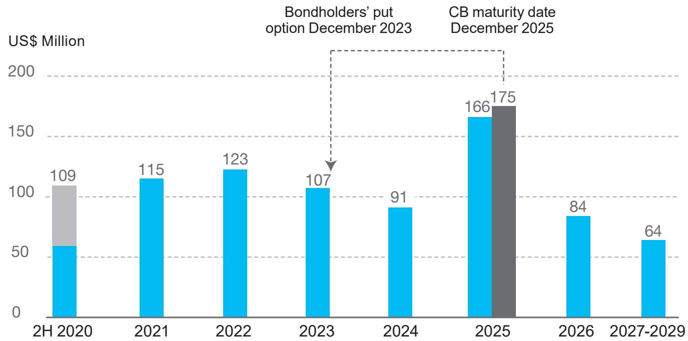
Cash and Deposits

The split of current and long-term cash, deposits and outstanding borrowings is analysed as follows:

US$ Million	30 Jun 2020	31 Dec 2019	Change
Cash and deposits	**316.0**	200.2	+58%
Available undrawn committed facilities	**–**	182.6	-100%
Total available liquidity	**316.0**	382.8	-17%
Current portion of long-term borrowings	**(165.2)**	(127.0)	
Long-term borrowings	**(855.6)**	(736.1)	
Total borrowings	**(1,020.8)**	(863.1)	-18%
Net borrowings	**(704.8)**	(662.9)	-6%
Net borrowings to shareholders' equity	**67%**	52%	
Net borrowings to Net Book Value of owned vessels KPI	**41%**	35%	

Borrowings and Undrawn Committed Facilities

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



We arrange financing by leveraging the Group's balance sheet to optimise the availability of cash resources of the Group. The aggregate borrowings and undrawn committed facilities of the Group at 30 June 2020, including the liability component of the convertible bonds, amounted to US$1,020.8 million (31 December 2019: US$1,045.8 million) and are mainly denominated in United States Dollars.

- US$50.0 million unsecured 364-day revolving credit facility
- Secured borrowings and undrawn committed facilities (US$809.0 million)
- Convertible bonds (face value US$175.0 million, book value US$161.8 million, bondholders' put option December 2023)

Borrowings and Undrawn Committed Facilities – US$859.0 million (31 December 2019: US$885.1 million)

The overall decrease in secured borrowings is mainly due to scheduled loan amortisation, partially offset by the closing of one new revolving credit facility. In the first half of 2020, we drew down all our remaining available committed loan facilities.

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 2020:

- The Group's secured borrowings were secured by 114 vessels with a total net book value of US$1,652.2 million and by an assignment of earnings and insurances in respect of these vessels.
- The Group was in compliance with all its loan-to-asset value requirements.

P/L impact:

A decrease in interest to US$14.3 million (1H 2019: US$15.9 million) was mainly due to a decrease in average interest rates.

Certain borrowings are subject to floating interest rates but the Group manages these exposures by using interest rate swap contracts.

Convertible Bonds Liability Component – US$161.8 million (31 December 2019: US$160.7 million)

As at 30 June 2020 there remained the 3.0% p.a. coupon December 2025 convertible bonds with an outstanding principal of US$175.0 million and a prevailing conversion price of HK$2.34 per share.

Currently US$22.2 million of the original convertible bonds proceeds has been used to replenish the cash used as the cash consideration for the purchase of two vessels pursuant to the four-ship acquisition transaction as announced on 17 September 2019, US$27.2 million has been used as the cash consideration for the purchase of the other two vessels of the said transaction and US$16.8 million has been used to purchase a secondhand Supramax delivered to the Group in early 2020. Additionally, it is expected that approximately US$83.2 million will be used for further potential vessel acquisitions and the balance for general corporate purposes including but not limited to vessel operating expenses, vessel charter-hire, the service of the Group's financial obligations, office administrative expenses and vessel and non-vessel equipment expenditures. However, out of caution during the uncertain market conditions due to the Covid-19 pandemic, we paused our spending on growing our owned fleet with larger, high-quality secondhand acquisitions, but we will consider resuming our ship acquisitions as the market recovers and as we find particularly compelling opportunities.

P/L impact:

The US$3.7 million (1H 2019: US$3.3 million) interest expense of the convertible bonds outstanding during the period is calculated at an effective average interest rate of 4.7% (1H 2019: 5.7%).

Finance Costs

US$ Million	Average interest rate P/L	Cash	Balance at 30 June 2020	Finance costs 1H2020	1H2019	Change
Borrowings						
(including realised interest rate swap contracts)	3.5%	3.5%	859.0	**14.3**	15.9	+10%
Convertible bonds (Note)	4.7%	3.0%	161.8	**3.7**	3.3	-12%
	KPI 3.7%	3.4%	1,020.8	**18.0**	19.2	+6%
Other finance charges				**0.5**	0.6	
Total finance costs				**18.5**	19.8	+7%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **4.3X**	5.1X	

Note: The convertible bonds have a P/L cost of US$3.7 million and a cash cost of US$2.6 million.

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

The Group aims to achieve a balance between floating and fixed interest rates on its long-term borrowings. This is adjusted from time to time, depending on the interest rate cycle, using interest rate swap contracts where appropriate. In the first half of 2020, all our interest rate swap contracts qualified for hedge accounting as cash flow hedges and US$0.5 million of interest rate swap contract expense was realised. As at 30 June 2020, 59% (31 December 2019: 74%) of the Group's long-term borrowings were on fixed interest rates. We currently expect about 58% and 57% of the Group's existing long-term borrowings will be on fixed interest rates as at 31 December 2020 and 2021 respectively, assuming all revolving credit facilities are fully drawn.

Group Performance Review

This Group Performance Review comprises a presentation of our income statement adjusted to provide readers with a better understanding of the key dynamics of a shipping business, more consistent with the way we review our performance in our internal management reporting.

		Six months ended 30 June		
US$ Million	Note	**2020**	2019	Change*
Revenue		**681.5**	767.1	-11%
Bunker, port disbursement & other voyage costs		**(351.6)**	(360.5)	+2%
Time-charter equivalent ("TCE") earnings	1	**329.9**	406.6	-19%
Owned vessel costs				
Operating expenses	2	**(83.2)**	(80.1)	-4%
Depreciation	3	**(66.7)**	(60.1)	-11%
Net finance costs	4	**(16.4)**	(16.5)	+1%
Charter costs				
Non-capitalised charter costs	5	**(142.6)**	(200.1)	+29%
Capitalised charter costs	5	**(17.4)**	(19.1)	+9%
Operating performance before overheads		**3.6**	30.7	-88%
Adjusted total G&A overheads	6	**(30.0)**	(30.5)	+2%
Taxation and others		**(0.2)**	(0.8)	+75%
Underlying loss		**(26.6)**	(0.6)	>-100%
Vessel impairment	7	**(198.2)**	–	
Closed out gain on fuel price spread hedge	8	**7.4**	–	
Unrealised derivative (expenses)/ income	9	**(4.0)**	8.6	
Disposal loss of assets held for sale		**(1.0)**	–	
Net write-back of disposal cost provision		**–**	0.2	
(Loss)/profit attributable to shareholders		**(222.4)**	8.2	>-100%
EBITDA		**79.2**	101.1	-22%
Net profit margin		**(33%)**	1%	-34%
Return on average equity employed		**(18%)**	1%	-19%

* 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 net unrealised derivative income and expenses.

Notes

1. Total time-charter equivalent ("TCE") earnings decreased by 19% reflecting weaker market conditions during the period.
2. Total operating expenses of our owned vessels increased by 4% as our owned fleet expanded.
3. Depreciation of our owned vessels increased by 11% as our owned fleet expanded and additional costs were incurred for installation of ballast water treatment systems and scrubbers.
4. Net finance costs are substantially unchanged.
5. Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. Overall charter costs reduced due to weaker market conditions during the period.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount is substantially unchanged.
7. As a result of the significant reduction in market freight rates and the uncertain market outlook, a one-off non-cash impairment on the Group's Handysize core fleet was provided.
8. Since 2018 the Group entered into bunker swap contracts to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that have been fitted with scrubbers. As the spread has reduced significantly, all contracts were closed out in the first half of 2020 locking in the gain on the position.
9. The unrealised derivative expenses mainly represents the negative mark-to market on our regular bunker swap contracts.

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2020 US$'000	 2019 US$'000
Revenue		**681,487**	767,140
Cost of services		**(683,280)**	(735,882)
Gross (loss)/profit		**(1,793)**	31,258
Indirect general and administrative overheads		**(3,123)**	(3,582)
Vessel impairment		**(198,203)**	–
Other income and gains		**348**	367
Other expenses		**(1,009)**	(189)
Finance income		**2,172**	3,323
Finance costs		**(20,266)**	(22,344)
(Loss)/profit before taxation	4	**(221,874)**	8,833
Tax charges	5	**(503)**	(616)
(Loss)/profit attributable to shareholders		**(222,377)**	8,217
Earnings per share for (loss)/profit attributable to shareholders (in US cents)			
Basic earnings per share	7(a)	**(4.77)**	0.18
Diluted earnings per share	7(b)	**(4.77)**	0.18

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2020 US$'000	 2019 US$'000
(Loss)/profit attributable to shareholders	**(222,377)**	8,217
Other comprehensive income Items that may be reclassified to income statement		
Cash flow hedges		
– fair value losses	**(10,860)**	(4,286)
– transferred to income statement	**763**	602
Currency translation differences	**(480)**	53
Total comprehensive income attributable to shareholders	**(232,954)**	4,586

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2020 US$'000	31 December 2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,721,815**	1,875,352
Right-of-use assets		**67,096**	77,835
Subleasing receivables		**–**	1,915
Goodwill		**25,256**	25,256
Derivative assets		**9,135**	1,464
Trade and other receivables	8	**7,852**	25,487
Restricted bank deposits		**51**	51
		1,831,205	2,007,360
Current assets			
Inventories		**74,142**	90,381
Current portion of subleasing receivables		**5,314**	6,692
Derivative assets		**16,158**	2,495
Trade and other receivables	8	**65,990**	82,714
Assets held for sale		**11,880**	4,400
Cash and deposits		**315,990**	200,193
		489,474	386,875
Total assets		**2,320,679**	2,394,235
EQUITY			
Capital and reserves attributable to shareholders			
Share capital		**47,889**	47,039
(Accumulated losses)/retained profits		**(25,479)**	208,698
Other reserves		**1,021,876**	1,020,195
Total equity		**1,044,286**	1,275,932
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**855,535**	736,101
Lease liabilities		**48,261**	53,770
Derivative liabilities		**25,341**	13,090
Trade and other payables	9	**1,339**	2,123
		930,476	805,084
Current liabilities			
Current portion of long-term borrowings		**165,216**	127,050
Current portion of lease liabilities		**33,326**	39,137
Derivative liabilities		**15,788**	1,937
Trade and other payables	9	**131,128**	143,949
Taxation payable		**459**	1,146
		345,917	313,219
Total liabilities		**1,276,393**	1,118,303

Notes:

1. General information and basis of preparation

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

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

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2. Adoption of amendment to standards

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

The Group has adopted early the following amendment to the accounting standards for the accounting period commencing 1 January 2020:

HKFRS 16(Amendment)   Covid-19-Related Rent Concessions

The adoption of this amendment to standard does not result in any substantial changes to the Group's accounting policies.

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

3. Revenue and segment information

The Group's revenue is substantially derived from the provision of dry bulk shipping services internationally and, accordingly, information is not presented by business segment.

Geographical segment information is not presented as the management considers that the nature of our shipping services, which are carried out internationally, precludes a meaningful allocation of operating profits to specific geographical segments.

4. (Loss)/profit before taxation

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

	Six months ended 30 June	
US$'000	**2020**	2019
Bunkers consumed	**172,992**	190,443
Port disbursement and other voyage costs	**167,843**	171,671
Depreciation		
– owned vessels	**66,684**	60,133
– owned other property, plant and equipment	**763**	924
– right-of-use assets	**17,090**	17,840
Interest on borrowings		
– bank loans	**12,996**	15,208
– convertible bonds	**3,707**	3,319
– other borrowings	**782**	1,006
Interest on lease liabilities		
– vessels	**1,509**	2,269
– other property, plant and equipment	**209**	223
Net losses/(gains) on bunker swap contracts	**7,417**	(10,226)
Losses on disposal of assets held for sale	**1,009**	174
Provision for impairment		
– owned vessels	**194,090**	–
– right-of-use assets	**3,387**	–
– others	**726**	–

5. Taxation

Shipping income from international trade is either not subject to or exempt from taxation according to the tax regulations prevailing in the countries in which the Group operates. Income from non-shipping activities is subject to tax at prevailing rates in the countries in which these businesses operate.

The amount of taxation charged/(credited) to the income statement represents:

	Six months ended 30 June	
US$'000	**2020**	2019
Current taxation		
Hong Kong profits tax, provided at the rate of 16.5% (2019: 16.5%)	**343**	408
Overseas tax, provided at the rates of taxation prevailing in the countries	**162**	188
Adjustments in respect of prior year	**(2)**	20
Tax charges	**503**	616

6. Dividends

No interim dividend was declared for the periods ended 30 June 2020 and 2019.

The 2019 final dividend of HK2.1 cents or US0.3 cents per share, totalling US$12,894,000 was paid during the period. The 2018 final dividend of HK3.7 cents or US0.5 cents per share, totalling US$21,825,000 was paid during the same period in 2019.

7. Earnings per share ("EPS")

(a) Basic earnings per share

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

		Six months ended 30 June	
		2020	2019
(Loss)/profit attributable to shareholders	(US$'000)	**(222,377)**	8,217
Weighted average number of shares in issue	('000)	**4,660,536**	4,539,977
Basic earnings per share	(US cents)	**(4.77)**	0.18
Equivalent to	(HK cents)	**(37.07)**	1.42

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the Group's (loss)/profit attributable to shareholders by the weighted average number of shares in issue during the period, excluding the shares held by the trustee of the Company's SAS but after adjusting for the number of potential dilutive shares from convertible bonds and unvested restricted shares where dilutive.

		Six months ended 30 June	
		2020	2019
(Loss)/profit attributable to shareholders	(US$'000)	**(222,377)**	8,217
Weighted average number of shares in issue	('000)	**4,660,536**	4,539,977
Adjustment for calculation of diluted EPS relating to unvested restricted shares	('000)	**–**	96,695
Weighted average number of shares for diluted EPS	('000)	**4,660,536**	4,636,672
Diluted earnings per share	(US cents)	**(4.77)**	0.18
Equivalent to	(HK cents)	**(37.07)**	1.39

Basic and diluted earnings per share for the period ended 30 June 2020 are the same as the potential shares from convertible bonds and unvested restricted shares are anti-dilutive.

8. Trade and other receivables

Net trade receivables are included in trade and other receivables and their ageing based on invoice date is as follows:

US$'000	**30 June 2020**	31 December 2019
≤ 30 days	**25,793**	38,265
31-60 days	**1,705**	3,346
61-90 days	**1,613**	2,777
> 90 days	**4,423**	5,281
	33,534	49,669

9. Trade and other payables

Trade payables are included in trade and other payables and their ageing based on due date is as follows:

US$'000	**30 June 2020**	31 December 2019
≤ 30 days	**39,765**	56,963
31-60 days	**506**	451
61-90 days	**866**	275
> 90 days	**4,494**	3,719
	45,631	61,408

Purchase, sale or redemption of securities

During the six months ended 30 June 2020, 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.

Directors' securities transactions

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

The Board confirms that, having made specific enquiry, all Directors have complied in full with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2020.

Senior managers' and staff's securities transactions

The Company has adopted rules for those senior managers and staff who are more likely to be in possession of unpublished inside information of the Group based on the Model Code (the "Dealing Rules"). These senior managers and staff have been individually notified and provided with a copy of the Dealing Rules.

The Board confirms that, having made specific enquiry, all senior managers and staff who had 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 2020.

Compliance with the corporate governance code

Throughout the six months ended 30 June 2020, the Group has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Review of interim results

This interim results announcement and the 2020 Interim Report have been reviewed by the external auditors and the Audit Committee of the Company.

Closure of register of members

As the Board has not declared an interim dividend, the register of members will not be closed for this purpose.

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

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(10) of Appendix 16 of the Listing Rules has been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.pacificbasin.com.

The Company's 2020 Interim Report is printed in English and Chinese languages, and will be available on the Company's website on or around 14 August 2020 when it is sent to those shareholders who have elected to receive a printed copy.

Directors

As at the date of this report, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund and Peter Schulz, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan and Kirsi Kyllikki Tikka.

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

Shareholders and investors are reminded that this announcement of interim results for the six months ended 30 June 2020 is based on the Group's internal records and management accounts. Shareholders and investors are cautioned not to rely unduly on this announcement of interim results and are advised to exercise caution when dealing in the shares of the Company.