WELL POSITIONED FOR THE FUTURE

Pacific Basin

#WithYouForTheLongHaul

INTERIM REPORT 2023

STOCK CODE: 2343

OUR BUSINESS

Who We Are

We own and operate dry bulk cargo vessels. Our business is customer focused, providing over 500 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 vessels trading worldwide

Seamless Service Provided by Our Excellent Team

386 shore staff

in 14 key locations around the world

3,900+ crew

served on our owned vessels in 1H2023

1,000+ voyages

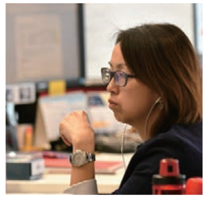
completed in 1H2023

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 take a sustainable business approach and promote high standards of safety, wellbeing and environmental responsibility
- We are all corporate ambassadors and share a strong sense of belonging to our Pacific Basin family
- We are caring, good humoured and fair, and want all our colleagues to feel safe, wanted and trusted
- We value diversity, and we treat everyone with dignity, respect and equality of opportunity
- We target excellence and success through dedication and teamwork
- We continuously look to enhance our business model, our service and our conduct in everything we do
- We look for collaboration to tackle our industry's challenges

p.29 Sustainability Highlights

p.4 Our Business



500+
customers

Customers first

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

14
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

282
owned and operated vessels

Exceptional fleet

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

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Key to navigation symbols

Linkage to related details within the Interim Report

KPI High-level KPIs (Key Performance Indicators)

FEATURED IN THIS REPORT

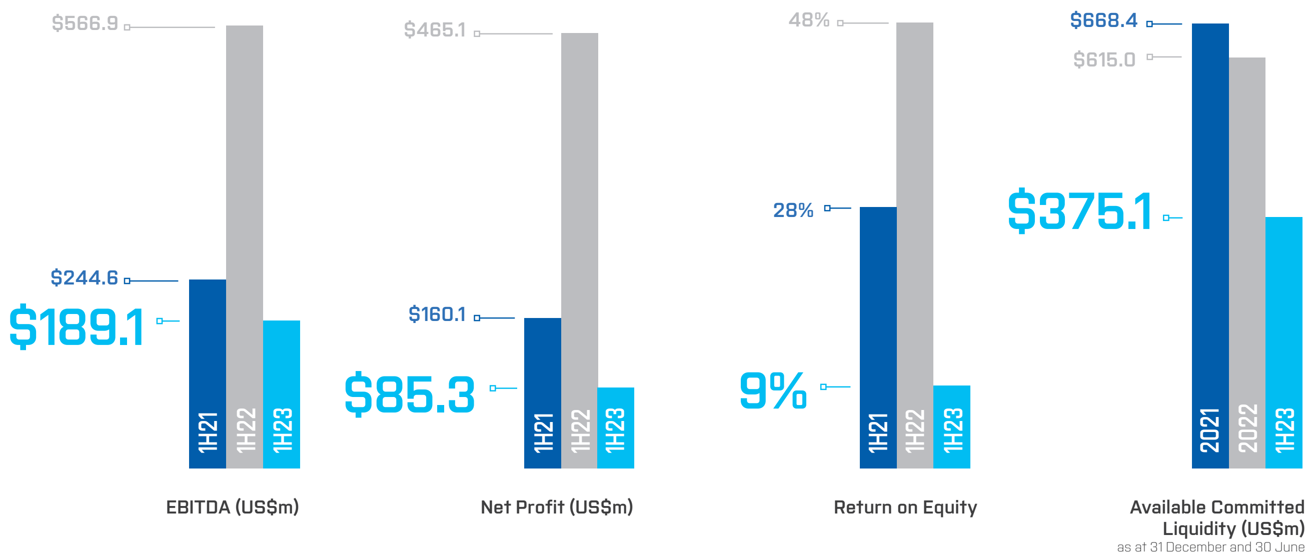
BUSINESS HIGHLIGHTS

2023 Interim Financial Results

For the first half of 2023, we produced an underlying profit of US$76.2 million, net profit of US$85.3 million and EBITDA of US$189.1 million. This yielded a return on equity of 9% (annualised) with basic EPS of HK12.9 cents.

We continue to maintain a healthy financial position with available committed liquidity of US$375.1 million and net gearing of 7%, as we continued to expand our owned fleet over the period.

The Board has declared an interim dividend of HK6.5 cents per share, which represents 51% of our net profit for the period. This decision is consistent with our distribution policy and reflects our confidence in our strong balance sheet, despite the current uncertainty surrounding global dry bulk demand and freight rates, which continues to impact our industry.



Limited Supply Growth

Global dry bulk demand increased year on year, mainly due to higher coal and iron ore loadings. Coal loadings increased from a low base caused by the Indonesian coal export ban in January 2022 and because of increased demand due to China's energy security concerns. China's post-Covid economic recovery has benefitted iron ore demand. Despite benefits of China reopening, global demand for minor bulks was lower year on year mainly due to decelerating global growth, higher interest rates and ongoing conflict in Ukraine.

Although there was limited supply growth and increased demand overall in the first half, freight rates were under considerable pressure due to the unwinding of congestion that increased effective supply.

Despite short-term headwinds, we are optimistic about the long-term potential of dry bulk shipping thanks to strong supply fundamentals. Our fleet of modern and versatile Handysize and Supramax vessels, along with our strategic customer partnerships and improved access to cargo opportunities, make us well positioned for the future.

Positive Financial Results

- Our core business achieved Handysize and Supramax net daily TCE earnings of **US$13,030** and **US$13,700** respectively, generating a total contribution of US$96.1 million before overheads
- Our operating activity achieved a strong daily margin of **US$1,550** net over 11,000 operating days, generating a contribution of US$17.0 million before overheads
- Our P&L break-even (including General and Administrative Overheads) was US$9,600 and US$11,190 per day for Handysize and Supramax respectively; our costs have benefitted from lower repatriation related costs as pandemic restrictions eased around the world
- In the period we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$4,390 per day and US$3,770 per day respectively

Growing and Renewing our Fleet for the Future

- We currently own 121 Handysize and Supramax vessels and have around 282 owned and chartered vessels on the water overall
- During the period we sold two of our older Handysize vessels, while taking delivery of more modern vessels including five Ultramax vessels, one Supramax vessel and one Handysize vessel into our owned fleet
- 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 that came into force in January 2023, through technical enhancements, operational measures and gradual fleet renewal
- We will invest in zero-emission vessels and are currently developing a design for a first generation of methanol-fuelled Ultramax

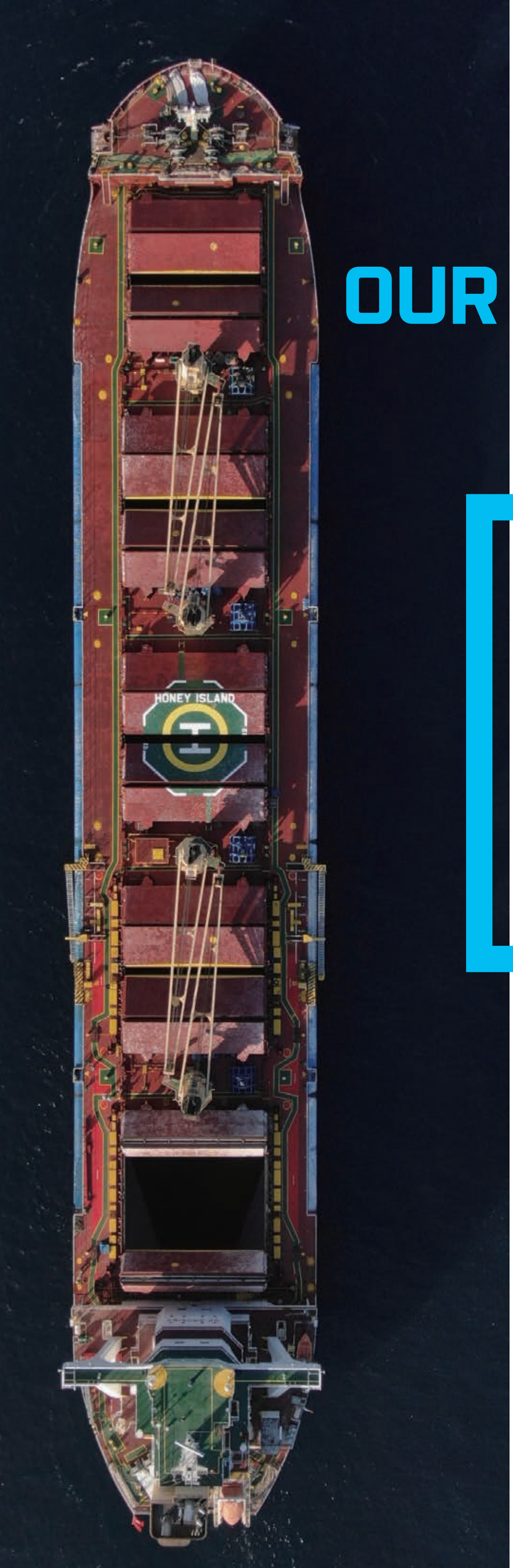
Find out more in our Chief Executive's Review on p.11

FINANCIAL HIGHLIGHTS

	30 June 2023 US$ Million	30 June 2022 US$ Million	31 December 2022 US$ Million
Results			
Revenue	**1,148.1**	1,722.8	3,281.6
Time-Charter Equivalent ("TCE") Earnings	**641.4**	1,225.5	2,216.7
EBITDA[1]	**189.1**	566.9	935.1
Underlying profit KPI	**76.2**	457.5	714.7
Profit attributable to shareholders	**85.3**	465.1	701.9
Balance Sheet			
Total assets	**2,515.8**	2,884.5	2,648.7
Total cash and deposits	**215.0**	516.3	443.9
Available committed liquidity	**375.1**	698.6	615.0
Net (borrowings)/cash	**(128.1)**	68.9	65.3
Shareholders' equity	**1,821.6**	2,036.7	1,907.4
Capital commitments	**0.2**	1.3	42.4
Cash Flows			
Operating	**184.8**	511.5	935.3
Investing	**(73.5)**	82.3	63.2
Financing	**(255.2)**	(462.0)	(949.1)
Net change in cash and cash equivalents	**(143.9)**	131.8	49.4
Per Share Data	**HK cents**	HK cents	HK cents
Basic EPS	**12.9**	74.5	109.1
Dividends KPI	**6.5**	52.0	78.0
Operating cash flows	**27.9**	82.0	145.2
Shareholders' equity	**271.1**	303.2	283.9
Share price at period end	**HK$2.38**	HK$3.00	HK$2.64
Market capitalisation at period end	**HK$12.5bn**	HK$15.8bn	HK$13.9bn
Ratios			
Net profit margin	**7%**	27%	21%
Return on average equity (annualised)	**9%**	48%	38%
Total shareholders' return	**0%**	26%	31%
Net (borrowings)/cash to net book value of owned vessels KPI	**(7%)**	4%	4%
Net (borrowings)/cash to shareholders' equity	**(7%)**	3%	3%
Interest cover KPI	**18.8x**	49.3x	45.3x

[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 BUSINESS



OUR FLEET

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

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

Our vessels 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

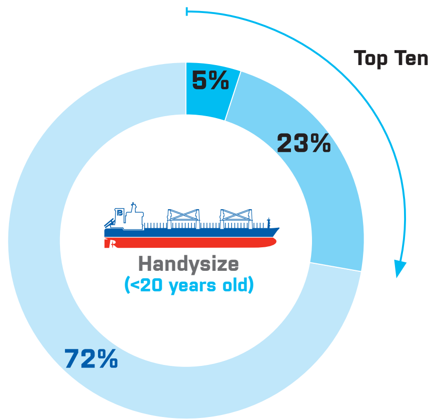
Our vessels are laden with cargo over 90% of the time

	Vessels in Operation			Total	Total Capacity (Million dwt)	Average Age
	Owned	Long-term Chartered	Short-term Chartered[1]		Owned	Owned
Handysize	71	9	47	127	2.4	13
Supramax/ Ultramax[2]	50	9	95	154	2.9	11
Capesize	1	–	–	1	0.1	12
Total	122	18	142	282	5.4	12

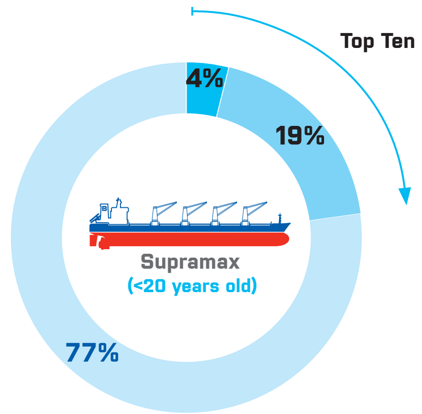
As at 30 June 2023

[1] Average number of short-term and index-linked vessels operated in June 2023

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



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

14 office locations

11 commercial offices

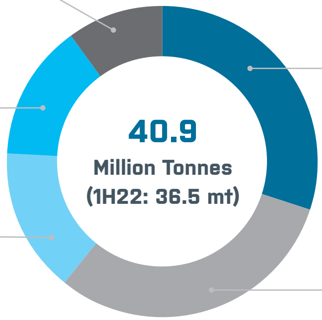
4 technical & crewing offices

We are proud to offer our customers a fully integrated service, with all technical, operations, crewing, chartering and commercial functions being performed in-house. This allows us to optimise our performance, ensure high standards of safety and quality, and provide tailor-made solutions to meet our customers' needs

OUR CARGO VOLUMES

1H2023

Minerals	**10%**
Salt	5%
Sand & Gypsum	4%
Soda Ash	1%
Energy	**14%**
Coal	8%
Petcoke	5%
Wood Pellets	1%
Metals	**15%**
Ores	6%
Concentrates	5%
Alumina	2%
Others	2%



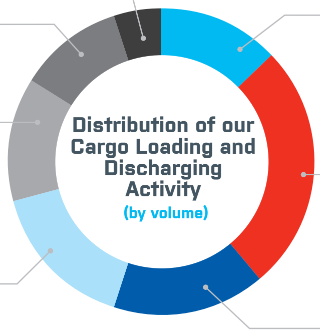
Agricultural Products & Related	**30%**
Grains & Agricultural Products	17%
Fertiliser	10%
Sugar	3%
Construction Materials	**31%**
Cement & Cement Clinkers	14%
Steel & Scrap	9%
Logs & Forest Products	8%

Africa 5%

Middle East & India 11%

Europe 13%

South America 16%



Australia & New Zealand 13%

Asia 26%
(China 11%)

North America 16%

THE HALF YEAR IN REVIEW

Q&A WITH OUR NEW CHAIRMAN

Mr. Stanley Ryan served with Cargill, Inc. for 25 years in executive and general management roles worldwide, including as general manager of Cargill's oilseed operations and Venezuela and Brazil refined oils businesses. Stanley was president of Cargill's North American dressings, sauces and oils business, and managing director of Cargill's refined oils business in Europe and food ingredients business in Australasia. He was a global co-leader of Cargill's agricultural supply chain businesses and a member of its global corporate center. He served as an independent director at Eagle Bulk Shipping Inc. from October 2014 to June 2016 and as its interim chief executive officer from March to September 2015. He also served as a chief executive officer and a president of Darigold, Inc. from February 2016 to March 2022.

Stanley has been an Independent Non-executive Director of the Board of Pacific Basin since 2016.

Q.

What attracted you to the role of Chairman of Pacific Basin and what will be your main focus?

I have been a member of Pacific Basin's Board as an Independent Non-executive Director for the last seven years and feel it is a privilege to serve as Chairman in one of the world's leading shipping companies, and I am sincerely grateful to the Board of Directors, shareholders, and the staff for their trust and support.

As Chairman I will be working closely with our Board and leadership team to further develop and monitor our strategies in many key areas including decarbonisation, growing and renewing our fleet, and ensuring the safety of our seafarers and shore-based staff.

I am confident that with our experienced and talented team of leaders, diversified fleet of high-quality vessels, loyal and long-term customer network, and solid financial position, we are well-positioned to navigate market cycles and create value for all stakeholders.

Q.

What opportunities and challenges does Pacific Basin currently face?

At Pacific Basin we approach challenges as opportunities to gain new competitive advantages. As a global logistics network, we face challenges similar to traditional shore-based companies. However, as most of our business activities occur at sea, we also face unique challenges in attracting and retaining seafarers to a life at sea, while ensuring their safety and wellbeing, and decarbonisation of our vessels which currently have little to no zero-emission substitution.

We prioritise safety and continuous training which combined with our strong employer brand and industry reputation, helps us attract and retain top talent who share our values. This creates an engaging and fulfilling career at sea. We also invest in sports, music, exercise equipment, and technology to help alleviate some of the challenges that come with being away from family and loved ones for extended periods.

Decarbonisation is a big focus for our company and something that we all want to see happen. We have been one of the first in our industry to pledge zero-emission by 2050, which will require not only investment in zero-emission vessels and alternative fuels and technology, but also in how we capture, analyse and utilise internal and external data, training of our crews, and ongoing investment in our in-house technical, optimisation, commercial and sustainability teams. With a strong balance sheet and in-house expertise to operate and manage our vessels, we are well-positioned to capitalise on the advantages of decarbonisation.

Q.

Given your experience within shipping and other sectors can we expect any strategic changes or diversification under your leadership?

Although I come with experience from other commodity industries including different segments of ocean-going freight, Pacific Basin will continue to focus on remaining a leading owner of versatile, mid-size, geared Handysize and Supramax/Ultramax vessels as they allow us to carry a wide range of minor bulks and grains which have a highly attractive long-term

demand base and offers significant benefits of diversification in terms of geography, customers and cargoes.

We will remain committed to our long-term strategy of further growing our Supramax/Ultramax fleet and renewing our Handysize fleet with younger, larger and more efficient vessels, thereby further optimising our fleet to remain cost competitive, reduce our carbon footprint and to meet tightening environmental regulations. We will invest in zero-emission-capable vessels and are currently developing a design for a first generation of methanol-fuelled Ultramax. I remain optimistic about our sector – with Pacific Basin well positioned to benefit from healthy long-term minor bulk demand and a low orderbook.

Q.

What keeps you up at night?

Ensuring the safety and wellbeing of our seafarers is a top priority. Their job poses several challenges and risks, from weather conditions to piracy, fatigue, isolation, and limited access to medical care. We are committed to providing ongoing training and support to our seafarers, integrating industry best practices into our processes, and fostering a safety-first culture. I believe that with management's safety-first focus we can continue to keep our seafarers safe while maintaining reliable and uninterrupted service to our customers.

Q.

How will Pacific Basin achieve our goal of zero-emissions by 2050?

Our goal of zero-emissions by 2050 reflects our commitment to sustainability in everything we do. We are always exploring new ways to further enhance our environmental efficiency, as dry bulk vessels are already one of the most environmentally efficient modes of transporting commodities. Some of the strategies we are pursuing to reach our goal include utilising the large amount of data we possess to make operational improvements such as adjusting vessel speed, reducing port delays, installing energy saving devices, monitoring weather and planning routes to save fuel and reduce emissions.

Further to this we are collaborating with leading providers of net-zero fuels and innovators of next generation engines and hull designs, and engaging with the industry to understand the infrastructure needed to support a low-carbon transition.

Q.

What are your predictions for the development of the dry bulk market in the next 3-5 years?

While specific predictions are often unreliable, there are certain factors we can expect to shape the future market scenarios. Volatility is one of these factors, and it is expected to rise in the coming years. This increase in volatility can create new opportunities for us. Therefore, to sustain our leadership position, it is essential that we focus on comprehending, evaluating and controlling risks.

Another important factor is growth, as scale matters not only to customers but also to cost structures and investment in advanced technologies. Our goal is to continue growing and to maintain leadership in our sector, filling any voids left by competitors.

In addition to these factors, the industry will face new challenges and opportunities due to the advent of new vessel designs, regulations, fuels and economics. These changes will reshape how the industry invests and operates, creating new competitive dynamics.

While we may not be able to predict all the changes, it is crucial that we adapt and lead the industry. Lastly, it is likely that our industry will become relatively more important on the global stage as the industries of the future are more product-intensive and rely on our global fleet and network.

CHIEF EXECUTIVE'S REVIEW

Global demand for minor bulks was lower year on year despite benefits of China reopening, mainly due to decelerating global growth, higher interest rates and ongoing conflict in Ukraine

Martin Fruergaard

Chief Executive Officer

Financial Results

In the first half of this year, we generated an underlying profit of US$76.2 million, a net profit of US$85.3 million and EBITDA of US$189.1 million. This yielded a return on equity of 9% (annualised) with basic EPS of HK12.9 cents.

Our underlying profit was negatively impacted as market freight rates declined due to an increased supply of vessel capacity through less congestion in ports after the relaxation of Covid mitigation rules. Global demand for minor bulks was lower year on year despite benefits of China reopening, mainly due to decelerating global growth, higher interest rates and ongoing conflict in Ukraine.

p.39 Group Performance Review

We continue to maintain a healthy financial position with US$375.1 million of available committed liquidity and have reduced debt while expanding our fleet. Our net borrowings now represent 7% of the net book value of our owned vessels. Additionally, we have increased our list of unencumbered vessels, with 65 currently unmortgaged.

The Board has declared an interim dividend of HK6.5 cents per share, which represents 51% of our net profit for the period. This decision is consistent with our distribution policy and reflects our confidence in our strong balance sheet, despite the current uncertainty surrounding global dry bulk demand and freight rates, which continues to impact our industry.

Positive Earnings and Competitive Cost Base

In the first half of 2023, our large **core business** generated US$96.1 million despite the weak freight market. Our average daily time-charter equivalent (TCE) earnings for Handysize and Supramax vessels were down 51% and 60% year on year to US$13,030 and US$13,700 net per day respectively.

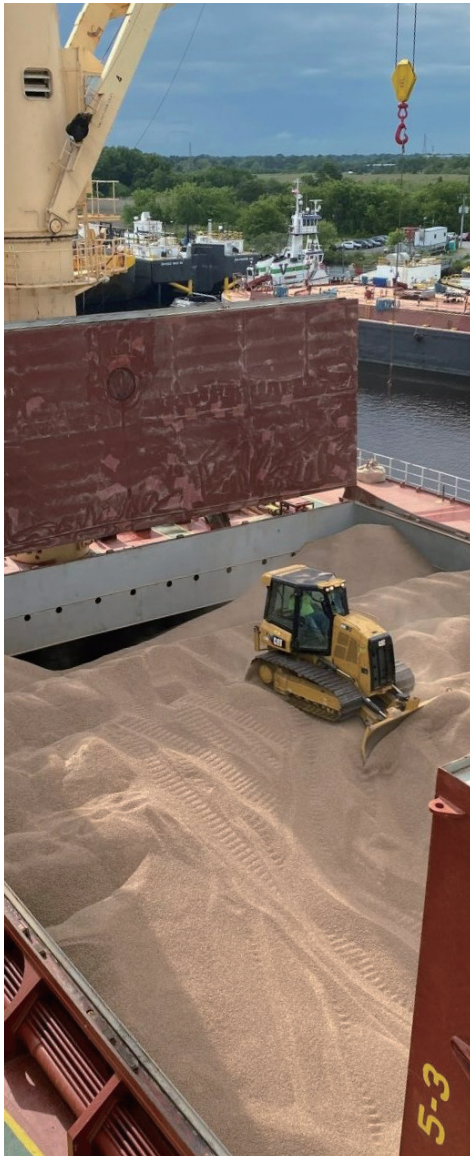
In the period we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$4,390 per day and US$3,770 per day respectively.

Our overheads, financing costs and vessel operating expenses continue to remain competitive with a P&L break-even level (including General and Administrative Overheads) of US$9,600 and US$11,190 per day for Handysize and Supramax vessels respectively. Expenses related to crew travel, quarantine and other pandemic-related manning costs continued to reduce over the period as Covid-related controls were relaxed. This has particularly benefitted our Handysize vessels, which have a higher proportion of Chinese seafarers, and has positively impacted our operating costs.

Our **operating activity** contributed US$17.0 million, having generated a margin of US$1,550 net per day over 11,000 operating days.
Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels, making a margin and contributing to our Group results regardless of whether the market is weak or strong.

We are reducing our debt following our amortisation profile and utilising interest rate swaps to limit our exposure to variable interest rate debt. This, along with our cash holdings, has helped us to mitigate any additional financing expenses caused by higher interest rates.

p.21 Our Performance



Short-term Headwinds

Despite an increase in overall dry bulk demand, market freight rates decreased in the first half of the year due to reduced congestion and increased efficiency in ports, resulting in more available supply of vessels. Minor bulk loadings decreased by 0.1% year on year due to decelerating global growth, which resulted from higher inflation and interest rates, as well as the ongoing conflict in Ukraine.

Grain loadings decreased by 3% year on year, primarily due to reduced grain export from Argentina caused by drought. In the United States, adverse weather conditions and logistical problems led to higher costs for transporting grain on the Mississippi River, which made United States grain prices uncompetitive, reducing grain export during the first half of 2023. Despite delays in the harvest and export process, Brazil was able to export a record amount of grain. The Black Sea region faces challenges in exporting grain and other commodities amid the persistent Ukraine conflict and the recent termination of the grain export agreement between Ukraine and Russia. Ukraine's grain production is likely to decline from 2022 levels due to reduced land availability for farming, less sowing of winter crops and lower crop yields as farmers reduce fertiliser use due to higher cost and limited availability.

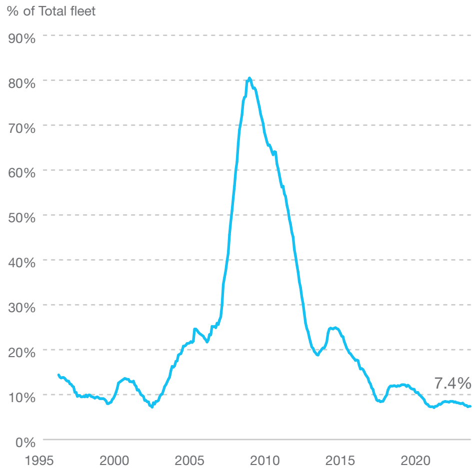
Minor bulk demand could remain negatively impacted for the rest of 2023 due to weaker global economic activity, coupled with a slow Chinese post-Covid economic recovery. However, policies in China to support the revival of infrastructure investment and residential housing construction could provide some potential for growth.

p.16 Market Review

Supply

Dry bulk vessel ordering remained muted over the period despite increased newbuild ordering in other sectors. According to Clarksons Research, ordering in the first half of 2023 was down 18% year on year and the dry bulk newbuilding orderbook is 7.4%, which is near a decades low. Shipyard slots remain limited, so a new order placed today is generally expected to be delivered in 2026.

Overall Dry Bulk Orderbook Development



The global dry bulk fleet experienced a modest growth rate of 1.6% net during the first half of the year, despite limited scrapping. This is slightly higher than last year's fleet growth, due to increased scrapping being offset by an increase in newbuilding deliveries during the first half of the year. The global fleet of Handysize and Supramax vessels grew by only 1.5%.

The expensive cost of newbuildings and higher capital costs will likely discourage newbuild ordering. Uncertainty about future fuels, vessel designs and technology required to meet decarbonisation regulations restrained ordering for dry bulk vessels. We anticipate that ordering of dual-fuel zero-emission mid-size dry bulk vessels will soon start, although high newbuilding prices remain a deterrent.

IMO's global EEXI (Energy Efficiency Existing Ship Index) and CII (Carbon Intensity Indicator) regulations came into effect in January 2023 and are expected to drive technical and operational measures to improve the carbon efficiency of existing vessels. EEXI (and specifically engine power limiters) is resulting in a one-time permanent reduction in maximum speeds for most vessels, which will limit the global fleet's ability to speed up to meet increases in demand. CII will result in progressively slower vessel speeds and accelerated scrapping as older and less-efficient vessels become incapable of compliance.

We expect scrapping to increase in coming years as increasing environmental regulations will encourage owners to phase out older, less efficient vessels and such increased scrapping would be positive for the freight market. Handysize and Supramax vessels over 20 years old constitute approximately 14% and 10% of the global Handysize and Supramax fleet respectively, and are likely to be potential scrapping candidates. Clarksons Research currently forecasts scrapping of 0.4% and 1.3% of the global Handysize and Supramax fleet in 2023 and 2024.

We anticipate that ordering of dual-fuel zero-emission mid-size dry bulk vessels will soon start, although high newbuilding prices remain a deterrent

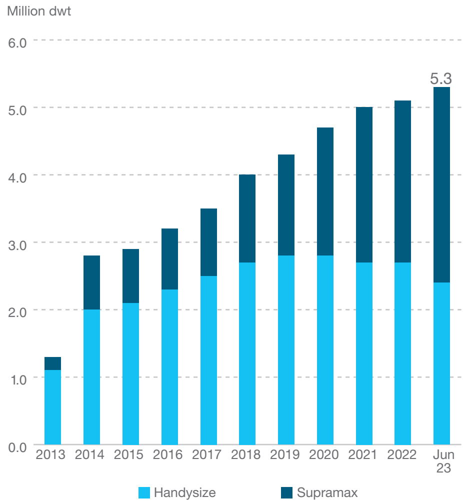
Fleet Growth Strategy

Our long-term strategy is to grow our owned fleet of Supramax vessels by buying modern, second-hand vessels, and to upgrade our older and less-efficient Handysize vessels with newer and larger ones. This improves our fleet efficiency, longevity and earnings capacity.

During the period we acquired more modern vessels including five Ultramax vessels, one Supramax vessel and one Handysize vessel, while selling two older Handysize vessels to capture value and adapt to stricter environmental regulations.

Our owned fleet deadweight carrying capacity has grown by 6% since early 2021, reaching a current total carrying capacity of 5.3 million deadweight, with 55% of this capacity now comprising Supramax vessels.

Significant Growth of Our Owned Fleet and Supramax Proportion



According to Clarksons Research, vessel values have remained elevated despite a more significant fall in freight rates. Over the period benchmark five-year-old Handysize and Ultramax second-hand prices increased 6% and 5% respectively. We believe asset prices for new and second-hand vessels will remain elevated due to increased newbuilding input costs and limited yard capacity.

We currently own 121 quality Handysize and Supramax vessels that are well suited for our customers and trades as we continue to optimise our fleet to more easily meet tightening environmental regulations.

Carbon Reduction Rules

In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by or around 2050, with indicative interim checkpoints. IMO's target is therefore now aligned with Pacific Basin's own net zero by 2050 target to which we committed in 2021.

To support the requisite transition to zero-emission fuels, IMO will now develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard and a maritime GHG emissions pricing mechanism. We expect clarity on these measures by the end of 2025, with earliest entry into force in 2027. Meanwhile, IMO's revised GHG strategy will lead to tighter CII and EEXI rules for the period to 2030, with CII/EEXI revisions due to be completed in 2026 at the latest. We will closely monitor and prepare for changes to CII and EEXI, and for IMO's mid-term GHG reduction measures to come.

The consequence of these newly introduced targets will result in the need for vessels to further reduce speeds over time and, in due course, for accelerated scrapping as older and less-efficient vessels become no longer fit for trading.

These regulatory pressures are on the rise. From 2024, shipping will be included in the European Union Emissions Trading System (EU ETS). We are also working and preparing for further decarbonisation regulations such as Fuel EU and the US Clean Shipping Act & International Marine Pollution Accountability Act (see p.30) and an IMO carbon pricing measure, all of which will further incentivise vessel owners to transition to zero-emission vessels and fuels.

Sustainability has emerged as a critical concern for organisations globally, and at Pacific Basin this is no exception. Our decision-making and operating practices are increasingly influenced by our sustainability objectives.

Decarbonisation

In order to reach our target of net-zero emissions by 2050, we continually evaluate and implement technology and operational measures to improve the fuel efficiency of our existing vessels and we will invest in zero-emission vessels. Our target is for our whole fleet to consist of zero-emission vessels by 2050.

We continue to progress with the design of methanol-fuelled zero-emission vessels in collaboration with our two Japanese partners Nihon Shipyard Co. and Mitsui & Co.. We expect to be ready to contract our first generation dual-fuel zero-emission newbuildings by the end of 2024, with delivery expected to be well ahead of our original 2030 target.

p.29 Sustainability Highlights

Safety and Wellbeing

Governments' lifting of Covid mitigation rules have positively impacted our ability to rotate our crews and resume more frequent vessel visits by our shore-based staff for safety reviews, training and seafarer support. We appreciate the efforts of all of our crews during the difficult Covid period which kept seafarers away from their families for extended periods of time.

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

- enhanced training strategies and constant review of safety and wellbeing programs
- resumption of in-person, interactive officer training seminars
- online training extended to on-leave and on-the-job training in specialist areas
- engagement of two remote medical service providers 3Cube and Sea Bird Medicare to support our crews' physical and mental wellbeing
- additional psychometric screening tests for all seafarers prior to joining our vessels
- upgraded satellite data plans to offer our crews better internet access 24/7
- implementation of PB Families Programme with quarterly forums for families in the Philippines

In the short term we believe that global dry bulk demand will continue to be impacted by higher interest rates, inflation and weaker global economic activity with the potential for a recession in some economies

Safety continues to be our highest priority with a target of zero injuries. In the first six months of 2023, our vessels' crews recorded 9 injuries (including 5 lost-time injuries) in over 10.3 million man hours. We continue to encourage near-miss reporting which accounted for 871 reports (1H 2022: 883) through which officers and crew described safety incidents and near-misses, however minor, which serves as a valuable tool for the prevention of injury and loss.

Market Outlook

Global growth continues to decelerate as a result of higher interest rates and inflation. According to the International Monetary Fund, global GDP growth is forecast to slow from 3.5% in 2022 to 3.0% in 2023 which may have a negative impact on the demand for dry bulk commodities.

In the short term we believe that global dry bulk demand will continue to be impacted by higher interest rates, inflation and weaker global economic activity with the potential for a recession in some economies. While China's reopening has helped dry bulk demand, additional stimulus would be needed to boost demand further.

These headwinds will continue to have a negative effect on dry bulk freight rates in the short term and potentially for the remainder of 2023. In the longer term, we remain optimistic about the supportive fundamentals of our industry.

Dry bulk demand is expected to be supported by substantial global infrastructure investment, with a focus on emerging markets such as India and ASEAN countries, as well as concerns over food and energy security worldwide. China's reopening policies are expected to contribute to this demand through various sectors such as manufacturing, infrastructure, property and the green economy.

Our view is that environmental regulations, both existing and upcoming, will deter excessive new vessel orders for some time and support dry bulk rates. We also expect environmental regulations to induce slower speeds and increase the scrapping of inefficient vessels in coming years.

Our large and modern owned fleet of highly versatile Handysize and Supramax vessels, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, makes us well positioned for the future.

Appointment of Our New Chief Financial Officer

As previously announced, we are pleased to confirm the arrival of Michael T. Jorgensen as our new Chief Financial Officer from July 2023. Michael has worked in the shipping industry for over 35 years, holding several senior leadership positions at A.P. Moller-Maersk, Dampskibsselskabet Norden A/S and ASYAD Shipping Company.

Well Positioned for the Future

We are optimistic about the future of the dry bulk market, and anticipate underlying demand and supply fundamentals will allow us to generate steadier and more sustainable earnings over the long term. We anticipate growth in coal, grain and iron ore demand due to changes in trade flows and emerging market economies, as well as China's post-Covid government policies. Despite weaker economic activity in the United States and Europe, minor bulk activity remains robust due to China's post-Covid economic recovery and global green transition initiatives.

We do not expect significant new dry bulk vessel ordering due to the high cost of newbuildings, uncertainty over new environmental regulations, and the higher interest rate environment. The low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping in the coming years, potentially creating a shortage of vessels and providing long-term structural undersupply to the market.

We are actively working towards a sustainable future by reducing the carbon intensity of our existing vessels and pursuing complete decarbonisation by 2050. We also strive for ESG to become more fully embedded in our operations, decision making and culture across our business.

We are excited about the future of dry bulk shipping, supported by our modern fleet that can meet the diverse needs of our customers. Our staff operate globally with a local presence, which we utilise to drive insight and knowledge back into our business, so we can deliver the best service and access cargo opportunities. We believe that dry bulk shipping is a vital sector that connects the world and enables global trade.

Martin Fruergaard

Chief Executive Officer
Hong Kong, 31 July 2023

Strategic Direction Remains Unchanged

STRATEGY

- Maintain and grow our position as the leading minor bulk cargo-focused, integrated owner and operator servicing our customers' transportation needs around the world
- Continue our long-term Supramax fleet growth and Handysize renewal strategy
- Continue to divest older, less fuel-efficient vessels, crystallising value and ensuring our fleet can meet IMO GHG reduction target with greater ease
- Drive the design and development of zero-emission-capable, dual-fuel methanol Ultramax vessels, with the plan of ordering earliest 2024
- Keep our cash and balance sheet strong
- Be the industry leader on an earnings-and-cost-per-day basis

SPECIAL FOCUS AREAS

- Support our teams to ensure we continue to deliver a quality service to our customers while maximising our earnings
- Ensure our crews' physical and mental wellbeing and our vessels continue to operate safely and efficiently
- Enhanced focus on optimising our environmental performance to ensure compliance with carbon-efficiency requirements of IMO 2030 and coming regulations
- Further leverage the increasing amount of in-house data to improve our operational efficiency, cost and environmental performance, and ultimately to deliver additional value to our customers

MARKET REVIEW

Lower Economic Growth Negatively Impacting Dry Bulk Freight Rates

US$8,640 net ⬇ **61% YOY**

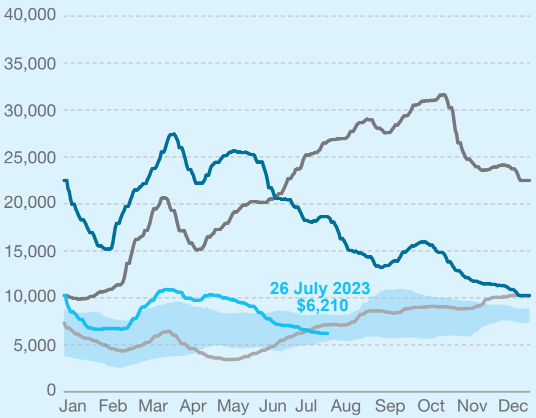
BHSI 38K (tonnage adjusted) Handysize 1H23 avg. market spot rate

US$9,930 net ⬇ **61% YOY**

BSI 58K Supramax 1H23 avg. market spot rate

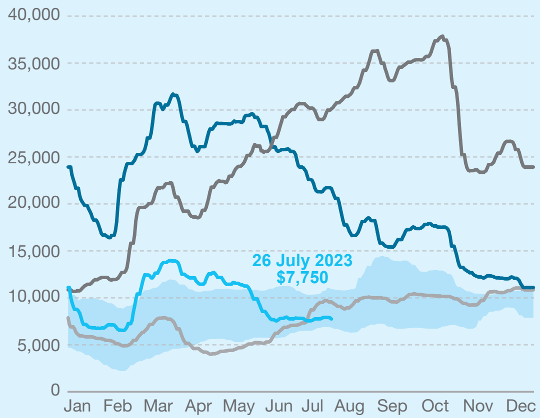
Handysize Market Spot Rates in 2016–2023

US$/day net*



Supramax Market Spot Rates in 2016–2023

US$/day net*



2016-2019 2020 2021 2022 2023

* Excludes 5% commission

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

In the first half of the year, market freight rates declined due to an increased supply of vessel capacity through less congestion in ports after the relaxation of Covid mitigation rules. Additionally, global growth has decreased due to higher inflation and interest rates. Average market spot freight rates for Handysize and Supramax were US$8,640 and US$9,930 net per day respectively.

Demand for minor bulks over the period was lower despite benefits of China reopening, due to decelerating global growth, higher interest rates and ongoing conflict in Ukraine.

Looking ahead, we expect that global demand and freight rates will continue to be impacted by higher interest rates and inflation with the potential for a recession in some economies.

Vessel Values Remain Elevated

US$29.5m ⬇ **14% YOY**

Second-hand Ultramax vessel value

In the first half of the year, second-hand vessel values were resilient despite a 61% reduction in TCE. Clarksons Research currently values a benchmark five-year-old Ultramax vessel at US$29.5 million, up 5% since the start of the year.

Newbuilding prices are still above second-hand prices, and shipyards have filled up with orders for non-dry bulk vessel types, which limits scope for new vessel ordering in our sector.

Source: Clarksons Research data as at June 2023

DEMAND: China Reopening Supported Dry Bulk Demand

Global dry bulk loading volumes grew approximately 2% year on year supported by China reopening which increased demand for both coal and iron ore. Minor bulk loadings decreased by 0.1% year on year due to reduced loadings of cement and clinker, forest products and alumina, which were down 10%, 3% and 16% year on year respectively. Bauxite loadings increased 8% year on year primarily from Guinea and despite an export ban in Indonesia starting from June 2023.

Grain loadings decreased by 3% year on year, primarily due to reduced grain export from Argentina caused by drought. In the United States, adverse weather conditions and logistical problems led to higher costs for transporting grain on the Mississippi River, which made United States grain prices uncompetitive, reducing grain export during the first half of 2023. Despite delays in the harvest and export process, Brazil was able to export a record amount of grain.

Coal loadings increased 6% year on year, largely because of the low base created by the temporary Indonesian coal export ban in January 2022. Additionally, despite record domestic coal production, coal loadings to China in the first half of 2023 increased over 70% year on year due to energy security concerns and low hydroelectric output.

Iron ore loadings increased 3% year on year due to beneficial weather conditions in both Australia and Brazil, as well as increased demand in China as economic activity increased post-Covid benefitting demand from sectors such as domestic property construction, infrastructure and steel production.

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 nautical mile, and therefore reflects both the volume shipped (tonnes) and distance shipped (miles).

1H2023 Global Cargo Loading Volumes# YOY Change

Selected Minor Bulks*	↓ -0.1%
Grain	↓ -3%
Iron Ore	↑ +3%
Coal	↑ +6%

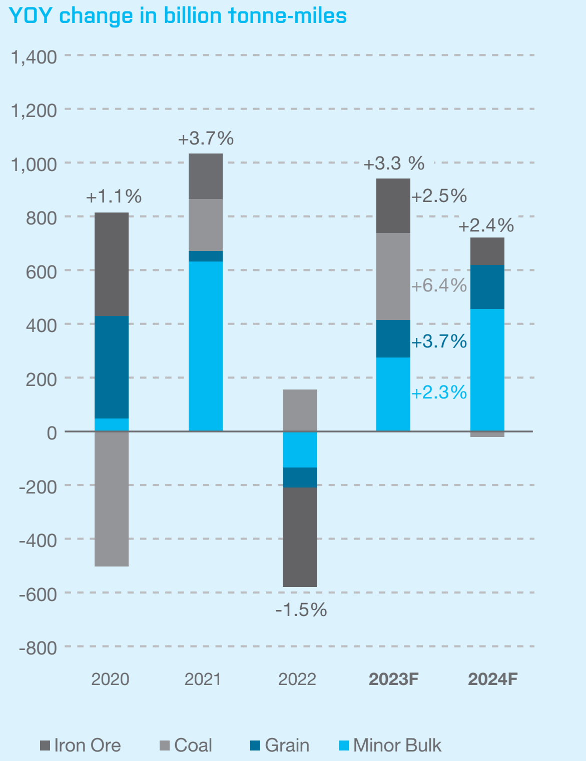
* Minerals, non-coal energy, metals and minor ores, fertiliser, sugar and non-grain agricultural products, cement and clinker, logs and forest products, steel and scrap

Source: Oceanbolt

Minor bulk demand is broad based and diverse both geographically and in terms of commodities and customers, with less China exposure, and normally tracks growth in GDP.

Long-term grain demand is driven less by global economic growth and more by urbanisation of a growing middle class and changing eating habits that drive demand for meat and hence animal feed.

Annual Change in Global Dry Bulk Tonne-mile Demand



Source: Clarksons Research, data as at June 2023

SUPPLY: Low Fleet Growth due to Limited Orderbook and Environmental Regulations

The global dry bulk fleet experienced a modest growth rate of 1.6% net during the first half of the year, despite limited scrapping. This is slightly higher than last year's fleet growth, due to increased scrapping being offset by an increase in newbuilding deliveries during the first half of the year. Effective supply increased during the period through a gradual unwinding of port congestion.

Lower average TCE rates in combination with prevailing oil prices have reduced vessel speeds over the period, while we expect newly introduced IMO 2023 decarbonisation regulations will not force further reductions in speeds until 2024 at the earliest.

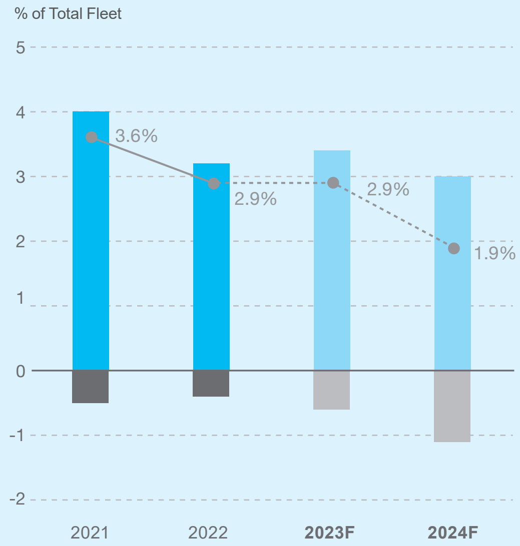
Clarksons Research forecasts scrapping of 0.6% and 1.1% of the global dry bulk fleet in 2023 and 2024 respectively. This is a result of an anticipated rise in the scrapping of older and less-efficient vessels facing onerous environmental regulations and expensive maintenance and upgrade.

> Only moderate net fleet growth is expected in the next few years due to historically low new vessel ordering and potentially increased scrapping as the fleet ages and decarbonisation regulations tighten. IMO and EU decarbonisation regulations are likely to start forcing slower vessel speeds in the years ahead which will also reduce supply, boding well for the market in the longer term.

Overall Dry Bulk Supply Development

↑ 1.6%

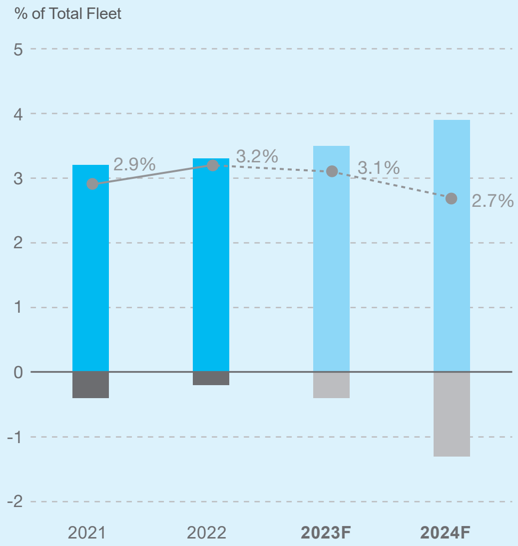
Overall dry bulk capacity 1H 2023



Handysize/Supramax Supply Development

↑ 1.5%

Global Handysize/Supramax capacity 1H 2023



New Deliveries
Scheduled Deliveries
Scrapping
Scrapping Forecast
Net Fleet Growth

Source: Clarksons Research, data as at June 2023

ORDERBOOK: Dry Bulk to Continue to Benefit from Record Low Orderbook

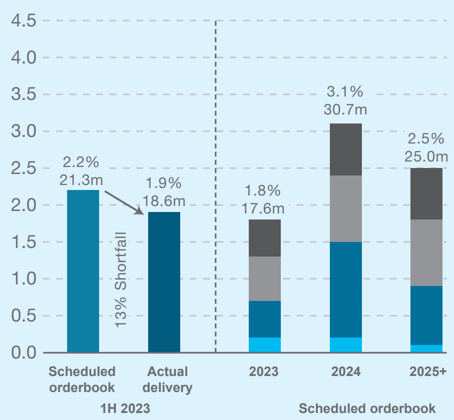
The total dry bulk orderbook stands at 7.4% of the existing fleet, which remains near the lowest it has been in decades. The combined Handysize and Supramax orderbook totals 8.8%, presenting the basis for continued low supply growth in the next few years. Dry bulk newbuild ordering in the first half of 2023 was 14.4m dwt, compared to 17.6m dwt in the first half of 2022, a reduction of 18% compared to the same period last year.

New vessel ordering is expected to remain restrained, discouraged by:

- uncertainty about the future fuels and technologies required to meet decarbonisation regulations
- the high cost of newbuildings and associated high residual value risk
- limited available dry bulk shipyard capacity for newbuild orders to be delivered until 2026, with world shipyard capacity remaining limited, and well below peak capacity of 10 years ago
- increased cost of capital further limits appetite for higher cost vessels, and large series of orders

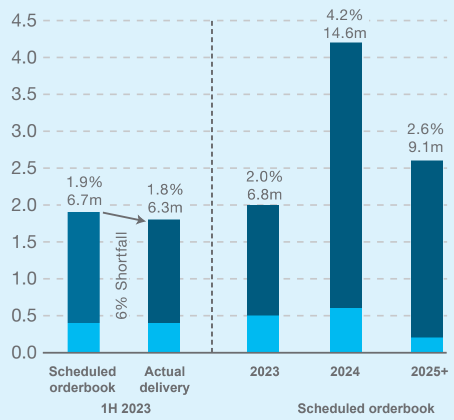
Overall Dry Bulk Orderbook

% of Total Fleet



Handysize & Supramax Combined Orderbook

% of Total Fleet



Source: Clarksons Research, data as at June 2023

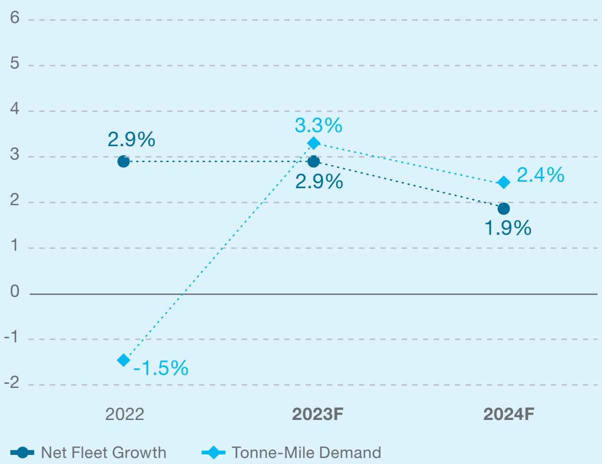
	Orderbook as % of Existing Fleet	Average Age	Over 20 Years Old	1H2023 Scrapping as % of 1 January 2023 Existing Fleet
Handysize (10,000–40,000 dwt)	9.3%	13	14%	0.3%
Supramax & Ultramax (40,000–70,000 dwt)	8.5%	12	10%	0.4%
Panamax & Post-Panamax (70,000–100,000 dwt)	9.1%	12	13%	0.3%
Capesize (100,000+ dwt)	5.1%	10	2%	0.2%
Total	7.4%	12	8%	0.3%

Source: Clarksons Research, data as at June 2023

MARKET BALANCE: Positive Demand and Supply Balance Expected To Continue

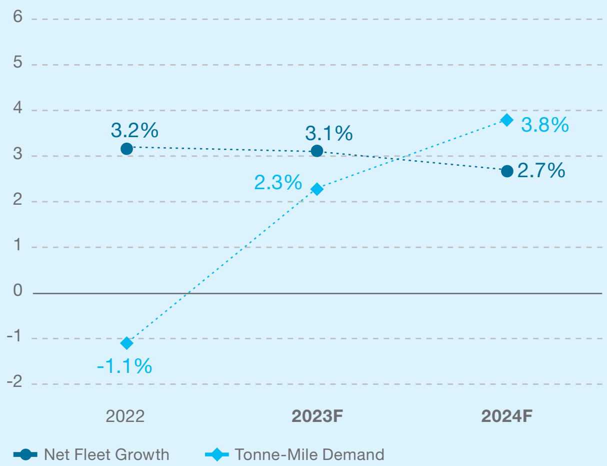
Overall Dry Bulk Demand and Supply

% YOY change



Minor Bulk Demand and Handysize/Supramax Supply

% YOY change



Source: Clarksons Research, data as at June 2023

Despite a deceleration of global economic growth, dry bulk demand growth is expected to outpace low supply growth in 2023 and 2024.

POSSIBLE MARKET DRIVERS IN THE MEDIUM TERM

OPPORTUNITIES

- Stimulus-driven recovery in China, and recovery in global economic activity driving increased demand for dry bulk commodities
- Slower vessel operating speeds due to emissions regulations and increased fuel cost
- Limited new vessel ordering and deliveries due to high newbuilding prices as well as decarbonisation regulations and uncertainty over future vessel designs and alternative fuels, leading to tighter supply
- Increased scrapping of older and less optimally designed tonnage facing onerous environmental regulations and expensive maintenance and upgrade

THREATS

- Persistent high inflation and interest rates negatively impacting global economic activity and demand in dry bulk commodities
- Excessive new vessel ordering in dry bulk driving increased net fleet growth
- Slow Chinese economic growth recovery post-Covid
- Tariffs and protectionism driving local production at the expense of global trade

OUR PERFORMANCE

Our business generated an underlying profit of US$76.2 million (1H 2022: underlying profit of US$457.5 million) caused by weaker dry bulk market conditions. We generated daily earnings that outperformed the BHSI and BSI and continued to maintain good control of our vessel operating costs.

Operating Performance

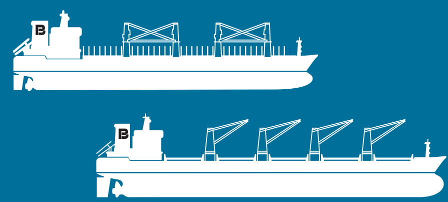
	Six months ended 30 June		
US$ Million	**2023**	**2022**	**Change**
Core business Handysize contribution	**62.7**	265.4	-76%
Core business Supramax contribution	**33.4**	202.8	-84%
Operating activity contribution	**17.0**	30.7	-45%
Capesize contribution	**0.8**	0.7	+14%
Operating performance before overheads	**113.9**	499.6	-77%
Adjusted total G&A overheads	**(37.3)**	(41.8)	+11%
Taxation and others	**(0.4)**	(0.3)	-33%
Underlying profit	**76.2**	457.5	-83%
Vessel net book value (incl. assets held for sale)	**1,901.3**	1,840.3	+3%

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

Our Commercial Activities

Core Business

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



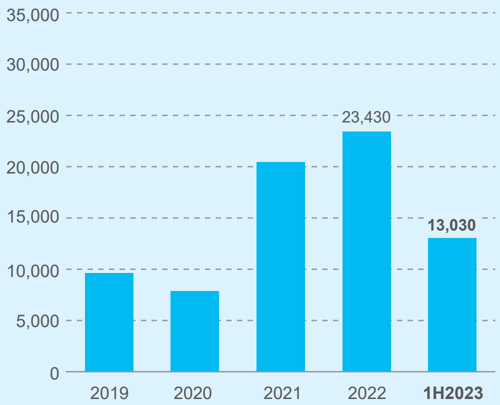
Operating Activity

Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels, making a margin and contributing to our Group 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 vessels are unavailable.

CORE BUSINESS

Handysize

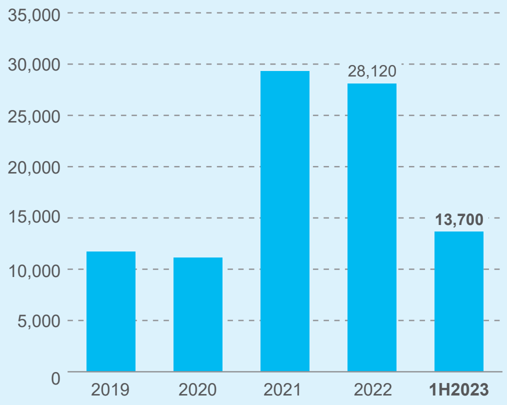
TCE EARNINGS KPI



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

Supramax

TCE EARNINGS KPI



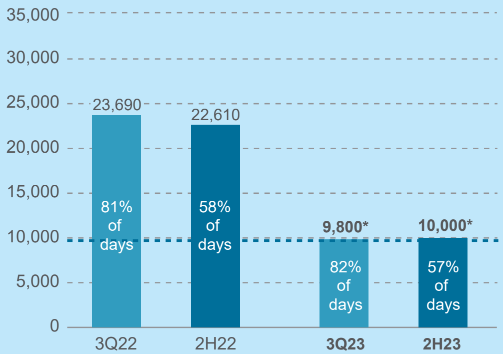
Note: Pre-2020 historical data has not been restated to split operating activity from core business

TCE EARNINGS KPI

- Our core business generated (net):
  - Handysize daily earnings of US$13,030 on 14,380 revenue days
  - Supramax daily earnings of US$13,700 on 9,810 revenue days
- In the first half of 2023 we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by US$4,390 and US$3,770 per day, respectively. In the period, scrubbers fitted to our core Supramax vessels contributed US$1,050 per day to outperformance
  - Our Handysize outperformed the index (BHSI 38k dwt tonnage-adjusted) by 51%
  - Our Supramax outperformed the index (BSI 58k dwt) by 38%

Handysize

FORWARD CARGO COVER

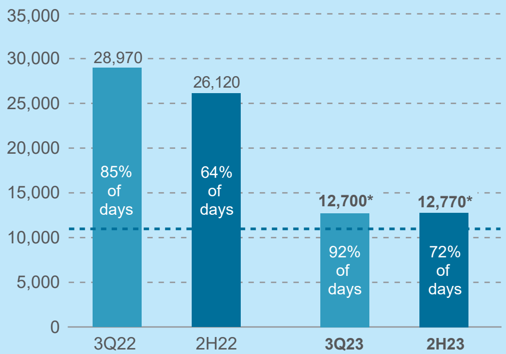


Indicative core fleet P&L break-even level incl. G&A for 1H23 = US$9,600

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



Indicative core fleet P&L break-even level incl. G&A for 1H23 = US$11,190

* As at late July, indicative TCE only as voyages are still in progress; Current value of Supramax scrubber benefits is approximately US$610 per day. When a Supramax vessel with a scrubber is assigned a cargo, its TCE rate may be higher due to the added benefit of the scrubber

FORWARD CARGO COVER

- Forward cargo cover helps us to maintain high vessel utilisation levels, while also allowing us to better navigate any potential weakness in peak season demand for global dry bulk. Future earnings and associated dividends are subject to uncertainty due to the negative impact of higher interest rates and inflation on the global economy and dry bulk demand
- We have covered 82% and 92% of our Handysize and Supramax vessel days for the third quarter of 2023 at US$9,800 and US$12,700 per day net respectively
- We have covered 57% and 72% of our 17,000 Handysize and 15,730 Supramax vessel days currently contracted for the second half of 2023 at US$10,000 and US$12,770 per day net respectively. (Cargo cover excludes operating activity)
- Our P&L break-even (including General and Administrative Overheads) was US$9,600 and US$11,190 for Handysize and Supramax respectively in the first half of 2023
- Current Forward Freight Agreement (FFA) rates for Handysize in 3Q and 4Q 2023 are US$8,240 and US$9,750 per day respectively^
- Current FFA rates for Supramax in 3Q and 4Q 2023 are US$9,180 and US$10,710 per day respectively^

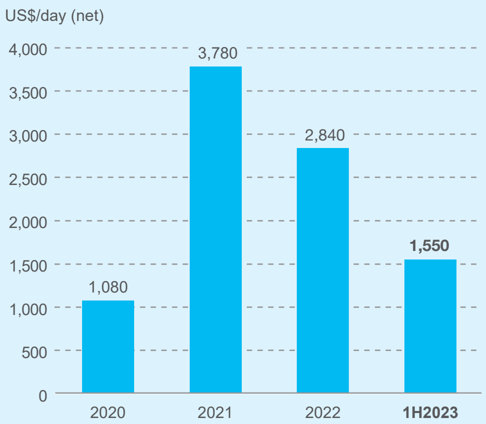
^ Source: Baltic Exchange, data as at 26 July 2023

p.24 Core Business Vessel Costs

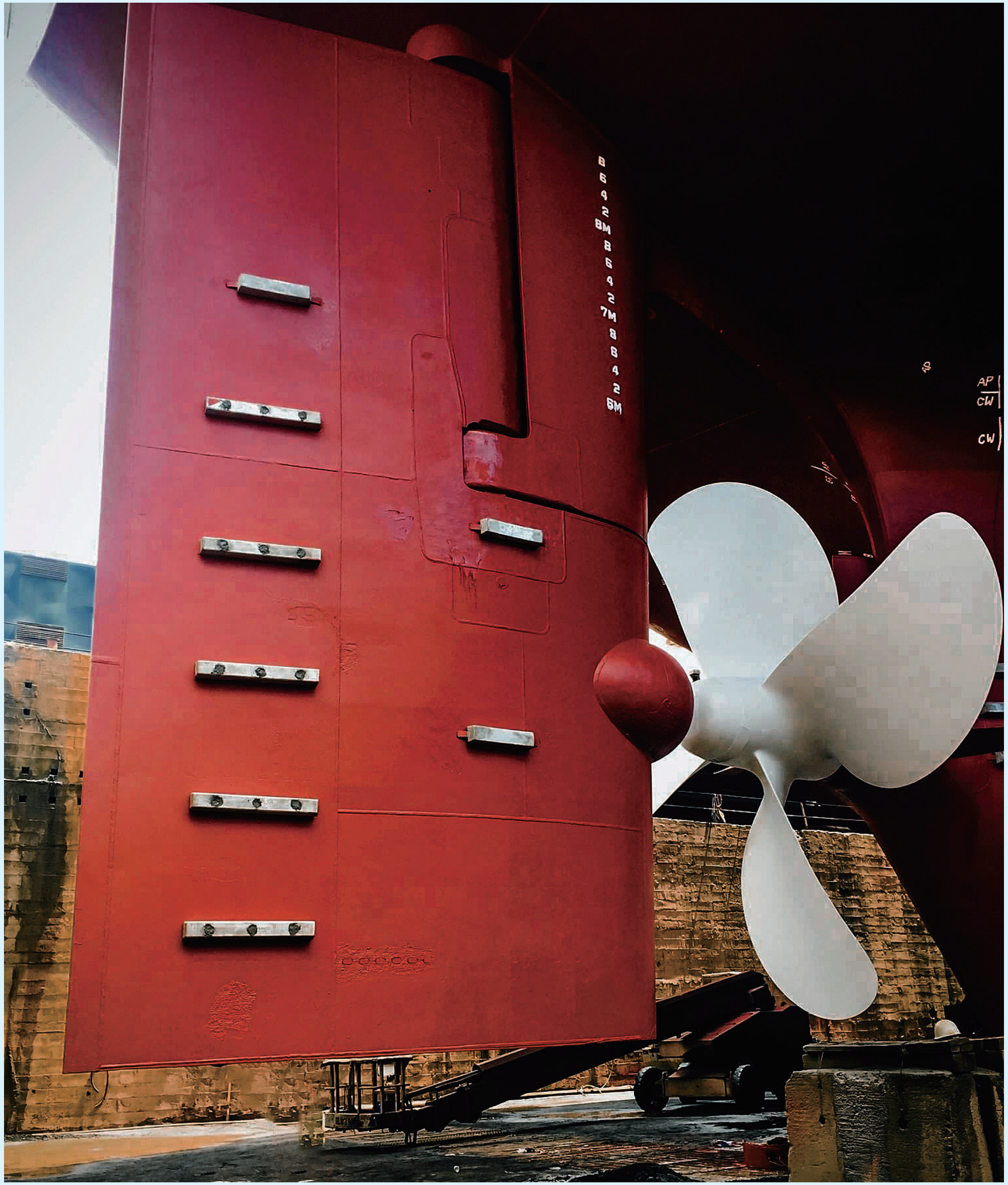
OPERATING ACTIVITY

MARGIN KPI

US$1,550 per day (net)



- Our operating activity generated a margin of US$1,550 net per day over 11,000 operating activity days in the first half of the year (1H 2022: US$3,330 net per day over 9,200 operating activity days) on short-term vessels 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 vessels (when our core vessels are unavailable), thereby making a margin and contributing to our Group's results regardless of whether the market is weak or strong

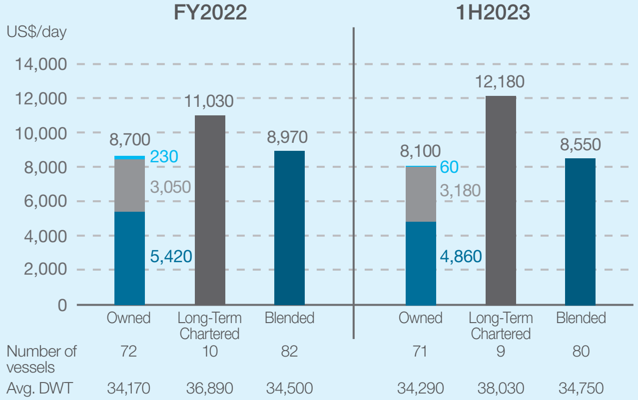


CORE BUSINESS VESSEL COSTS

Daily Vessel Costs

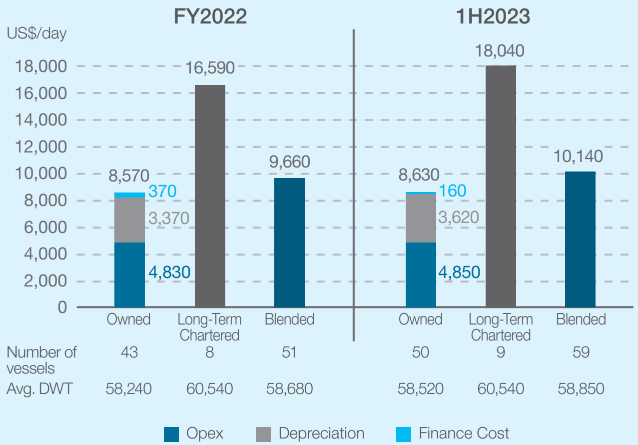
Handysize

Blended **US$8,550**



Supramax

Blended **US$10,140**



Owned Vessel Costs

- **Operating expenses**
  Our average Handysize and Supramax daily operating expenses ("Opex") decreased by 7% to US$4,860 per day (FY2022: US$5,210). This was mainly due to lower crew travel cost and other pandemic-related manning costs after lifting of Covid-related restrictions. 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 0.3 days (FY2022: 1.7 days) of unplanned technical off-hire per vessel.

- **Depreciation**
  Our Handysize daily depreciation costs were substantially unchanged. Our Supramax daily depreciation costs increased by 7% mainly due to increase in drydocking costs.

- **Finance costs**
  The decrease of our average Handysize and Supramax daily finance costs by 64% to US$100 per day (FY2022: US$280) was the combined effect of lower average borrowings, higher interest income and interest expenses as a result of increased interest rates.

Long-term Chartered Vessel Costs

Long-term chartered vessel costs mainly comprise 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 10% to US$12,180 and 9% to US$18,040 for Handysize and Supramax vessels respectively, primarily due to higher charter costs of vessels that committed during strong market conditions last year.

Blended Costs

Our daily blended costs for owned and long-term chartered vessels decreased to US$8,550 (FY2022: US$8,970) for Handysize and increased to US$10,140 for Supramax vessels (FY2022: US$9,660).

General and Administrative ("G&A") Overheads

Our adjusted total G&A overheads decreased to US$37.3 million (1H2022: US$41.8 million and FY2022: US$89.9 million) primarily due to a decrease in staff costs during the period. Spread across our total vessel days, our daily G&A overheads remain competitive at US$790 (FY2022: US$990), comprising US$1,050 and US$570 (FY2022: US$1,290 and US$730) per day for owned and chartered vessels respectively.

Vessel Days

The following table shows an analysis of our vessel days in 1H2023 and FY2022:

	Handysize		Supramax	
Days	FY2022	**1H2023**	FY2022	**1H2023**
Core business revenue days	30,310	**14,380**	17,340	**9,810**
– Owned revenue days	26,680	**12,780**	14,930	**8,210**
– Long-term chartered days	3,630	**1,600**	2,410	**1,600**
Short-term core days[1]	7,580	**3,180**	14,100	**8,710**
Operating activity days	5,720	**4,370**	14,110	**6,630**
Owned off-hire days	890	**220**	400	**140**
Total vessel days	44,500	**22,150**	45,950	**25,290**

[1] Short-term chartered vessels 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:

	Handysize		Supramax	
Year	Vessel days	Average cost (US$)	Vessel days	Average cost (US$)
2H2023	1,930	12,190	1,410	18,010
2024	3,540	12,570	1,330	16,770
2025	2,930	13,090	610	14,880
2026	2,190	13,140	1,100	14,860
2027+	4,350	12,540	3,680	13,930
Total	**14,940**		**8,130**	

CASH AND BORROWINGS

Operating Cash Inflow

US$150.4m

Available Committed Liquidity

US$375.1m

Net Borrowings to Net Book Value of Owned Vessels

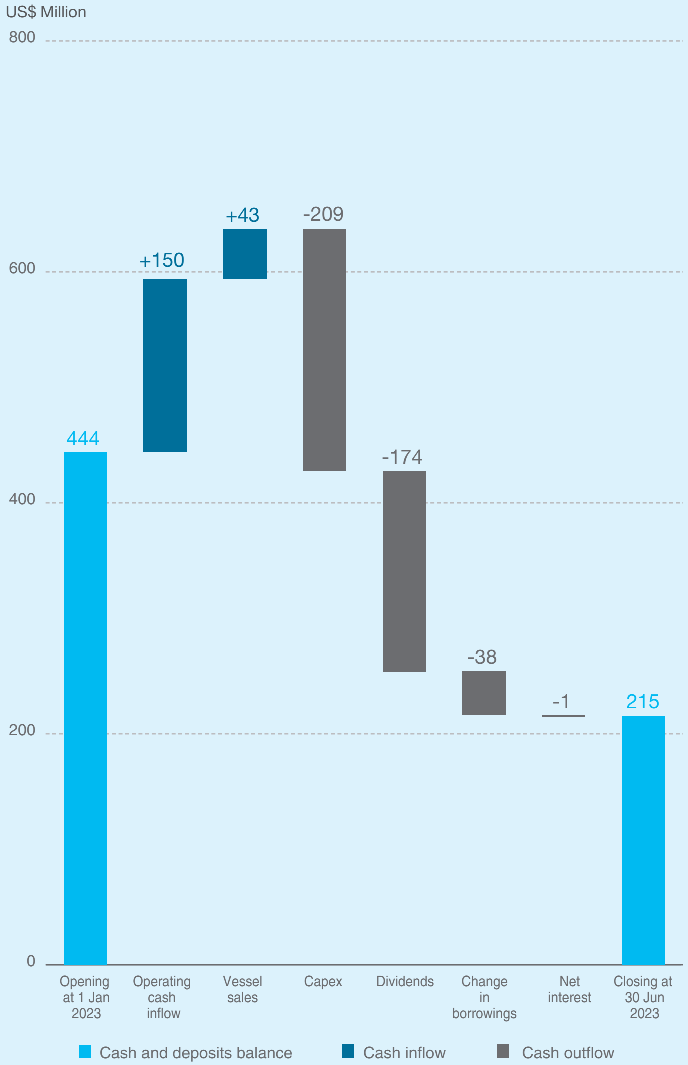
(7%)

Average Interest Rate (P/L)

4.9%

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 2023

- Our net cash outflow from borrowings was US$37.9 million in the period
- During the period we realised US$42.9 million from the sale of three Handysize and one Ultramax vessels
- During the period we incurred capital expenditure of US$209.5 million, including:
  (a) US$187.4 million for one Handysize, two Supramax and six Ultramax vessels which delivered into our fleet in the first half; and
  (b) US$22.1 million for dry dockings and the installation of ballast water treatment systems
- As at 30 June 2023, we had 65 unmortgaged vessels

Liquidity and Borrowings

US$ Million	30 Jun 2023	31 Dec 2022	Change
Cash and deposits (a)	**215.0**	443.9	-52%
Available undrawn committed facilities	**160.1**	171.1	-6%
Available committed liquidity	**375.1**	615.0	-39%
Current portion of borrowings	**(90.5)**	(97.8)	
Non-current portion of borrowings	**(252.6)**	(280.8)	
Total borrowings (b)	**(343.1)**	(378.6)	+9%
Net (borrowings)/cash (a) + (b)	**(128.1)**	65.3	->100%
Net (borrowings)/cash to shareholders' equity	**(7%)**	3%	
Net (borrowings)/cash to net book value of owned vessels KPI	**(7%)**	4%	

p.51 Financial Statements Note 15 Cash and deposits (including how we invest our cash)

Borrowings and Undrawn Committed Facilities

Borrowings and Undrawn Committed Facilities – US$470.8 million (31 December 2022: US$517.0 million)

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

An increase in interest to US$8.5 million (1H 2022: US$7.7 million) was mainly due to an increase in average interest rates.

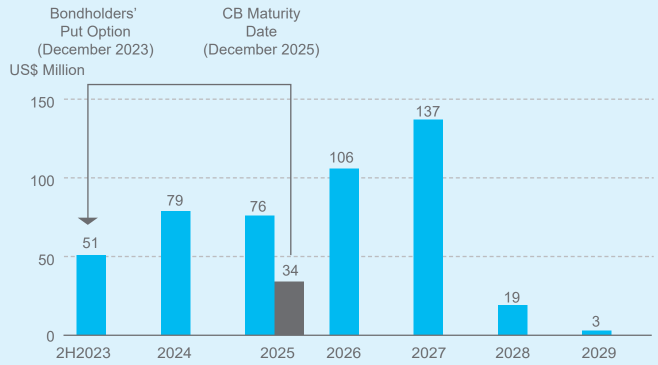
The Group monitors the loan-to-asset value requirements on its bank borrowings. If the market values of the Group's mortgaged assets fall below the level prescribed by our lenders, the Group may pledge additional cash or offer other additional collateral unless the banks offer waivers for technical breaches.

As at 30 June 2023:

- The Group's secured borrowings were secured by 57 vessels with a total net book value of US$1,010.1 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.46 Financial Statements Note 7
Finance income and finance costs

Schedule of Reduction in Borrowings and Undrawn Committed Facilities



■ Secured borrowings and undrawn committed facilities (US$470.8 million)
■ Convertible bonds (face value US$33.6 million, book value US$32.4 million, bondholders' put option December 2023)

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 2023, including the liability component of the convertible bonds, amounted to US$503.2 million (31 December 2022: US$549.7 million) and are mainly denominated in United States Dollars.

Convertible Bonds Liability Component – US$32.4 million (31 December 2022: US$32.7 million)

As at the 30 June 2023 further to the conversion offer completed in May 2022 and a subsequent bond holder conversion in July 2022 and the open market repurchase of convertible bonds in December 2022 followed by a further bond holder conversion in May 2023 there remained the 3% coupon guaranteed convertible bonds due in 2025 with an outstanding principal of US$33.6 million and a prevailing conversion price of HK$1.50 per share.

Finance Costs

US$ Million	Average interest rate P/L	Average interest rate Cash	Balance at 30 June 2023	Finance costs 1H 2023	Finance costs 1H 2022	Change
Borrowings (including realised interest rate swap contracts)	4.9%	4.9%	**310.7**	**8.5**	7.7	-10%
Convertible bonds (Note)	4.7%	3.0%	**32.4**	**0.8**	3.1	+76%
	4.9%	KPI 4.8%	**343.1**	**9.3**	10.8	+15%
Other finance charges				**0.8**	0.7	
Total finance costs				**10.1**	11.5	+12%
Interest coverage (calculated as EBITDA divided by total finance costs)				KPI **18.8x**	49.3x	

Note: The convertible bonds have a P/L cost of US$0.8 million and a cash cost of US$0.5 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 2023, 75% (31 December 2022: 75%) of the Group's borrowings were on fixed interest rates. We currently expect about 50% of the Group's borrowings will be on fixed interest rates as at both 31 December 2023 and 2024, assuming all revolving credit facilities are fully drawn.

SUSTAINABILITY AND GOVERNANCE

SUSTAINABILITY HIGHLIGHTS

Pacific Basin's sustainability strategy harnesses our culture of "doing the right thing" and puts it to work in a pragmatic yet ambitious framework that considers the environment, our people, our stakeholders and our business fundamentals.

Our goal is to balance the practicalities of our heavily regulated industry with sufficient ambition, such that we are not only compliant but are emboldened to lead.

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 future value of our business.

Our Purpose

To safely and sustainably deliver by sea the dry bulk commodities that are essential to society

Our Vision

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

p.0 Our Business Principles

With You for the Long Haul

Our Sustainability Strategy Framework

The way we at Pacific Basin see sustainability and our related strategies is evolving. Our sustainability initiatives and reporting are guided by strategic objectives encompassed in a framework of four sustainability pillars.

ENVIRONMENTAL RESPONSIBILITY

Decarbonising our fleet, managing our waste and use of resources, and minimising our impact on biodiversity as we continue to grow our business

RESPONSIBILITY TO OUR PEOPLE

Safeguarding a decent, healthy and safe work environment and nurturing an empowered and inclusive organisation, while developing a well-supported and competent workforce

RESPONSIBLE BUSINESS FUNDAMENTALS

Evolving and enhancing management and governance practices (including due diligence, financial and risk management, integrity and transparency) to safeguard business resilience and stakeholder trust and confidence

RESPONSIBLE VALUE CREATION

Serving, helping and collaborating with customers, suppliers, the seafarer community and other stakeholders to support a responsible and resilient supply chain and PB community

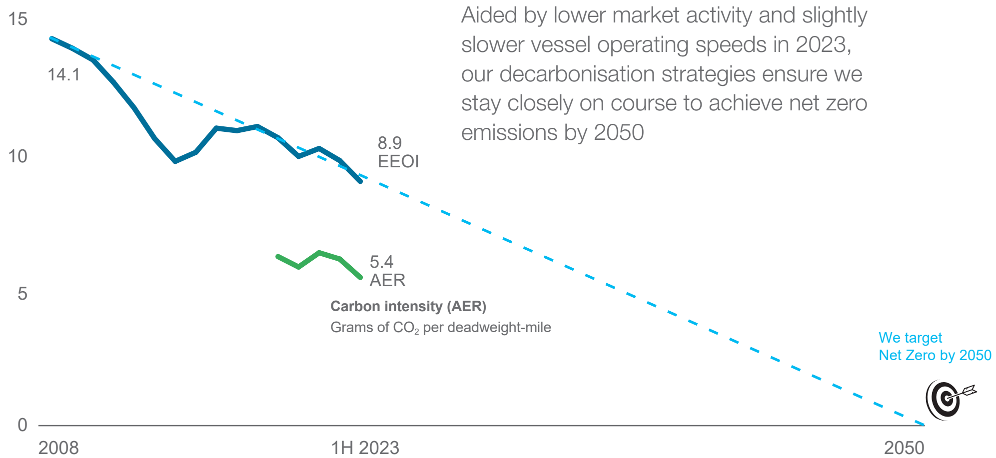
ENVIRONMENTAL RESPONSIBILITY

Ambition: As a leading dry bulk ship owner and operator, Pacific Basin seeks to further improve our fleet scale, optimise our performance and offer flexible and reliable service while striving to decouple this from environmental impact. We take responsibility for decarbonising our fleet, managing our waste, marine discharges and resources consumption, ensuring our vessels are primed for proper recycling and minimising our biodiversity impacts as we continue to grow our business.

Tracking a Course to Net Zero by 2050

KPI
Carbon Intensity (EEOI)

Grams CO_2 per tonne-mile



Aided by lower market activity and slightly slower vessel operating speeds in 2023, our decarbonisation strategies ensure we stay closely on course to achieve net zero emissions by 2050

IMO Adopts More Ambitious GHG Strategy – Net Zero by 2050

In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by about 2050, with indicative interim checkpoints. IMO's target is therefore now better aligned with Pacific Basin's own net zero by 2050 target to which we committed in 2021.

To support the requisite transition to zero-emission fuels, IMO will now develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard and a maritime GHG emissions pricing mechanism. We expect clarity on these measures by the end of 2025, with earliest entry into force in 2027. Meanwhile, IMO's revised GHG strategy will lead to tighter CII and EEXI rules from 2027 with CII/EEXI revisions due to be completed in 2026 at the latest. We will closely monitor and prepare for changes to CII and EEXI, and for IMO's introduction of mid-term GHG reduction measures.

Preparing Well for a Raft of New Decarbonisation Regulations

- **IMO 2023 Carbon Intensity Reduction Rules** – IMO's EEXI and CII rules came into effect in January and, having analysed and prepared for the rules early, our conventionally-fuelled existing fleet is well positioned to comply and continue to trade for the foreseeable future through technical enhancements and operational measures, with a programme of regular fleet renewal, especially in view of IMO's newly revised GHG strategy (see below)
- **EU Emissions Trading System** – Shipping's inclusion in the EU ETS will take effect from January 2024. We have been watching the evolution of this scheme closely and are preparing well for it

We are also watching and preparing for further decarbonisation regulations, such as:

- **FuelEU Maritime** – a directive to drive a shift to renewable and low-carbon fuels when travelling in, to and from EU, effective from 2025
- **EU's Revised Energy Taxation Directive** – a directive to end tax exemptions for conventional marine fuels purchased in EU while incentivising uptake of alternatives
- **US Clean Shipping Act & International Marine Pollution Accountability Act** – a proposed package of maritime fuel carbon intensity reduction rules (requiring zero emission by 2040) and shore-power requirement and a greenhouse gas levy applicable to voyages in, to and from USA, proposed to be effective from 2027

Collaborating to Develop Our First Zero-Emission Vessel

In our collaboration with leading Japanese shipbuilding group Nihon Shipyard Co. and major trading house Mitsui & Co., we concluded in October 2022 that sustainable green methanol is currently the best fuel around which to plan our first zero-emission vessels (ZEVs), and we are currently developing an efficient design for what we expect will be our first dual-fuel Ultramax vessel able to run on either methanol or fuel oil. We should be ready to contract our first ZEV for delivery well ahead of our original 2030 target, and we believe that our example will help accelerate the transition to zero-emission shipping in our dry bulk sector.

Clarifying Net Zero: Several new fuels such as methanol contain carbon and therefore emit CO2 on combustion. However, if such fuels are produced using renewal energy and carbon that is captured and therefore recycled, then (on a "well-to-wake" or "full lifecycle" basis) the emissions from the combustion of such fuels become "net zero" and can be certified as sustainable or green.

RESPONSIBILITY TO OUR PEOPLE

Ambition: Pacific Basin strives to develop a diverse, effective and motivated team. At sea and on shore, we continue to uphold the highest health and safety standards and train our colleagues to enable them to tackle evolving business challenges while looking after their – and each other's – overall wellbeing. We want to encourage and support each individual's unique efforts to contribute to our business and to remove barriers to inclusion and equality of opportunity.

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

- enhanced training strategies and constant review of safety and wellbeing programs
- resumption of in-person, interactive officer training seminars
- online training extended to on-leave and on-the-job training in specialist areas
- engagement of two remote medical service providers 3Cube and Sea Bird Medicare to support our crews' physical and mental wellbeing
- additional psychometric screening tests for all seafarers prior to joining our vessels
- upgraded satellite data plans to offer our crews better internet access 24/7
- implementation of PB Families Programme with quarterly forums for families in the Philippines

Wellness at Sea
FROM SAILORS' SOCIETY

Total Recordable Case Frequency

0.87 ⬆ 50%

injuries per million man hours

In the first half of 2023, our crews registered 9 recordable injuries (including 5 lost-time injuries) in over 10.3 million man hours, including minor falls, water burn and finger injuries. We conduct thorough reviews of every incident and near-miss, analysing the root causes to develop and implement effective preventive measures.

External Inspection Deficiency Rate

0.53 ⬇ 43%

deficiencies per PSC inspection

We recorded fewer deficiencies in Port State Control inspections, partly due to normalised ship manager visits and a commensurate improvement in vessel conditions.

Harassment Cases

1

reported harassment incident

We do not tolerate harassment. Following our investigation of one on-board incident reported during the period, the perpetrator was dismissed and we have stepped up our harassment prevention training across our fleet.

RESPONSIBLE VALUE CREATION

Ambition: Pacific Basin is in it for the long haul – valuing long-term relationships over short-term gains with our customers, suppliers, investors, finance providers, regulators, local communities and other networks. Leveraging our scale and influence in the dry bulk industry, we seek to promote a responsible, ethical, inclusive and resilient global marketplace by working together with our stakeholders.

Serving our Customers	Serving our PB Community	Serving Society	Serving Sustainable Trade

Collaborating with Customers for a Safer Dry Bulk Supply Chain

Since March 2023, we have been collaborating with our like-minded cargo customer Rio Tinto as part of their Designated Owners & Operators Standard initiative to enhance safety and crew welfare in the dry bulk industry. Our participation is consistent with our commitments to safeguarding a decent, healthy and safe work environment and serving and collaborating with our stakeholders.

Sponsoring Hong Kong Maritime Museum Open Day

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 to present museum objects, seafaring stories and career paths to museum visitors. A record 4,300 visitors attended.

RESPONSIBLE BUSINESS FUNDAMENTALS

Ambition: We aim to evolve and enhance management and governance practices for best-in-class risk management, reporting, transparency, stakeholder confidence and corporate stewardship. We adopt responsible observance of stakeholder interests as an integral part of our commitment to sustainability and good corporate governance.

With an eye on resilience and business continuity, we futureproof the business by assessing and managing disruptions such as those stemming from climate risks, global pandemics and cyber security.

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.

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.

MSCI ESG RATINGS BBB
CCC B BB BBB A AA AAA

In 2023, Pacific Basin received an MSCI ESG Rating of BBB

A+ Sustainability rating by HKQAA

We have an A+ sustainability rating from the Hong Kong Quality Assurance Agency on behalf of Hang Seng Indexes

BRONZE 2023 ecovadis Sustainability Rating

Pacific Basin has been awarded a bronze EcoVadis medal in our first EcoVadis assessment (top 37% among ocean transport companies)

0 Corrupt practice or whistleblowing incidents

We are active members of the Maritime Anti-Corruption Network

MACN

Pacific Basin was included this year in Webber Research & Advisory's annual ESG rankings and is reported to have placed 5th out of 64 publicly-listed shipping companies

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 2023, 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 2023.

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 2023.

Share Capital

During the six months ended 30 June 2023, 2,612,033 ordinary shares were issued on 23 May 2023 to one allottee, namely Citi (Nominees) Ltd, being the nominee of a bondholder holding an aggregate principal amount of US$500,000 of the 3% p.a. coupon guaranteed convertible bonds due 2025 issued by the Group, who converted its convertible bonds at the conversion price of HK$1.50 per share.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2023, 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 in 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 2023 when it is sent to those shareholders who have elected to receive a printed copy.

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

Interim Dividend and Closure of Register of Members

The Board has declared an interim dividend of HK6.5 cents per share for the six months ended 30 June 2023 which will be paid on 25 August 2023 to those shareholders whose names appear on the Company's register of members on 15 August 2023.

The register of members will be closed on 15 August 2023 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 pm on 14 August 2023. The ex-dividend date for the interim dividend will be on 11 August 2023.

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 Director						
Martin Fruergaard, CEO	2-Jul-21	3 years until Jul 2024	–	–	–	Chairman
Independent Non-executive Directors						
Irene Waage Basili	1-May-14	3 years until 2026 AGM*	–	Chairman#	Member#	–
Stanley H. Ryan, Chairman of the Board#	5-Jul-16	3 years until 2024 AGM	–	Member	Chairman#	–
Kirsi K. Tikka	2-Sep-19	3 years until 2025 AGM	Member	–	Member	–
John M.M. Williamson	2-Nov-20	3 years until 2026 AGM*	Chairman	–	–	–
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 18 April 2023.

\# Appointed as Chairman of the Board or a Board Committee or member of a Board Committee, as the case may be, on 18 April 2023.

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 2023, 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 2023	31 Dec 2022
Martin Fruergaard	5,586,000	–	Long	5,586,000	0.11%	0.11%
John M.M. Williamson	56,000	–	Long	56,000	less than 0.01%	less than 0.01%

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 2023.

Save as disclosed, at no time during the six months ended 30 June 2023 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.

Share Award Scheme

The 2013 Share Award Scheme ("SAS") adopted by the Board on 28 February 2013 with an effective term of 10 years has expired on 28 February 2023. It was a single share award scheme under which no share options can be granted. The SAS enabled 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. Upon expiration, no further Awards shall be offered but in all other respects the provisions of the SAS remains in full force and effect. All Awards granted prior to such expiration and not vested at the time shall remain valid.

No Awards were granted during the six months ended 30 June 2023. Details of the movements of the outstanding Awards during the period are as follows:

				During the period			Vesting in		
'000 shares/units	Date of first award	Total awarded	Vested to date	Unvested at 30 Jun 2023	Unvested at 1 Jan 2023	Vested and/or lapsed	2H2023[4]	2024	2025
Directors									
David M. Turnbull[1]	5-Aug-08	13,416	(13,416)	–	3,434	(3,434)	–	–	–
Martin Fruergaard	2-Aug-21	5,475	(1,694)	3,781	3,781	–	1,210	1,212	1,359
Peter Schulz[2]	21-Aug-17	10,949	(10,949)	–	4,650	(4,650)	–	–	–
		29,840	(26,059)	3,781	11,865	(8,084)	1,210	1,212	1,359
Other Employees				55,028	57,371	(2,343)[3]	19,241	23,416	12,371
				58,809	69,236	(10,427)	20,451	24,628	13,730

Notes:

(1) 3,434,000 share awards vested to Mr. Turnbull upon his retirement as a Director and Chairman on 18 April 2023.

(2) 4,650,000 share awards vested to Mr. Schulz upon his stepping down as a Director and Chief Financial Officer on 31 March 2023.

(3) 2,002,000 shares vested due to the retirement of three employees and 341,000 shares lapsed due to the resignation of one employee.

(4) 20,451,000 shares vested on 14 July 2023 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 2023, 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 2023	31 Dec 2022
JP Morgan Chase & Co.[1]	Interest of corporation controlled/Approved lending agent/Investment manager/ Person having a security interest	Long Short	417,761,020 89,089,395	7.94% 1.69%	not applicable not applicable
Citigroup Inc.[2]	Interest of corporation controlled/Approved lending agent	Long Short	384,541,091 21,787,558	7.31% 0.41%	5.61% 0.03%
Brown Brothers Harriman & Co.	Approved lending agent	Long	370,503,046	7.04%	6.00%
Pzena Investment Management, LLC[3]	Investment manager/ Beneficial owner	Long	322,879,435	6.13%	6.14%
M&G Plc	Interest of corporation controlled	Long Short	366,016,000 52,367,000	6.95% 0.99%	6.74% 0.34%
BlackRock, Inc.	Interest of corporation controlled	Long Short	320,516,763 11,960,000	6.09% 0.23%	not applicable not applicable
Pandanus Associates Inc.[4]	Interest of corporation controlled	Long	318,014,000	6.04%	not applicable

Notes:

(1) *The long position in shares held by JP Morgan Chase & Co. is held in the capacities of Interest of corporation controlled (228,386,559 shares), Approved lending agent (138,386,176 shares) and Person having a security interest (47,088,285 shares) and Investment manager (3,900,000 shares). The short position is held in the capacity of Interest of corporation controlled.*

(2) *The long position in shares held by Citigroup Inc. is held in the capacities of Interest of corporation controlled (23,448,785 shares) and Approved lending agent (361,092,306 shares). The short position is held in the capacity of Interest of corporation controlled.*

(3) *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.*

(4) *Pandanus Associates Inc. is associated with Fidelity International according to available public disclosures.*

Human Resources

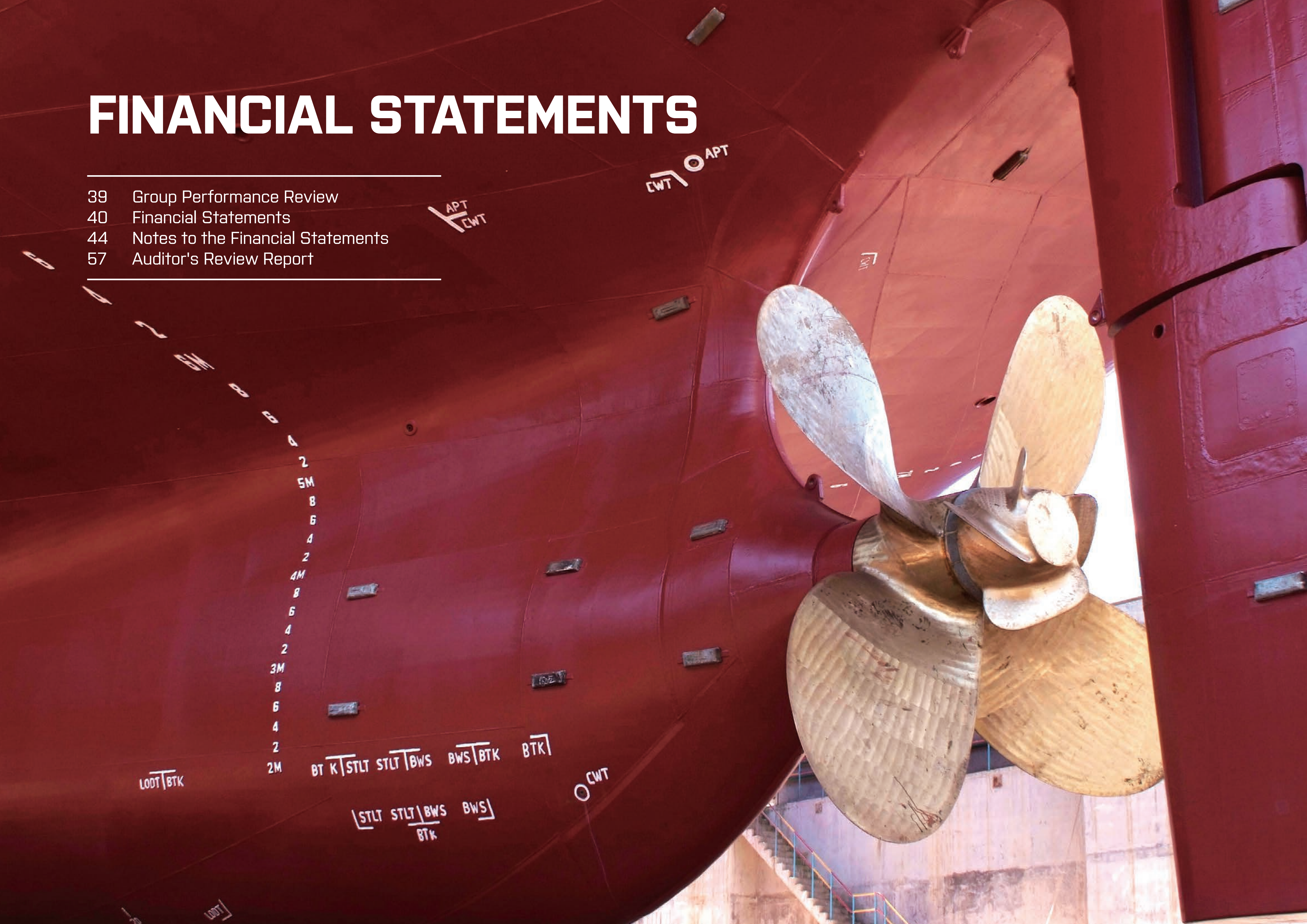
At 30 June 2023, the Company and its subsidiaries employed a total of 386 shore-based staff and had over 3,900 active seafarers during the period (2022: 379 and over 3,900 respectively). The employee costs for the six months ended 30 June 2023, including crew wages and Directors' fees, totalled US$98.8 million (2022: US$116.1 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 provides share incentives 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.

FINANCIAL STATEMENTS



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	**2023**	2022	Change*
Revenue		**1,148.1**	1,722.8	–33%
Bunker, port disbursement & other voyage costs		**(506.7)**	(497.3)	–2%
Time-charter equivalent ("TCE") earnings	1	**641.4**	1,225.5	–48%
Owned vessel costs				
Operating expenses	2	**(103.6)**	(112.6)	+8%
Depreciation	3	**(73.9)**	(71.3)	–4%
Net finance costs	4	**(2.2)**	(9.8)	+78%
Chartered vessel costs				
Non-capitalised charter costs	5	**(315.0)**	(509.0)	+38%
Capitalised charter costs	5	**(32.8)**	(23.2)	–41%
Operating performance before overheads		**113.9**	499.6	–77%
Adjusted total G&A overheads	6	**(37.3)**	(41.8)	+11%
Taxation and others		**(0.4)**	(0.3)	–33%
Underlying profit		**76.2**	457.5	–83%
Disposal gain of vessels	7	**8.8**	10.9	
Unrealised derivative income		**0.3**	13.5	
Incentives and fees for conversion of convertible bonds		**–**	(15.8)	
Provisions		**–**	(1.0)	
Profit attributable to shareholders		**85.3**	465.1	–82%
EBITDA		**189.1**	566.9	–67%
Net profit margin		**7%**	27%	–20%
Return on average equity (annualised)		**9%**	48%	–39%

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

Notes

1. Total time-charter equivalent ("TCE") earnings decreased mainly reflecting declined market freight rates during the period.
2. Total operating expenses of our owned vessels decreased by 8% as a result of lower crew travel cost and other pandemic-related manning costs after lifting of Covid-related restrictions.
3. Depreciation of our owned vessels increased by 4% primarily due to acquisition of Supramax vessels during the period.
4. The decrease of net finance costs by 78% was the combined effect of lower average borrowings, and higher interest income and interest expenses as a result of increased interest rates.
5. Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. The decrease in overall charter costs is in line with the weak freight 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 decreased by 11% primarily due to decreased staff costs.
7. The disposal gain mainly relates to the disposal of our smaller, older Handysize vessels.

During the first half of this year, our underlying profit was negatively impacted as market freight rates declined. We generated daily earnings that outperformed the BHSI and BSI and continued to maintain good control of our vessel operating costs. We generated an underlying profit of US$76.2 million, a net profit of US$85.3 million and an EBITDA of US$189.1 million, yielding an annualised return on equity of 9%.

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.

FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June 2023 US$'000	2022 US$'000
Revenue	4	**1,148,084**	1,722,828
Cost of services	5	**(1,067,526)**	(1,234,390)
Gross profit		**80,558**	488,438
Indirect general and administrative overheads	5	**(3,898)**	(5,661)
Other income and gains	6	**12,960**	12,856
Other expenses	5	**–**	(18,612)
Finance income	7	**8,082**	1,725
Finance costs	7	**(11,727)**	(12,908)
Profit before taxation		**85,975**	465,838
Tax charges	8	**(636)**	(710)
Profit attributable to shareholders		**85,339**	465,128
Earnings per share for profit attributable to shareholders (in US cents)			
Basic earnings per share	10(a)	**1.64**	9.53
Diluted earnings per share	10(b)	**1.59**	8.79

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2023 US$'000	2022 US$'000
Profit attributable to shareholders	**85,339**	465,128
Other comprehensive income Items that are and may be reclassified subsequently to income statement		
Cash flow hedges		
– fair value gains	**1,405**	3,162
– fair value (gains)/losses transferred to income statement	**(1,995)**	3,219
Currency translation differences	**(155)**	(1,238)
Total comprehensive income attributable to shareholders	**84,594**	470,271

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2023 US$'000	31 December 2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,896,554**	1,772,168
Right-of-use assets	12	**71,632**	89,867
Goodwill	11	**25,256**	25,256
Derivative assets	13	**5,833**	6,120
Trade and other receivables	14	**4,215**	5,276
Restricted cash	15	**53**	52
		2,003,543	1,898,739
Current assets			
Inventories		**129,146**	124,461
Derivative assets	13	**3,892**	4,421
Trade and other receivables	14	**158,193**	157,355
Assets held for sale	16	**6,034**	19,884
Cash and deposits	15	**214,986**	443,825
		512,251	749,946
Total assets		**2,515,794**	2,648,685

	Note	30 June 2023 US$'000	31 December 2022 US$'000
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	20	**52,411**	52,464
Retained profits		**616,739**	705,625
Other reserves		**1,152,449**	1,149,266
Total equity		**1,821,599**	1,907,355
LIABILITIES			
Non-current liabilities			
Borrowings	17	**252,620**	280,803
Lease liabilities	18	**19,385**	33,389
Derivative liabilities	13	**114**	292
		272,119	314,484
Current liabilities			
Borrowings	17	**90,553**	97,805
Lease liabilities	18	**55,327**	59,902
Derivative liabilities	13	**5,106**	7,268
Trade and other payables	19	**270,779**	261,870
Taxation payable		**311**	1
		422,076	426,846
Total liabilities		**694,195**	741,330

Unaudited Condensed Consolidated Statement of Changes in Equity

Capital and reserves attributable to shareholders

2023

US$'000	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed surplus	Retained profits	Total
At 1 January	52,464	427,507	(56,606)	2,558	(8,641)	6,340	(1,830)	779,938	705,625	1,907,355
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	85,339	85,339
Other comprehensive income										
Cash flow hedges										
– fair value gains	–	–	–	–	–	1,405	–	–	–	1,405
– fair value (gains)/losses transferred to income statement	–	–	–	–	–	(1,995)	–	–	–	(1,995)
Currency translation differences	–	–	–	–	–	–	(155)	–	–	(155)
Total comprehensive income	–	–	–	–	–	(590)	(155)	–	85,339	84,594
Transactions with owners in their capacity as owners										
Shares issued upon conversion of convertible bonds (Note 20(a))	26	499	–	(38)	–	–	–	–	–	487
Dividends paid (Note 9)	–	–	–	–	–	–	–	–	(174,225)	(174,225)
Share-based compensation	–	–	–	–	3,388	–	–	–	–	3,388
Share awards lapsed (Note 20(b))	(79)	–	–	–	79	–	–	–	–	–
Share awards granted	–	–	–	–	–	–	–	–	–	–
Shares issued upon grant of restricted share awards	–	–	–	–	–	–	–	–	–	–
Shares purchased by trustee of the SAS	–	–	–	–	–	–	–	–	–	–
At 30 June	52,411	428,006	(56,606)	2,520	(5,174)	5,750	(1,985)	779,938	616,739	1,821,599

2022

US$'000	Share capital	Share premium	Merger reserve	Convertible bonds reserve	Staff benefits reserve	Hedging reserve	Exchange reserve	Contributed surplus	Retained profits	Total
At 1 January	47,858	313,375	(56,606)	13,121	(8,035)	(2,613)	(365)	779,938	744,553	1,831,226
Comprehensive income										
Profit attributable to shareholders	–	–	–	–	–	–	–	–	465,128	465,128
Other comprehensive income										
Cash flow hedges										
– fair value gains	–	–	–	–	–	3,162	–	–	–	3,162
– fair value (gains)/losses transferred to income statement	–	–	–	–	–	3,219	–	–	–	3,219
Currency translation differences	–	–	–	–	–	–	(1,238)	–	–	(1,238)
Total comprehensive income	–	–	–	–	–	6,381	(1,238)	–	465,128	470,271
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
Share awards lapsed (Note 20(b))	(34)	–	–	–	34	–	–	–	–	–
Share awards granted	1,978	–	–	–	482	–	–	–	(2,460)	–
Shares issued upon grant of restricted share awards	144	7,949	–	–	(8,093)	–	–	–	–	–
Shares purchased by trustee of the SAS	(1,709)	–	–	–	–	–	–	–	–	(1,709)
At 30 June	52,497	425,535	(56,606)	5,255	(11,603)	3,768	(1,603)	779,938	839,525	2,036,706

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2023 US$'000	2022 US$'000
Operating activities			
Cash generated from operations	21	**185,103**	512,064
Taxation paid		**(326)**	(531)
Net cash generated from operating activities		**184,777**	511,533
Investing activities			
Purchase of property, plant and equipment		**(209,545)**	(35,322)
Disposal of property, plant and equipment		**8,297**	40,826
Disposal of assets held for sale		**26,131**	–
Receipt in advance for disposal of assets held for sale		**8,500**	–
Decrease in term deposits with original maturities over 3 months		**84,987**	75,036
Interest received	7	**8,082**	1,725
Net cash generated (used in)/from investing activities		**(73,548)**	82,265

	Note	Six months ended 30 June 2023 US$'000	2022 US$'000
Financing activities			
Repayment of bank loans and other borrowings		**(37,910)**	(43,045)
Interest on borrowings and other finance charges paid		**(8,625)**	(8,191)
Repayment of lease liabilities – principal element	18	**(32,759)**	(24,158)
Interest on lease liabilities paid	7	**(1,647)**	(1,412)
Dividends paid	9	**(174,225)**	(367,696)
Incentives and fees for conversion of convertible bonds		**–**	(15,824)
Payment for shares purchased by trustee of the SAS		**–**	(1,709)
Net cash used in financing activities		**(255,166)**	(462,035)
Net (decrease)/increase in cash and cash equivalents		**(143,937)**	131,763
Cash and cash equivalents			
At 1 January		**358,838**	309,634
Net (decrease)/increase in cash and cash equivalents		**(143,937)**	131,763
Exchange gains/(losses)		**85**	(120)
At 30 June	15	**214,986**	441,277
Term deposits with original maturities over 3 months			
At 1 January		**84,987**	150,036
Decrease in term deposits with original maturities over 3 months		**(84,987)**	(75,036)
At 30 June	15	**–**	75,000
Cash and deposits at 30 June	15	**214,986**	516,277

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.

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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

	Six months ended 30 June	
US$'000	**2023**	2022
Freight	**975,172**	1,388,748
Charter-hire		
– lease component	**116,327**	272,265
– non-lease component	**56,585**	61,815
	1,148,084	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
Vessel-related expenses		
Vessel charter costs (a)	**315,017**	509,039
Bunkers consumed	**287,410**	300,139
Port disbursements and other voyage costs	**220,714**	219,443
Vessel depreciation		
– owned vessels	**73,920**	71,307
– right-of-use assets	**31,324**	21,893
Employee benefit expenses – crew wages and other related costs	**68,089**	79,742
Vessel operating expenses	**29,054**	27,121
Lubricating oil consumed	**6,491**	5,719
Net losses/(gains) on bunker swap contracts	**1,253**	(35,972)
	1,033,272	1,198,431
General and administrative overheads (b)		
Employee benefit expenses including Directors' emoluments	**30,704**	36,350
Other PP&E depreciation		
– right-of-use assets	**1,078**	1,133
– owned other PP&E	**630**	744
Office lease expenses	**462**	331
Net foreign exchange gains	**(672)**	(1,199)
Other general and administrative expenses	**5,950**	4,261
	38,152	41,620

US$'000	Six months ended 30 June 2023	2022
Other expenses		
Incentives and fees for conversion of convertible bonds	**–**	15,824
Provision for impairment – owned vessel	**–**	1,513
Provisions	**–**	950
Net losses on forward freight agreements	**–**	325
	–	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	**1,071,424**	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	**34,254**	35,959
Indirect G&A overheads	**3,898**	5,661
Total G&A overheads	**38,152**	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
	12,960	12,856

7 Finance income and finance costs

US$'000	Six months ended 30 June 2023	2022
Finance income		
Bank interest income	**(7,922)**	(1,725)
Other interest income	**(160)**	–
	(8,082)	(1,725)
Finance costs		
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
	11,727	12,908
Finance costs, net	**3,645**	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	**636**	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)	**85,339**	465,128
Weighted average number of shares in issue	('000)	**5,196,025**	4,880,350
Basic earnings per share	(US cents)	**1.64**	9.53
Equivalent to	(HK cents)	**12.87**	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$'000)	**85,339**	465,128
Effect of interest on convertible bonds	(US$'000)	**751**	3,097
Effect of incentives and fees for conversion of convertible bonds	(US$'000)	**–**	15,824
Adjusted profit attributable to shareholders	(US$'000)	**86,090**	484,049
Weighted average number of shares in issue	('000)	**5,196,025**	4,880,350
Effect of convertible bonds	('000)	**168,641**	561,432
Effect of unvested restricted shares	('000)	**50,615**	65,978
Diluted weighted average number of shares	('000)	**5,415,281**	5,507,760
Diluted earnings per share	(US cents)	**1.59**	8.79
Equivalent to	(HK cents)	**12.45**	68.72

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

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

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[1]	**11**	**10.8**	**119.0**
Large Handysize[2]	**59**	**14.2**	**837.4**
Supramax	**50**	**18.2**	**910.7**
Capesize	**1**	**28.2**	**28.2**
	121		**1,895.3**

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 2023	**81,185**	**8,682**	**89,867**
Additions	**8,949**	**16**	**8,965**
Lease modification	**5,349**	**–**	**5,349**
Depreciation	**(31,324)**	**(1,078)**	**(32,402)**
Exchange differences	**–**	**(147)**	**(147)**
At 30 June 2023	**64,159**	**7,473**	**71,632**
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).

	30 June 2023		31 December 2022	
US$'000	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
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)
	5,833	**(114)**	6,120	(292)
Current				
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	–
	3,892	**(5,106)**	4,421	(7,268)
Total	**9,725**	**(5,220)**	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
At 30 June 2023			
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
At 30 June 2023			
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[1]	Contract type	Quantity (days)	Weighted average contract daily price (US$)	Expiry through
At 30 June 2023				
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

[1] "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
Non-current		
Prepayments (a)	**4,215**	5,276
Current		
Trade receivables (b)	**110,573**	112,429
Other receivables	**28,528**	29,003
Prepayments	**19,092**	15,923
	158,193	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	**83,672**	78,096
31-60 days	**4,090**	10,447
61-90 days	**3,544**	3,941
> 90 days	**19,267**	19,945
	110,573	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
Non-current		
Bank loans (a)	**229,471**	256,248
Other borrowings (b)	**23,149**	24,555
	252,620	280,803
Current		
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
	33,059	35,312

(c) Convertible bonds

	30 June 2023		31 December 2022	
US$'000	**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	**93,291**	60,429
Additions	**8,965**	43,362
Lease modification	**5,349**	10,950
Repayments	**(32,759)**	(24,158)
Exchange differences	**(134)**	(385)
At 30 June	**74,712**	90,198
Non-current	**19,385**	39,523
Current	**55,327**	50,675
	74,712	90,198

The lease liabilities are repayable as follows:

US$'000	30 June 2023	30 June 2022
Within one year	**55,327**	50,675
In the second year	**12,880**	16,843
In the third to fifth year	**6,396**	22,003
After the fifth year	**109**	677
	74,712	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	**91,000**	80,793
Accruals and other payables	**104,608**	120,746
Receipts in advance	**75,171**	60,331
	270,779	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	**81,838**	73,432
31-60 days	**241**	286
61-90 days	**202**	574
> 90 days	**8,719**	6,501
	91,000	80,793

20 Share capital

	2023 Number of shares	2023 US$'000	2022 Number of shares	2022 US$'000
Authorised	**36,000,000,000**	**360,000**	36,000,000,000	360,000
Issued and fully paid				
At 1 January	**5,260,541,023**	**52,464**	4,811,327,272	47,858
Shares issued upon conversion of convertible bonds (a)	**2,612,033**	**26**	425,987,441	4,260
Shares transferred back to trustee upon lapse of restricted share awards (b)	**(341,000)**	**(79)**	(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	**5,262,812,056**	**52,411**	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	**69,236**	78,811
Granted	**–**	18,816
Vested	**(10,086)**	(4,432)
Lapsed	**(341)**	(174)
At 30 June	**58,809**	93,021

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

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

	Six months ended 30 June	
US$'000	**2023**	2022
Profit before taxation	**85,975**	465,838
Assets and liabilities adjustments		
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
Capital and funding adjustments		
Share-based compensation	**3,388**	4,009
Results adjustments		
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**
At 30 June 2023			
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**
	304,565	**99**	**304,664**
At 31 December 2022			
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
	60,610	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)

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

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 40 to 56, 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 2023 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 material accounting policy information 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" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 July 2023

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

OUR PACIFIC BASIN CREW ARE OUR HEROES AT SEA

INTERIM REPORT 2023

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