



ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司†

(Incorporated in Bermuda with Limited Liability)

(Stock code: 316)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2008

The Directors of Orient Overseas (International) Limited (the “Company”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2008, which have been reviewed by our auditor, PricewaterhouseCoopers whose unmodified review report is included in the Interim Report to be sent to Shareholders.

Condensed Consolidated Profit and Loss Account (unaudited) For the six months ended 30th June 2008

US\$'000	Note	2008	2007
Revenue	5	3,203,723	2,514,250
Operating costs		<u>(2,775,581)</u>	<u>(2,111,496)</u>
Gross profit		428,142	402,754
Fair value (loss)/gain from an investment property		(10,000)	25,000
Other operating income		35,635	77,711
Other operating expenses		<u>(236,157)</u>	<u>(207,050)</u>
Operating profit	6	217,620	298,415
Finance costs	8	(45,931)	(43,849)
Share of profits less losses of jointly controlled entities		1,591	1,633
Share of profits/(losses) of associated companies		<u>2,311</u>	<u>(2,166)</u>
Profit before taxation		175,591	254,033
Taxation	9	<u>(15,626)</u>	<u>(24,263)</u>
Profit for the period from continuing operations		159,965	229,770
Discontinued operation : Profit for the period from discontinued operation	10	<u>-</u>	<u>1,986,973</u>
Profit for the period		<u>159,965</u>	<u>2,216,743</u>
Attributable to :			
Equity holders of the Company		158,250	2,216,310
Minority interests		<u>1,715</u>	<u>433</u>
		<u>159,965</u>	<u>2,216,743</u>
Interim dividend	11	<u>40,677</u>	<u>560,085</u>
Earnings per ordinary share (US cents)			
- from continuing operations		25.3	36.7
- from discontinued operation		-	317.5
Basic and diluted	12	<u>25.3</u>	<u>354.2</u>

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

As at 30th June 2008

US\$'000	Note	30th June 2008	31st December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,666,017	3,350,844
Investment property	13	190,000	200,000
Prepayments of lease premiums	13	8,912	8,710
Jointly controlled entities		11,916	9,914
Associated companies		55,593	49,982
Intangible assets	13	42,894	39,696
Deferred taxation assets		737	895
Pension and retirement assets		26,213	4,233
Available-for-sale financial assets		39,633	25,420
Restricted bank balances and other deposits		187,873	75,647
Other non-current assets		87,291	87,092
		<u>4,317,079</u>	<u>3,852,433</u>
Current assets			
Properties under development and for sale		405,450	385,303
Inventories		138,217	100,953
Debtors and prepayments	14	731,833	694,602
Portfolio investments		162,426	287,720
Derivative financial instruments	15	3,327	7,099
Cash and bank balances		1,634,437	1,885,534
		<u>3,075,690</u>	<u>3,361,211</u>
Total assets		<u>7,392,769</u>	<u>7,213,644</u>
EQUITY			
Equity holders			
Share capital	16	62,579	62,579
Reserves	17	4,240,877	4,113,789
		<u>4,303,456</u>	<u>4,176,368</u>
Minority interests		<u>19,602</u>	<u>14,937</u>
Total equity		<u>4,323,058</u>	<u>4,191,305</u>
LIABILITIES			
Non-current liabilities			
Borrowings	19	2,004,044	1,864,436
Deferred taxation liabilities		40,573	33,475
Pension and retirement liabilities		11,552	11,505
		<u>2,056,169</u>	<u>1,909,416</u>
Current liabilities			
Creditors and accruals	18	760,247	752,343
Borrowings	19	241,263	341,748
Current taxation		12,032	18,832
		<u>1,013,542</u>	<u>1,112,923</u>
Total liabilities		<u>3,069,711</u>	<u>3,022,339</u>
Total equity and liabilities		<u>7,392,769</u>	<u>7,213,644</u>
Net current assets		<u>2,062,148</u>	<u>2,248,288</u>
Total assets less current liabilities		<u>6,379,227</u>	<u>6,100,721</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)
For The Six Months Ended 30th June 2008

US\$'000	Note	2008	2007
Cash flows from operating activities			
Cash generated from operations		223,338	265,310
Interest paid		(19,906)	(16,704)
Interest element of finance lease rental payments		(38,384)	(26,648)
Dividend on preference shares		(1,982)	(4,626)
Hong Kong profits tax paid		-	(481)
Overseas taxes paid		<u>(10,358)</u>	<u>(58,918)</u>
Net cash from operating activities		<u>152,708</u>	<u>157,933</u>
Cash flows from investing activities			
Sale of property, plant and equipment		18,515	32,130
Sale of available-for-sale financial assets		54	4,542
Purchase of property, plant and equipment		(421,133)	(328,621)
Purchase of available-for-sale financial assets		(20)	(14)
Decrease/(increase) in portfolio investments		125,294	(228,769)
Investment in an associated company		-	(1,227)
Disposal of subsidiaries	23	-	2,298,266
(Increase)/decrease in amounts due by jointly controlled entities		(1,174)	359
Increase in bank deposits maturing more than three months from the date of placement		(102,271)	(8,216)
Purchase of intangible assets		(6,619)	(7,270)
Increase in other non-current assets		(199)	(1,531)
Interest received		27,994	57,318
Income from available-for-sale financial assets		17	18
Dividends received from portfolio investments		396	233
Dividends received from jointly controlled entities		<u>1,264</u>	<u>2,543</u>
Net cash (used in)/from investing activities		<u>(357,882)</u>	<u>1,819,761</u>
Cash flows from financing activities			
New loans		258,567	40,146
Repayment of loans		(183,794)	(47,445)
Redemption of preference shares		(10,145)	(9,680)
Capital element of finance lease rental payments		(27,884)	(44,969)
Contributions from minority interests		1,871	-
Dividends paid to shareholders		<u>(84,433)</u>	<u>(575,373)</u>
Net cash used in financing activities		<u>(45,818)</u>	<u>(637,321)</u>
Net (decrease)/increase in cash and cash equivalents			
		(250,992)	1,340,373
Cash and cash equivalents at beginning of period		1,855,289	810,903
Currency translation adjustments		<u>9,837</u>	<u>8,651</u>
Cash and cash equivalents at end of period		<u>1,614,134</u>	<u>2,159,927</u>
Analysis of cash and cash equivalents			
Bank balances and deposits maturing within three months from the date of placement		1,614,328	2,160,033
Bank overdrafts		<u>(194)</u>	<u>(106)</u>
		<u>1,614,134</u>	<u>2,159,927</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)
For The Six Months Ended 30th June 2008

US\$'000	Equity holders			Minority interests	Total
	Share capital	Reserves	Sub-total		
At 31st December 2007	62,579	4,113,789	4,176,368	14,937	4,191,305
Currency translation adjustments	-	38,980	38,980	1,079	40,059
Change in fair value	-	14,291	14,291	-	14,291
Profit for the period	-	158,250	158,250	1,715	159,965
2007 final dividend	-	(84,433)	(84,433)	-	(84,433)
Contributions from minority interests	-	-	-	1,871	1,871
At 30th June 2008	62,579	4,240,877	4,303,456	19,602	4,323,058
At 31st December 2006	62,579	2,664,627	2,727,206	12,827	2,740,033
Currency translation adjustments	-	11,388	11,388	347	11,735
Change in fair value	-	2,349	2,349	-	2,349
Asset revaluation reserve realised	-	(2,250)	(2,250)	-	(2,250)
Profit for the period	-	2,216,310	2,216,310	433	2,216,743
2006 final dividend	-	(75,049)	(75,049)	-	(75,049)
2006 special dividend	-	(500,324)	(500,324)	-	(500,324)
At 30th June 2007	62,579	4,317,051	4,379,630	13,607	4,393,237

Notes to the Condensed Interim Financial Information

1. General Information

Orient Overseas (International) Limited (the “Company”) is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information was approved by the Board of Directors on 30th July 2008.

2. Basis of Preparation

The condensed interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment property, certain property, plant and equipment, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value and in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the condensed interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2007.

The adoption of new / revised HKFRS

In 2008, the Group adopted the new interpretation of Hong Kong Financial Reporting Standards (“HKFRS”) below, which is relevant to its operations.

HK (IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
---------------------	--

The Group has assessed the impact of the adoption of this new interpretation and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the accounts will be resulted.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31st December 2007.

4. Critical Accounting Estimates and Judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the condensed interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2007.

5. Revenue

US\$'000	2008	2007
Container transport and logistics	3,175,693	2,501,266
Property investment and development	<u>28,030</u>	<u>12,984</u>
	<u>3,203,723</u>	<u>2,514,250</u>

The principal activities of the Group are container transport and logistics and property investment and development.

Revenue comprises turnover which includes gross freight, charterhire, service and other income from the operations of the container transport and logistics, and sale of properties and rental income from the operation of the property investment.

6. Operating Profit

US\$'000	2008	2007	
	Continuing operations	Continuing operations	Discontinued operation
Operating profit is arrived at after crediting :			
Interest income from banks	25,201	56,495	188
Gross rental income from an investment property	14,186	12,820	-
Profit on disposal of property, plant and equipment	1,046	2,806	-
Profit on disposal of available-for-sale financial assets	-	2,344	-
Gain on foreign exchange forward contracts	603	900	-
Portfolio investment income	-	12,539	-
Exchange gain	6,291	4,720	-
and after charging :			
Depreciation			
Owned assets	62,226	60,810	1,867
Leased assets	33,575	21,370	-
Operating lease rental expense			
Vessels and equipment	271,677	255,438	-
Land and buildings	13,623	11,037	-
Rental outgoings in respect of an investment property			
	5,704	5,197	-
Portfolio investment loss	2,218	-	-
Loss on interest rate swap contracts	290	3,607	-
Amortisation of intangible assets	3,421	1,456	-
Amortisation of leasehold land and land use rights	892	856	-

7. Key Management Compensation

US\$'000	2008	2007
Salaries and other short-term employee benefits	6,345	8,939
Pension costs - defined contribution plans	<u>565</u>	<u>568</u>
	<u>6,910</u>	<u>9,507</u>

8. Finance Costs

US\$'000	2008	2007
Interest expense	(46,002)	(50,070)
Amount capitalised under assets	<u>2,053</u>	<u>8,515</u>
Net interest expense	(43,949)	(41,555)
Dividend on preference shares	<u>(1,982)</u>	<u>(2,294)</u>
	<u>(45,931)</u>	<u>(43,849)</u>

9. Taxation

US\$'000	2008	2007
Current taxation		
Hong Kong profits tax	-	(66)
Overseas taxation	<u>(10,488)</u>	<u>(13,688)</u>
	(10,488)	(13,754)
Deferred taxation		
Hong Kong profits tax	-	(615)
Overseas taxation	<u>(5,138)</u>	<u>(9,894)</u>
	<u>(15,626)</u>	<u>(24,263)</u>

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. These rates range from 4% to 52% (2007: 6% to 52%) and the rate applicable for Hong Kong profits tax is 16.5% (2007: 17.5%).

10. Discontinued Operation

An analysis of the results and cash flows of the Disposal Group in 2007 was as follows :

US\$'000	2007
(i) Results	
Revenue	53,387
Operating costs	<u>(38,707)</u>
Gross profit	14,680
Other operating income	188
Other operating expenses	<u>(5,004)</u>
Operating profit	9,864
Finance costs	<u>(748)</u>
Profit before taxation	9,116
Taxation	<u>(4,577)</u>
Profit after taxation	4,539
Gain on disposal of subsidiaries, net of tax (note 23)	<u>1,982,434</u>
Profit from discontinued operation	<u>1,986,973</u>

Gain on disposal of subsidiaries was stated after deducting estimated capital gain tax of US\$84.1 million.

(ii) Cash flows

Operating cash flows	7,171
Investing cash flows	(4,212)
Financing cash flows	<u>(2,578)</u>
Total cash flows	<u>381</u>

11. Interim Dividend

The Board of Directors declares an interim dividend of US6.5 cents per ordinary share for 2008 (2007: US9.5 cents for interim dividend and US80 cents for special dividend).

At a meeting held on 4th March 2008, the Directors proposed a final dividend of US13.5 cents per ordinary share amounting to US\$84,433,000 for the year ended 31st December 2007, which was paid on 5th May 2008 and have been reflected as appropriations of retained profit for the six months ended 30th June 2008.

12. Earnings Per Ordinary Share

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to equity holders divided by the number of ordinary shares in issue during the period.

The basic and diluted earnings are the same since there are no potential dilutive shares.

	2008	2007
Number of ordinary shares in issue (thousands)	<u>625,793</u>	<u>625,793</u>
Group's profit from continuing operations attributable to equity holders (US\$'000)	<u>158,250</u>	<u>229,337</u>
Earnings per share from continuing operations (US cents)	<u>25.3</u>	<u>36.7</u>
Profit from discontinued operation attributable to equity holders (US\$'000)	<u>-</u>	<u>1,986,973</u>
Earnings per share from discontinued operation (US cents)	<u>-</u>	<u>317.5</u>

13. Capital Expenditure

US\$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts :					
At 31st December 2007	3,350,844	200,000	8,710	39,696	3,599,250
Currency translation adjustments	5,494	-	421	-	5,915
Fair value loss	-	(10,000)	-	-	(10,000)
Additions	422,949	-	-	6,619	429,568
Disposals	(17,469)	-	-	-	(17,469)
Depreciation and amortisation	<u>(95,801)</u>	<u>-</u>	<u>(219)</u>	<u>(3,421)</u>	<u>(99,441)</u>
At 30th June 2008	<u>3,666,017</u>	<u>190,000</u>	<u>8,912</u>	<u>42,894</u>	<u>3,907,823</u>
At 31st December 2006	2,777,004	200,000	5,416	29,363	3,011,783
Currency translation adjustments	1,190	-	80	1	1,271
Fair value gain	-	25,000	-	-	25,000
Additions	380,380	-	-	7,270	387,650
Disposals	(29,324)	-	-	-	(29,324)
Depreciation and amortisation	<u>(82,180)</u>	<u>-</u>	<u>(158)</u>	<u>(1,456)</u>	<u>(83,794)</u>
At 30th June 2007	<u>3,047,070</u>	<u>225,000</u>	<u>5,338</u>	<u>35,178</u>	<u>3,312,586</u>

14. Debtors and Prepayments

US\$'000	30th June 2008	31st December 2007
Trade receivables	384,563	355,567
Less : Provision for impairment	<u>(4,928)</u>	<u>(5,474)</u>
Trade receivables - net	379,635	350,093
Other debtors	75,476	85,006
Prepayments of purchase of property	175,896	165,021
Other prepayments	63,253	51,698
Utility and other deposits	7,943	6,224
Tax recoverable	<u>29,630</u>	<u>36,560</u>
	<u>731,833</u>	<u>694,602</u>

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US\$'000	30th June 2008	31st December 2007
Below one month	330,817	318,834
Two to three months	39,106	28,099
Four to six months	5,960	3,160
Over six months	<u>3,752</u>	<u>-</u>
	<u>379,635</u>	<u>350,093</u>

15. Derivative Financial Instruments

US\$'000	30th June 2008	31st December 2007
Foreign exchange forward contracts	3,139	4,172
Interest rate swap contracts	<u>188</u>	<u>2,927</u>
	<u>3,327</u>	<u>7,099</u>

16. Share Capital

US\$'000	30th June 2008	31st December 2007
Authorised :		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	<u>50,000</u>	<u>50,000</u>
	<u>205,000</u>	<u>205,000</u>
Issued and fully paid :		
625,793,297 (2007: 625,793,297) ordinary shares of US\$0.10 each	<u>62,579</u>	<u>62,579</u>

17. Reserves

US\$'000	Share premium	Contributed surplus	Capital redemption reserve	Asset revaluation reserve		Foreign exchange translation reserve	Retained profit	Total
				Vessels	Available-for-sale financial assets			
At 31st December 2007	172,457	88,547	4,696	9,948	19,063	10,238	3,808,840	4,113,789
Currency translation adjustments								
Group	-	-	-	-	-	36,950	-	36,950
Jointly controlled entities	-	-	-	-	-	532	-	532
Associated companies	-	-	-	-	-	3,300	-	3,300
Deferred taxation	-	-	-	-	-	(1,802)	-	(1,802)
Change in fair value	-	-	-	-	14,291	-	-	14,291
Profit for the period	-	-	-	-	-	-	158,250	158,250
2007 final dividend	-	-	-	-	-	-	(84,433)	(84,433)
At 30th June 2008	172,457	88,547	4,696	9,948	33,354	49,218	3,882,657	4,240,877
At 31st December 2006	172,457	88,547	4,696	9,948	12,711	(21,097)	2,397,365	2,664,627
Currency translation adjustments								
Group	-	-	-	-	-	9,605	-	9,605
Jointly controlled entities	-	-	-	-	-	1,783	-	1,783
Change in fair value	-	-	-	-	2,349	-	-	2,349
Asset revaluation reserve realised	-	-	-	-	(2,250)	-	-	(2,250)
Profit for the period	-	-	-	-	-	-	2,216,310	2,216,310
2006 final dividend	-	-	-	-	-	-	(75,049)	(75,049)
2006 special dividend	-	-	-	-	-	-	(500,324)	(500,324)
At 30th June 2007	172,457	88,547	4,696	9,948	12,810	(9,709)	4,038,302	4,317,051
Currency translation adjustments								
Group	-	-	-	-	-	22,076	-	22,076
Jointly controlled entities	-	-	-	-	-	(1,202)	-	(1,202)
Associated companies	-	-	-	-	-	3,084	-	3,084
Deferred taxation	-	-	-	-	-	(4,011)	-	(4,011)
Change in fair value	-	-	-	-	6,914	-	-	6,914
Asset revaluation reserve realised	-	-	-	-	(661)	-	-	(661)
Profit for the period	-	-	-	-	-	-	330,669	330,669
2007 interim dividend	-	-	-	-	-	-	(59,455)	(59,455)
2007 special dividend	-	-	-	-	-	-	(500,676)	(500,676)
At 31st December 2007	172,457	88,547	4,696	9,948	19,063	10,238	3,808,840	4,113,789

18. Creditors and Accruals

US\$'000	30th June 2008	31st December 2007
Trade payables	223,795	169,536
Other creditors	82,112	71,464
Accrued expenses	399,356	470,621
Deferred revenue	54,984	40,722
	<u>760,247</u>	<u>752,343</u>

The ageing analysis of the Group's trade payables, prepared in accordance with date of invoices, is as follows:

US\$'000	30th June 2008	31st December 2007
Below one month	191,934	150,254
Two to three months	27,570	17,015
Four to six months	3,992	1,791
Over six months	299	476
	<u>223,795</u>	<u>169,536</u>

19. Borrowings

US\$'000	30th June 2008	31st December 2007
Non-current		
Bank loans, secured	484,873	390,252
Other loans, secured	-	6
Loans from minority interests, secured	156,875	64,156
Redeemable preference shares and premium	35,057	45,689
Finance lease obligations	<u>1,327,239</u>	<u>1,364,333</u>
	<u>2,004,044</u>	<u>1,864,436</u>
Current		
Bank overdrafts, unsecured	194	181
Bank loans		
- secured	121,427	127,854
- unsecured	30,616	135,668
Other loans, secured	206	430
Loans from minority interests		
- secured	4,963	4,963
- unsecured	6,434	6,041
Redeemable preference shares and premium	10,632	10,145
Finance lease obligations	<u>66,791</u>	<u>56,466</u>
	<u>241,263</u>	<u>341,748</u>
Total borrowings	<u>2,245,307</u>	<u>2,206,184</u>

20. Commitments

(a) Capital commitments

US\$'000	30th June 2008	31st December 2007
Contracted but not provided for	1,175,394	1,342,902
Authorised but not contracted for	<u>50,804</u>	<u>229,197</u>
	<u>1,226,198</u>	<u>1,572,099</u>

(b) Operating lease commitments

The future aggregate minimum lease rental expense under non-cancellable operating leases are payable in the following years :

US\$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2008			
2008/09	347,630	25,807	373,437
2009/10	168,872	19,540	188,412
2010/11	112,186	13,967	126,153
2011/12	73,792	6,101	79,893
2012/13	73,783	3,052	76,835
2013/14 onwards	<u>569,105</u>	<u>2,025</u>	<u>571,130</u>
	<u>1,345,368</u>	<u>70,492</u>	<u>1,415,860</u>
As at 31st December 2007			
2008	368,164	22,882	391,046
2009	210,635	14,285	224,920
2010	113,683	9,193	122,876
2011	87,095	5,080	92,175
2012	73,824	3,575	77,399
2013 onwards	<u>605,310</u>	<u>4,834</u>	<u>610,144</u>
	<u>1,458,711</u>	<u>59,849</u>	<u>1,518,560</u>

21. Financial Guarantees

As at 31st December 2007, the Group had given corporate guarantee of approximately US\$43.1 million in respect of bank loan facilities extended to an investee company. The amount utilised by the investee company as at 31st December 2007 was US\$26.5 million. The corporate guarantee was released by the bank during the six months ended 30th June 2008.

22. Segment Information

The principal activities of the Group are container transport and logistics and property investment and development. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Transatlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

For the geographical segment reporting, freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the container transport and logistics activities, which cover the world's major shipping lanes, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for container transport and logistics business are not presented.

Unallocated assets under business segment reporting primarily include portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances. While unallocated segment liabilities include borrowings, current and deferred taxation liabilities.

22. Segment Information (Continued)

Business segments

The segment results for the six months ended 30th June 2008 are as follows:

US\$'000	Continuing operations				Group
	Container transport and logistics	Property investment and development	Unallocated	Elimination	
Revenue	<u>3,175,693</u>	<u>28,493</u>	<u>-</u>	<u>(463)</u>	<u>3,203,723</u>
Operating profit/(loss)	208,895	(5,705)	14,430	-	217,620
Finance costs					(45,931)
Share of profits of jointly controlled entities					1,591
Share of profits of associated companies					2,311
Profit before taxation					175,591
Taxation					(15,626)
Profit for the period					159,965
Capital expenditure	411,769	17,799	-	-	429,568
Depreciation	95,679	122	-	-	95,801
Amortisation	3,592	721	-	-	4,313

22. Segment Information (Continued)

Business segments (Continued)

The segment results for the six months ended 30th June 2007 are as follows :

US\$'000	Continuing operations					Discontinued operation		Group
	Container transport and logistics	Property investment and development	Unallocated	Elimination	Sub-total	Terminal	Elimination	
Revenue	<u>2,501,266</u>	<u>13,448</u>	<u>-</u>	<u>(464)</u>	<u>2,514,250</u>	<u>53,387</u>	<u>(5,773)</u>	<u>2,561,864</u>
Operating profit	205,389	32,595	60,431	-	298,415	9,864	-	308,279
Finance costs					(43,849)	(748)	-	(44,597)
Share of profits less losses of jointly controlled entities					1,633	-	-	1,633
Share of losses of associated companies					(2,166)	-	-	(2,166)
Profit before taxation					254,033	9,116	-	263,149
Taxation					(24,263)	(4,577)	-	(28,840)
Profit after taxation					229,770	4,539	-	234,309
Gain on disposal of subsidiaries					-	1,982,434	-	1,982,434
Profit for the period					229,770	1,986,973	-	2,216,743
Capital expenditure	387,623	27	-	-	387,650	4,400	-	392,050
Depreciation	82,135	45	-	-	82,180	1,867	-	84,047
Amortisation	1,614	698	-	-	2,312	-	-	2,312

22. Segment Information (Continued)

Business segments (Continued)

The segment assets and liabilities as at 30th June 2008 are as follows:

	Container transport and logistics	Property investment and development	Unallocated	Group
US\$'000				
As at 30th June 2008				
Segment assets				
Property, plant and equipment	3,595,397	70,620	-	3,666,017
Jointly controlled entities	5,185	6,731	-	11,916
Associated companies	55,593	-	-	55,593
Other assets	<u>739,006</u>	<u>904,369</u>	<u>2,015,868</u>	<u>3,659,243</u>
Total assets	<u>4,395,181</u>	<u>981,720</u>	<u>2,015,868</u>	<u>7,392,769</u>
Segment liabilities				
Creditors and accruals	(733,231)	(26,286)	(730)	(760,247)
Other liabilities	<u>(11,552)</u>	<u>-</u>	<u>(2,297,912)</u>	<u>(2,309,464)</u>
Total liabilities	<u>(744,783)</u>	<u>(26,286)</u>	<u>(2,298,642)</u>	<u>(3,069,711)</u>
As at 31st December 2007				
Segment assets				
Property, plant and equipment	3,301,117	49,727	-	3,350,844
Jointly controlled entities	4,136	5,778	-	9,914
Associated companies	49,982	-	-	49,982
Other assets	<u>635,438</u>	<u>875,796</u>	<u>2,291,670</u>	<u>3,802,904</u>
Total assets	<u>3,990,673</u>	<u>931,301</u>	<u>2,291,670</u>	<u>7,213,644</u>
Segment liabilities				
Creditors and accruals	(650,828)	(100,779)	(736)	(752,343)
Other liabilities	<u>(11,505)</u>	<u>-</u>	<u>(2,258,491)</u>	<u>(2,269,996)</u>
Total liabilities	<u>(662,333)</u>	<u>(100,779)</u>	<u>(2,259,227)</u>	<u>(3,022,339)</u>

22. Segment Information (Continued)

Geographical segments

The Group's two business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

US\$'000	Revenue	Operating profit/(loss)	Capital expenditure
Six months ended 30th June 2008			
Asia	2,144,356	(3,128)	33,363
North America	563,827	(2,577)	7,929
Europe	436,419	-	585
Australia	59,121	-	49
Unallocated*	-	223,325	387,642
	<u>3,203,723</u>	<u>217,620</u>	<u>429,568</u>
Six months ended 30th June 2007			
Asia	1,721,949	3,674	5,738
North America	388,822	30,868	10,837
Europe	356,874	322	439
Australia	46,605	(217)	12
Unallocated*	-	263,768	370,624
	<u>2,514,250</u>	<u>298,415</u>	<u>387,650</u>
Discontinued operation	53,387	9,864	4,400
Elimination	<u>(5,773)</u>	<u>-</u>	<u>-</u>
	<u>2,561,864</u>	<u>308,279</u>	<u>392,050</u>

22. Segment Information (Continued)

Geographical segments (Continued)

	30th June	31st December
US\$'000	2008	2007
Total assets		
Asia	998,179	912,548
North America	312,721	325,454
Europe	73,426	38,288
Australia	580	1,862
Unallocated*	<u>6,007,863</u>	<u>5,935,492</u>
	<u>7,392,769</u>	<u>7,213,644</u>

* Unallocated operating profit comprises results from container transport and logistics and investment activities; unallocated total assets mainly comprise vessels, containers, intangible assets, portfolio investments, derivative financial instruments, inventories, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances; unallocated capital expenditure comprises additions to vessels, containers and intangible assets.

23. Disposal of subsidiaries

US\$'000	2007
Net assets disposed	
Property, plant and equipment	246,427
Other non-current assets	14,860
Debtors and prepayments	74,749
Amounts receivable from group companies	9,895
Cash and bank balances	62,699
Borrowings	(97,599)
Other non-current liabilities	(22,927)
Creditors and accruals	(45,044)
Amounts payable to group companies	(2,207)
Current taxation	(9,074)
	<u>231,779</u>
Profit on disposal, net of tax	1,982,434
Taxation	<u>84,053</u>
Cash consideration, net	<u><u>2,298,266</u></u>

Results for First Half 2008

For the first six months of 2008 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit before tax from continuing activities of US\$175.6 million including a US\$10 million negative revaluation of Wall Street Plaza. This is a US\$78.4 million or 30.9% reduction compared to the profit before tax of US\$254.0 million for the corresponding period of 2007, which included a US\$25 million revaluation gain of Wall Street Plaza in that period.

Total Operating Profit excluding the revaluation of Wall Street Plaza of US\$227.6 million was US\$45.8 million (16.7%) down as compared to the first half of 2007. This reduction is principally a result of lower earnings in relation to our liquid assets. Our Container Transport and Logistics operations had an improved result year-on-year, with a 1.7% increase in operating profit to US\$208.9 million for the first half of 2008 compared to the equivalent 2007 period.

Review of Operations

The improved result from our Container Transport and Logistics operations came from increased revenue that was in line with our expectations. We experienced only a small decline in load factor despite a significant increase in capacity, and we benefited from the improvement in freight rates seen over the course of 2007. However, higher costs due to the increase in the price of oil offset a substantial portion of the improved revenue result.

OOCL had a 12.8% increase in capacity for the first half of 2008 as compared with the same period last year from the nine vessels added to the fleet in 2007 and the three 4,506 TEU vessels delivered from Samsung during the first half of 2008.

OOCL’s total liftings increased by 9.4%, and overall revenue per TEU increased 14.0% over the 2007 half-year period. In comparison, liftings increased by 18.8% for the first half of 2007 while overall revenue per TEU had fallen by 3.4%, compared with the first half of 2006.

ORIENT OVERSEAS CONTAINER LINE						
	CURRENT QUARTER			YEAR-TO-DATE		
	Q2 2008	Q2 2007	<i>change</i>	1H 2008	1H 2007	<i>change</i>
LIFTINGS (TEU's)						
Trans-Pacific	331,248	334,230	- 0.9%	660,744	627,452	+ 5.3%
Asia / Europe	213,821	199,655	+ 7.1%	405,725	391,637	+ 3.6%
Transatlantic	108,194	100,786	+ 7.4%	207,907	190,225	+ 9.3%
Intra-Asia / Australasia	603,001	534,189	+ 12.9%	1,141,037	997,582	+ 14.4%
TOTAL ALL SERVICES	1,256,264	1,168,860	+ 7.5%	2,415,413	2,206,896	+ 9.4%
TOTAL REVENUES (US\$'000)						
Trans-Pacific	543,102	482,961	+ 12.5%	1,039,700	898,169	+ 15.8%
Asia / Europe	367,440	283,058	+ 29.8%	710,961	528,692	+ 34.5%
Transatlantic	186,792	155,874	+ 19.8%	355,747	297,783	+ 19.5%
Intra-Asia / Australasia	418,817	320,243	+ 30.8%	797,049	601,847	+ 32.4%
TOTAL ALL SERVICES	1,516,151	1,242,136	+ 22.1%	2,903,457	2,326,491	+ 24.8%

Liftings increased by 5.3% on our Trans-Pacific services compared with the corresponding period last year. Total revenue increased 15.8% and average revenues per TEU increased 9.9% over the last twelve months. Most of that increase has come in the last six months, with average revenue per TEU growing 8.9% since the beginning of the year.

Liftings for our Asia / Europe services grew by a modest 3.6% after an extended period of very strong growth. Freight rates for these services increased significantly in the fourth quarter of 2007; compared to the first half of 2007 the average revenue per TEU was up 29.8%. With substantial capacity having been introduced into the Asia / Europe trade by carriers in response to the weaker demand growth on Trans-Pacific over the year, freight rates have been under downward pressure during the second quarter of this year. Despite this pressure, the overall average revenue per TEU for the Asia / Europe trade remains above where it was this time last year and we expect it to be above 2007 on a full-year basis.

Our Transatlantic services have enjoyed good growth with an increase in total liftings of 9.3% coming predominately from strong growth in export volume from the United States to Europe. That strong growth in demand also saw a significant lift in average revenue per TEU of 9.3% in all Transatlantic services. Volume and freight rate improvements resulted in a 19.5% increase in total revenues.

Our Intra-Asia and Australasia services have continued to experience good growth, with a 14.4% increase in liftings and a 32.4% increase in total revenues with a 15.8% increase in average revenue per TEU compared with the same period last year.

The average bunker price paid for the first half of 2008 was US\$502 per ton, which was 64% higher than the US\$306 per ton recorded in the same period of 2007. While savings in consumption have continued to be achieved through revision of sailing and operational programs such as slow-steaming, bunker now represents 79% of voyage costs versus 70%

during the first half of 2007. The introduction of a separate floating bunker charge into a majority of contracts for Trans-Pacific services during the 2008 contract negotiations is a major positive development in achieving improved bunker cost recovery.

In this environment of increasing energy-related costs, we have maintained our concentration upon operational efficiencies and tight cost control. Improved export volumes from the United States have reduced repositioning costs on Trans-Pacific services, while our ongoing investment in IT systems has assisted in the improved recovery of demurrage and detention charges. Our continued focus on directly controllable costs has seen our business and administration costs on a per TEU basis continue to fall.

During the first half of 2008 the Group took delivery of a further three “P” Class 4,506 TEU Panamax size vessels from Samsung Heavy Industries Co Ltd in South Korea – being the *OOCL Busan*, the *OOCL Texas* and the *OOCL Panama*. Those deliveries leave a further ten “P” Class and four “SX” Class 8,063 TEU vessels to be delivered from Samsung through 2009 and 2010. Additionally we have six 8,600 TEU newbuild vessels from Hudong – Zhonghua Shipyard (Group) Co. Ltd. scheduled for delivery from September 2010 to December 2011.

These new vessels serve to satisfy the projected capacity needs of our international container transport business for the near future and no new orders were placed in the first half of 2008. Nevertheless, the size and composition of the fleet remain under constant review and the Group currently is re-examining the vessel requirements necessary to achieve internal organic growth plans. Adequate resources will continue to be reserved to ensure that the delivery of the vessels on order, and any further orders, does not impose any undue financial burden upon the Group as a whole.

The Group’s property development and investment activities are conducted under OODL. Our property development activities are focused in the Greater Shanghai and Greater Bohai (Beijing/Tianjin) areas of China. For property investment, we currently have two investments in properties, namely Wall Street Plaza in New York and Beijing Oriental Plaza in Beijing.

The building of the Group’s property investment and development businesses continues as planned. Our portfolio of New York and Beijing property investments are performing in line with expectations in terms of operating results, although, as noted, our 100% owned Wall Street Plaza property was revalued down by US\$10 million to US\$190 million as at 30th June 2008 reflecting the weaker commercial leasing market in downtown Manhattan.

Despite the tightening measures experienced in China, our development projects in the Greater Shanghai and Greater Bohai areas have continued as planned. The Group has been able to maintain momentum on all its developments through the strength of our internal resources, with the ongoing support of our banks, and from our in-depth local knowledge as well as the good working relationship we have with our partners, suppliers and authorities.

Our property development and investment portfolios remain soundly positioned and we expect to continue our investment in the property sector as suitable projects are identified and become available. Our aim continues to be the creation of a stand-alone and recurrently profitable property business for the future.

Looking Forward

The second half of 2008 is expected to be considerably more challenging than the first half has been, with increased industry capacity, the impact on demand growth rates of slowing US and global economies, and ongoing cost pressures from high energy prices. A clearer outlook for global economic growth in 2009 will develop over the remainder of the year, especially as to whether economic conditions in the United States will stabilise next year or an even lower rate of growth is experienced than is forecast for this year.

In the face of this uncertainty, we do remain exposed to the risk of deterioration in freight rates as these are market driven and vulnerable to adverse swings in sentiment. We expect rate improvements on Trans-Pacific and Transatlantic to at least hold at current levels – as they must given the low levels of profitability being experienced on these trades across the industry. Further capacity increases on the still growing Asia-Europe and Intra-Asia trades are likely to see continued pressure on rates over the remainder of the year but, even so, we expect overall rates for 2008 to remain above the 2007 levels for the full year.

With no further newbuild capacity delivering this year, redelivery options on existing chartered-in vessels coupled with our new-building deliveries in 2009 will afford us with flexibility to adjust our capacity according to the market environment. With increased levels of bunker recovery through the industry-wide introduction of separate, largely floating, bunker adjustment factors on Trans-Pacific services, the impact of high oil prices on voyage profitability is increasingly mitigated. Moreover, with financing already in place, or likely to be concluded within the next quarter, for sixteen of the twenty vessels still to deliver, our exposure to any further tightening of credit capacity in the financial system is contained.

The Group is well positioned to meet the more challenging environment ahead with strong operations, a solid customer base, and a well-capitalised, low-gearred balance sheet. Our ongoing investment in information technology delivers us productivity benefits that are allowing us to improve operating efficiency and to contain our business and administration costs as we grow. At the same time, that investment is delivering improved service levels to our customers which is of ever-increasing importance as market conditions move.

Interim Dividend

The Directors are pleased to announce an interim dividend of US6.5 cents (HK\$0.51 at the exchange rate of US\$1 : HK\$7.8) per ordinary share for the six months ended 30th June 2008 to be paid on 12th September 2008 to the shareholders of the Company whose names appear on the register of members of the Company on 1st September 2008. Shareholders who wish to receive the interim dividend in US Dollars should complete the Dividend Election Form and return it to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4th September 2008.

Closure of Register of Members

The register of members of the Company will be closed from 29th August 2008 to 1st September 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28th August 2008.

Purchase, Sale or Redemption of Shares

During the six-month period ended 30th June 2008, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

Pre-emptive Rights

No pre-emptive rights exist under Bermudan law in relation to the issue of new shares by the Company.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

The Board of Directors (the “Board”) and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company has adopted its own code on corporate governance practices (the “CG Code”) which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the “SEHK Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Group and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the six months ended 30th June 2008, the Company has complied with the SEHK Code, except that there is no separation of the role of Chairman and Chief Executive Officer. Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company. The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

Audit Committee

The Audit Committee currently comprises three Independent Non-Executive Directors, with the Head of Internal Audit of the Company as the secretary and the Company Secretary as the assistant secretary.

The Audit Committee has reviewed the Group’s interim results for the six months ended 30th June 2008.

Remuneration Committee

The Remuneration Committee currently comprises the Chairman and two Independent Non-Executive Directors of the Company, with the Company Secretary as the secretary of the Committee.

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Model Code and the Securities Code throughout the period from 1st January 2008 to 30th June 2008.

Interim Report and Disclosure of Information on the Website of Hong Kong Exchanges and Clearing Limited and the Company

This result announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at <http://www.hkex.com.hk> under “Latest Listed Company Information” and on the Company’s website at <http://www.oilgroup.com>.

The printed copy of the 2008 Interim Report will be sent to shareholders around 20th August 2008 and the soft copy of the Interim Report will be published on websites of both HKEx and the Company in due course.

Employee Information

As at 30th June 2008 the Group has 7,661 full time employees whose salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and discretionary bonus schemes based on the performance of the Company which are regularly reviewed. Other benefits are also provided including medical insurance and pension funds and social and recreational activities are arranged around the world.

Directors

As at the date of this announcement, our Executive Directors are Messrs. Chee Chen TUNG, Kenneth Gilbert CAMBIE, Philip Yiu Wah CHOW and Alan Lieh Sing TUNG; our Non-Executive Directors are Messrs. Roger KING and Tsann Rong CHANG; and our Independent Non-Executive Directors are Mr. Simon MURRAY, Dr. Victor Kwok King FUNG and Professor Richard Yue Chim WONG.

Forward Looking Statements

This announcement contains forward looking statements. Statements which are not of historical facts, including statements of the Company's beliefs and expectations, are forward looking statements. They are based upon current plans, estimates and projections and, therefore, no undue reliance should be placed upon them. Forward looking statements are correct only as of the day on which they are made. The Company has no obligation and does not undertake to update any of them publicly in the light of fresh information or of future events. Forward looking statements contain inherent risks, uncertainties and assumptions. The Company warns that should any of these risks or uncertainties ever materialise or that any of the assumptions should prove incorrect or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward looking statements.

On behalf of the Board
Orient Overseas (International) Limited
Chee Chen TUNG
Chairman

Hong Kong, 30th July 2008

† *For identification only*

Website : <http://www.ooilgroup.com>