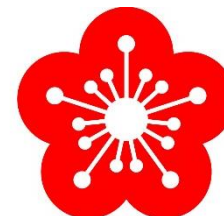




## Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

Stock code: 0316.HK



# Orient Overseas (International) Limited Interim Results 2018

**2018**  
INTERIM REPORT

# Disclaimer



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The information may include forward-looking statements about the operations, operatives and financial results of OOIL. Such statements are inherently subject to uncertainties arising from a variety of factors.



# OOIL highlights



## Financial highlights

- ✿ Revenue US\$3.1bn
- ✿ Operating profit US\$50.5m
- ✿ Loss for the period (US\$10.3m)

## COSCO Transaction

- ✿ All COSCO pre-conditions met
- ✿ Offer period closed with high acceptance rate
- ✿ Long Beach Container Terminal divestiture

## Net Debt

- ✿ Net Debt to Equity ratio of 0.44
- ✿ Conservative gearing compared to peers

## Growth

- ✿ Completed delivery of final 21,413 TEU vessel
- ✿ Continued significant OOCL cargo volume growth
  - ✿ Trans-Pacific 11%
  - ✿ Asia-Europe 17%

# Group result breakdown



<b>US\$M</b>	<b>30-Jun-2018</b>	<b>Restated 30-Jun-2017</b>
Container Transportation and Logistics – EBIT	<b>(3.1)</b>	<b>28.7</b>
EBIT margin	<b>(0.1%)</b>	<b>1.0%</b>
Property and Investments - EBIT		
Wall Street Plaza	44.4	33.9
Hui Xian	20.5	24.8
Interest, Investments and Others	(3.2)	29.1
	<b>61.7</b>	<b>87.8</b>
OOIL GROUP - EBIT	<b>58.6</b>	<b>116.5</b>
Finance Costs	<b>(68.7)</b>	<b>(43.1)</b>
Taxation	<b>(35.6)</b>	<b>(20.3)</b>
Profit from discontinued operation	<b>35.4</b>	<b>0.5</b>
OOIL Group (Loss)/Profit After Taxation	<b>(10.3)</b>	<b>53.6</b>

# Group balance sheet highlights



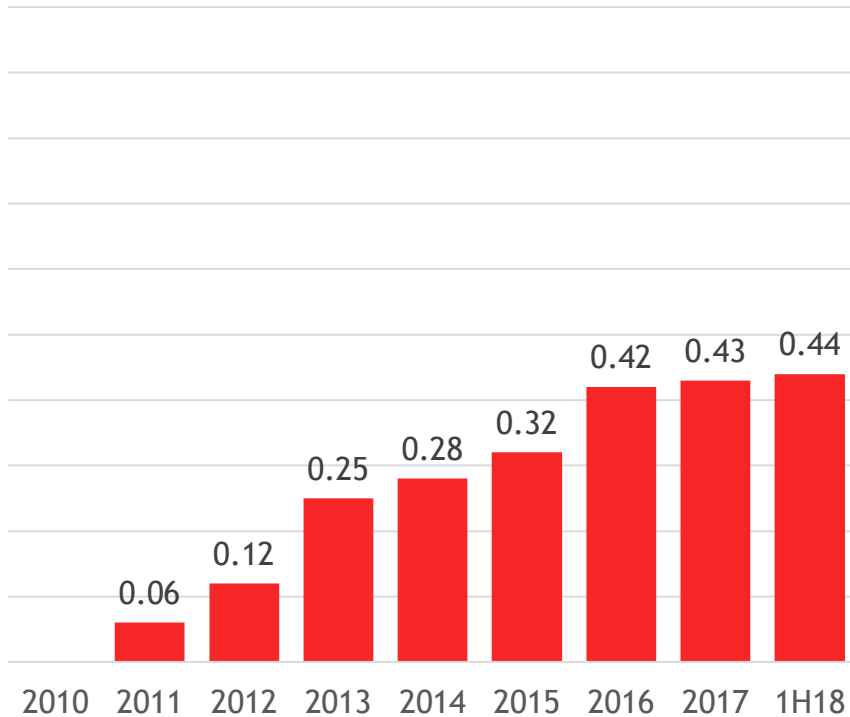
<b>US\$M</b>	<b>30-Jun-2018</b>	<b>31-Dec-2017</b>
Non-current Assets	6,802	7,104
Current Assets	2,683	2,965
Assets held for sale	453	-
<b>Total Assets</b>	<b>9,938</b>	<b>10,069</b>
Non-current Liabilities	3,721	4,007
Current Liabilities	1,423	1,379
Liabilities directly associated with assets classified as held for sale	157	-
<b>Total Liabilities</b>	<b>5,301</b>	<b>5,386</b>
<b>Shareholders' Funds and Total Equity</b>	<b>4,637</b>	<b>4,683</b>

# Balance sheet

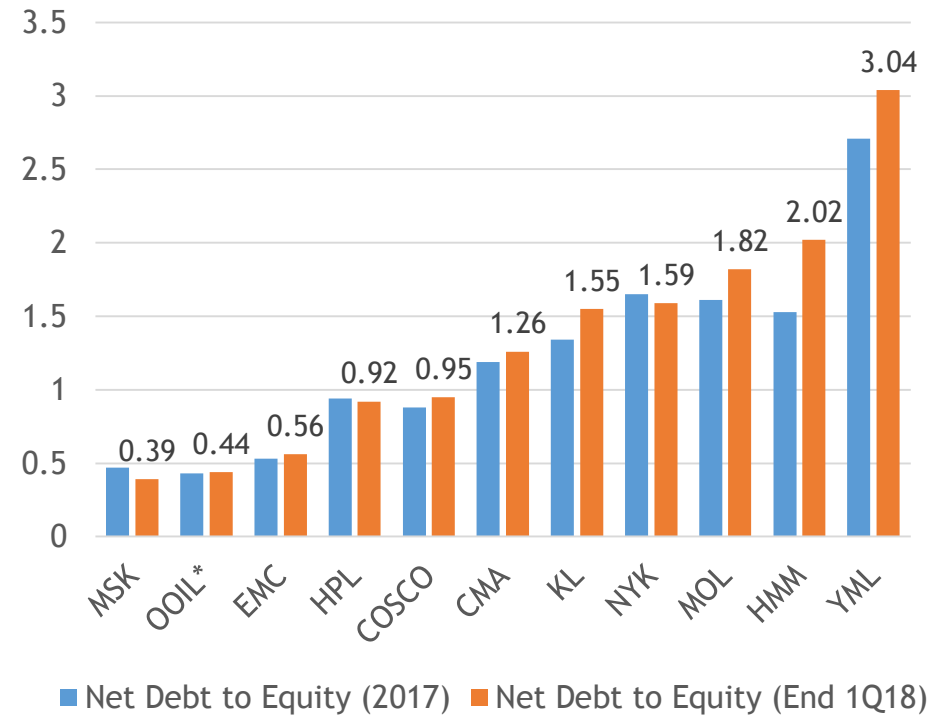


- ✿ Continue to maintain stronger than peer average balance sheet
- ✿ Competitive funding arrangements with diversified network of banks

## OOIL Net Debt to Equity



## Net Debt to Equity



\* 2018 Interim Results

# Total liquid assets



<b>US\$M</b>	<b>30-Jun-2018</b>	<b>31-Dec-2017</b>
Cash and Bank Balances	1,589	2,005
Portfolio Investments, Equities and Bonds	607	529
Total	2,196	2,534

# Net debt position



<b>US\$M</b>	<b>30-Jun-2018</b>	<b>31-Dec-2017</b>
Liquid Assets	2,196	2,534
Debt	4,229	4,554
Net Debt	2,033	2,020

# Container transportation (excl. logistics)



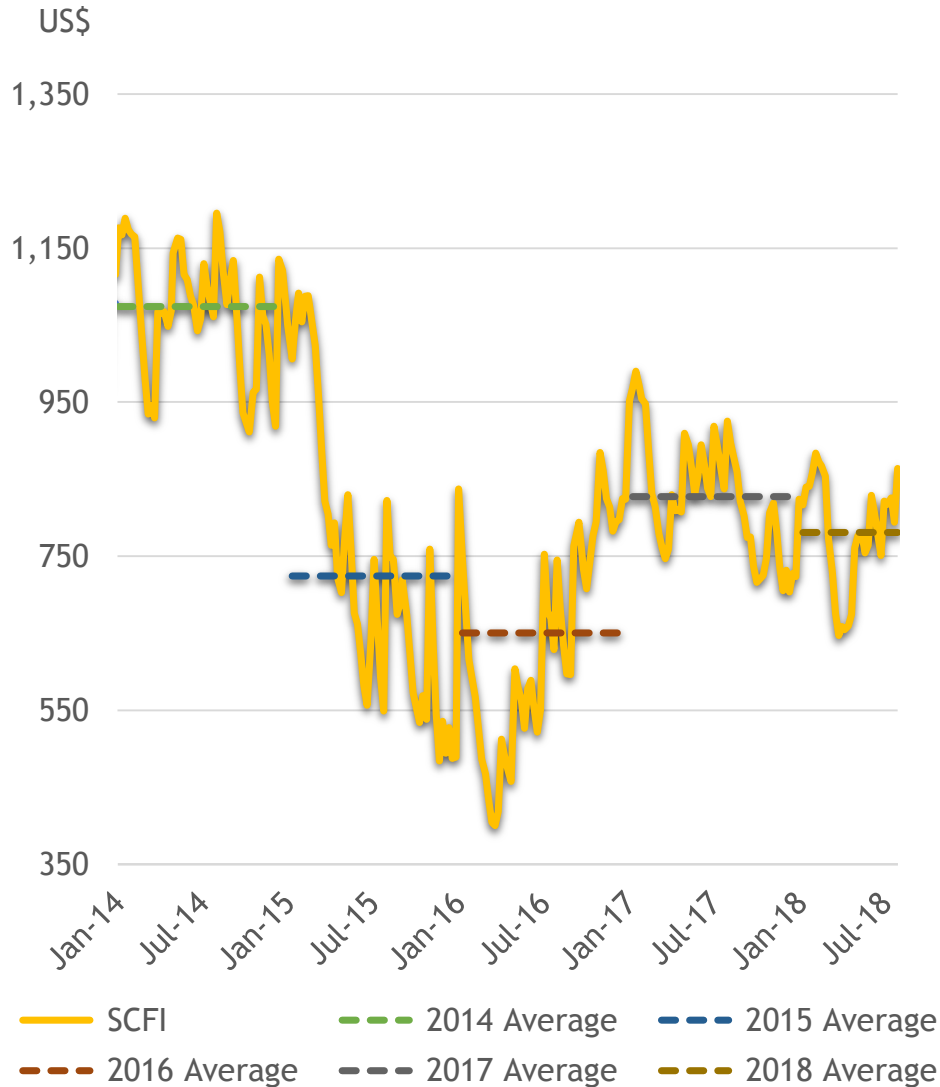
	1H 2018	1H 2017	1H 2018 / 1H 2017 % ▲
Liftings ('000 TEU)	3,271	3,087	6% ▲
Revenue (US\$M)	2,846	2,599	10% ▲
Revenue Per TEU (US\$)	870	842	3% ▲
Load Factor (%)	82.5	85.6	3.1% pt ▼

*Note: Results presented above include the discontinued operation, Long Beach Container Terminal.*

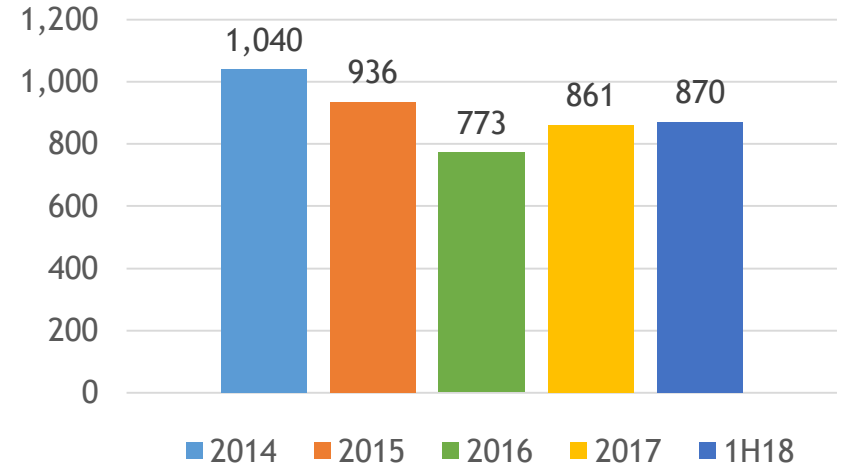
# Slow and steady recovery



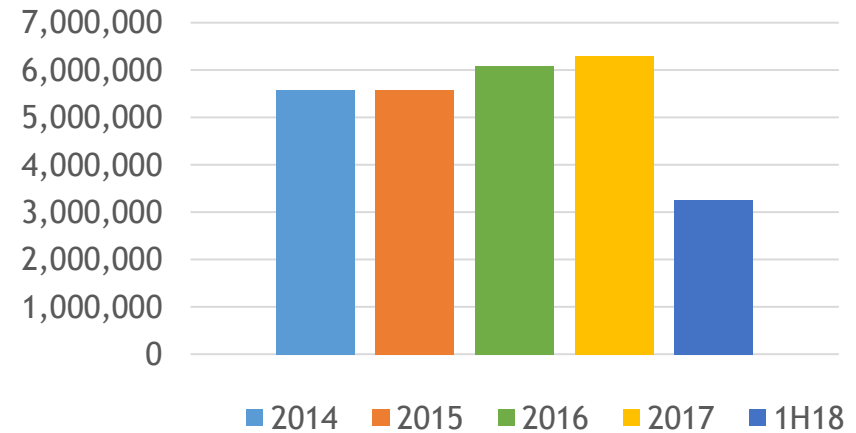
## Shanghai Container Freight Index



## Revenue per TEU (US\$)



## Liftings (TEU's)

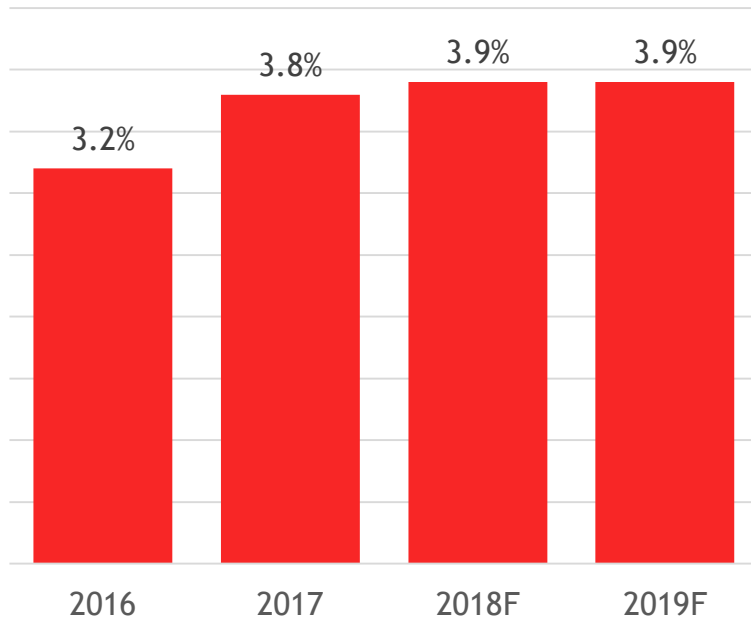


# Improving market fundamentals



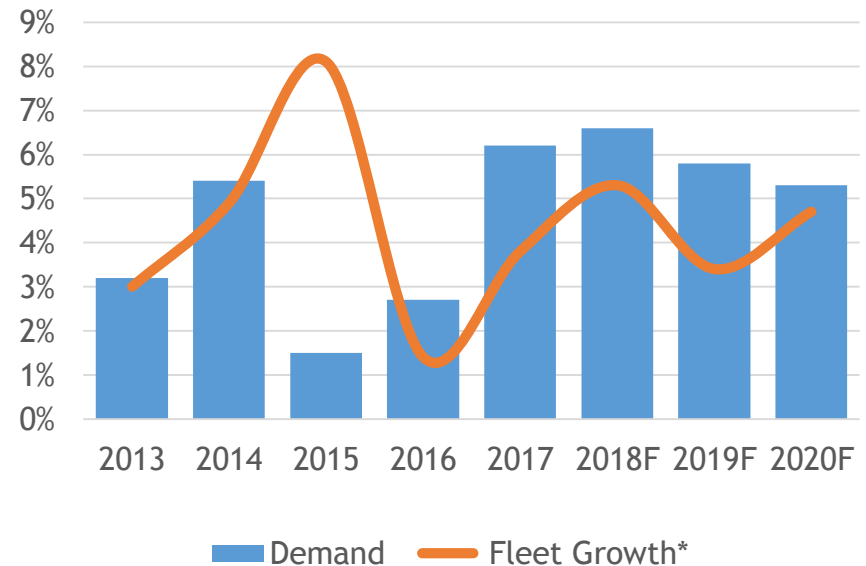
- ✿ Meaningful supply side growth in 1H18
- ✿ Supply vs demand fundamentals should improve in coming months
- ✿ Limited new build ordering, good for 2019 & 2020

GDP World Growth (%)



Source: IMF

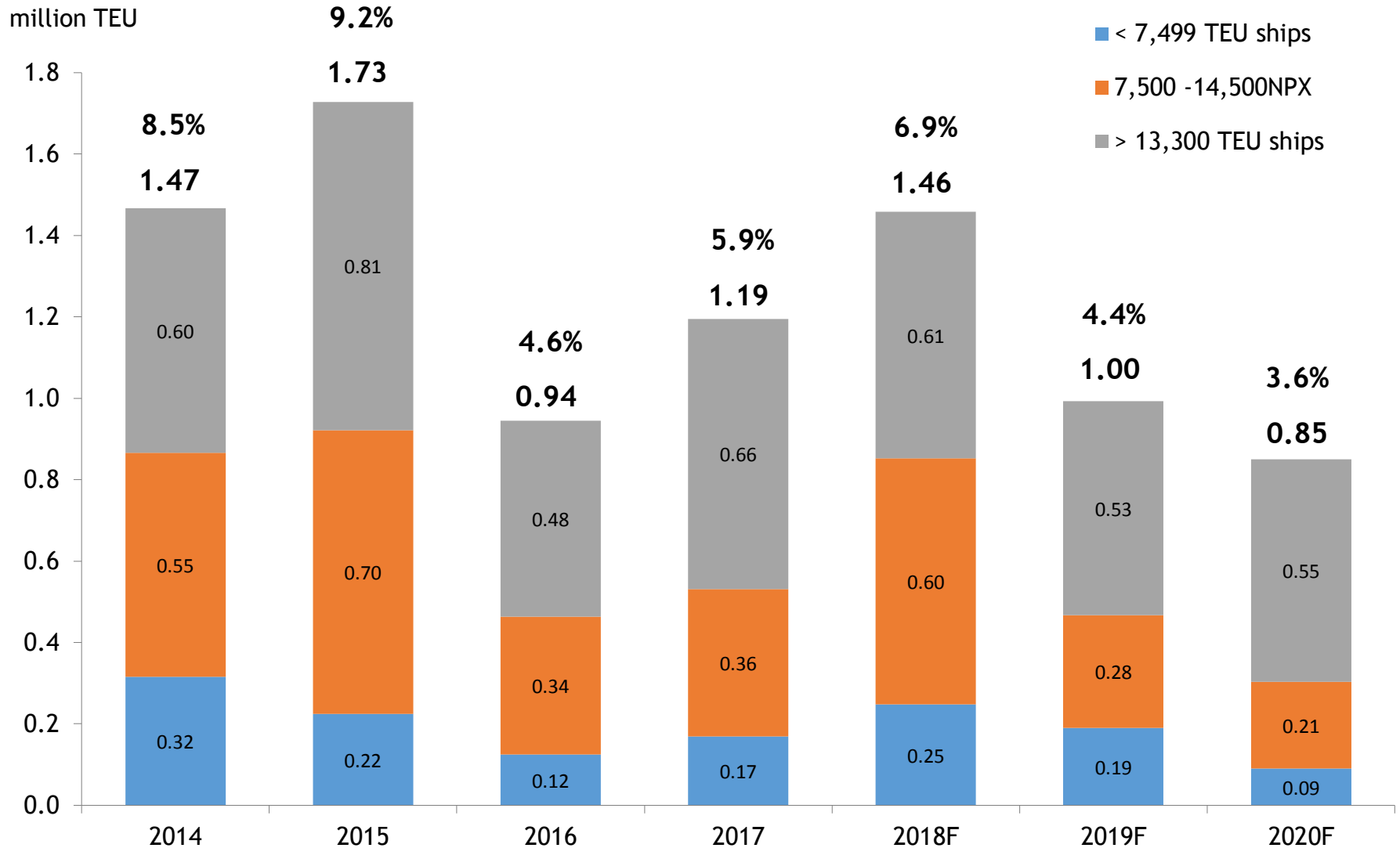
Global Container Trade Demand vs Supply (%)



Source: Drewry

\* Fleet Growth after adjustment of slippage, cancellations and scrapping

# Gross new building deliveries

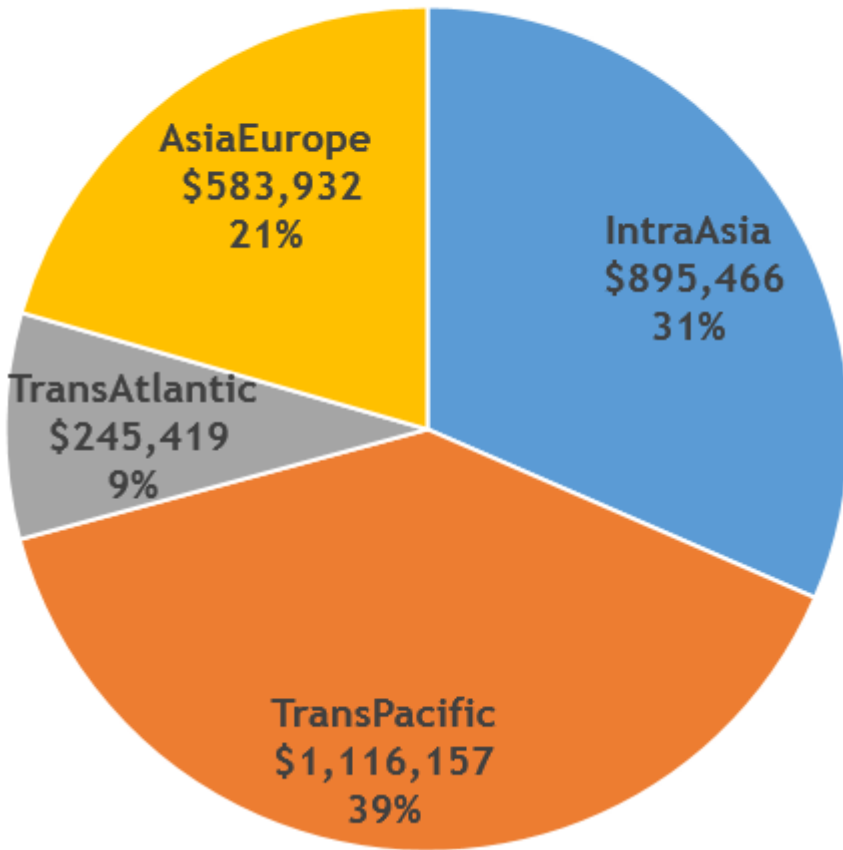


Source: Alphaliner (projections based on orderbook as at 1 July 2018)

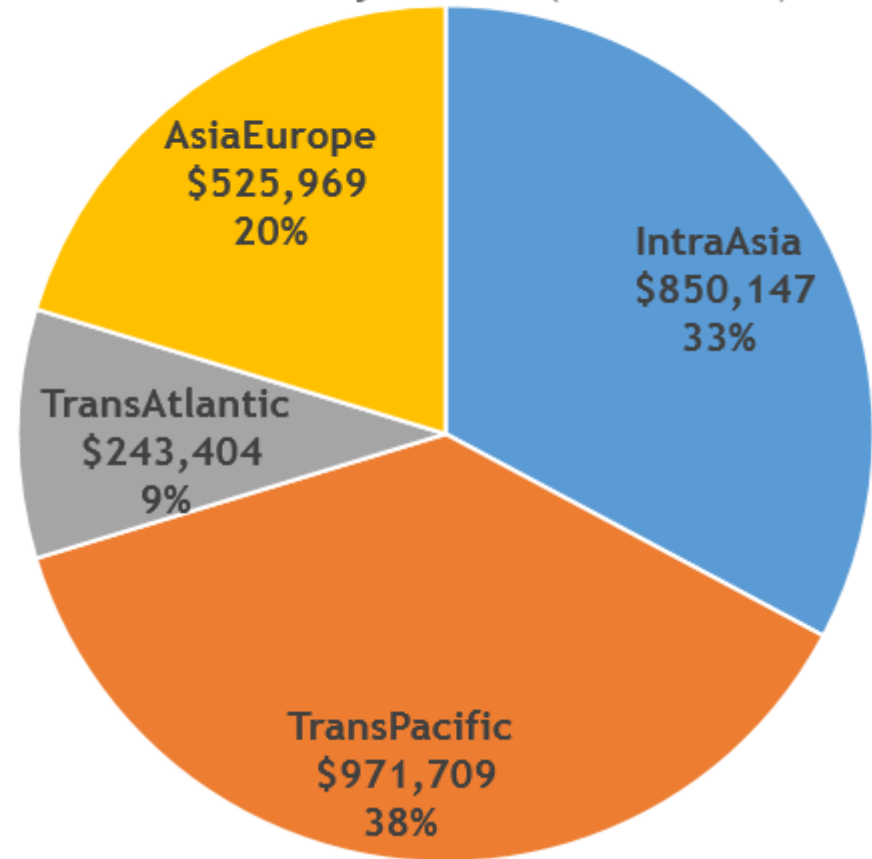
# Diversified revenue base



1H18  
Revenue by Trade (US\$ 000's)



1H17  
Revenue by Trade (US\$ 000's)



# Industry trade volume – YTD May 2018



Trade	YTD 2018 vs 2017	YTD 2017 vs 2016	YTD 2016 v 2015
Trans Pacific EB	5.9%	4.6%	5.5%
Asia Europe WB	0.7%	4.4%	2.9%
Intra Asia	4.3%	3.9%	N/A
Trans Atlantic WB	2.5%	6.1%	(0.4%)

# AsiaEurope West bound demand



Jan 2018	(1.4%)	Jan 2017	7.4%	Jan 2016	(2.5%)
Feb 2018	26.3%	Feb 2017	(7.5%)	Feb 2016	(13.2%)
Mar 2018	(14.9%)	Mar 2017	7.6%	Mar 2016	24.8%
Apr 2018	4.6%	Apr 2017	2.7%	Apr 2016	10.5%
May 2018	(3.2%)	May 2017	9.0%	May 2016	(0.2%)
June 2018		June 2017	7.6%	June 2016	2.8%
July 2018		July 2017	5.9%	July 2016	6.5%
Aug 2018		Aug 2017	5.3%	Aug 2016	2.9%
Sep 2018		Sep 2017	7.2%	Sep 2016	2.9%
Oct 2018		Oct 2017	(2.4%)	Oct 2016	2.1%
Nov 2018		Nov 2017	(0.2%)	Nov 2016	7.3%
Dec 2018		Dec 2017	3.4%	Dec 2016	(2.0%)
		FY 2017	4.1%	FY 2016	3.0%
YTD May 2018	0.7%	YTD May 2017	4.4%	YTD May 2016	2.9%

# Good management of controllable variables



		1H 2018 / 1H 2017 % ▲
Liftings ('000 TEU)	6%	▲
Revenue (US\$M)	10%	▲
Revenue Per TEU (US\$)	3%	▲
Variable costs:		
Cargo Cost	1%	▼
Repositioning costs	22%	▲
Contribution	5%	▲
Fixed costs:		
Bunker costs	19%	▲
Equipment costs	8%	▼
Vessel Voyage costs	0%	

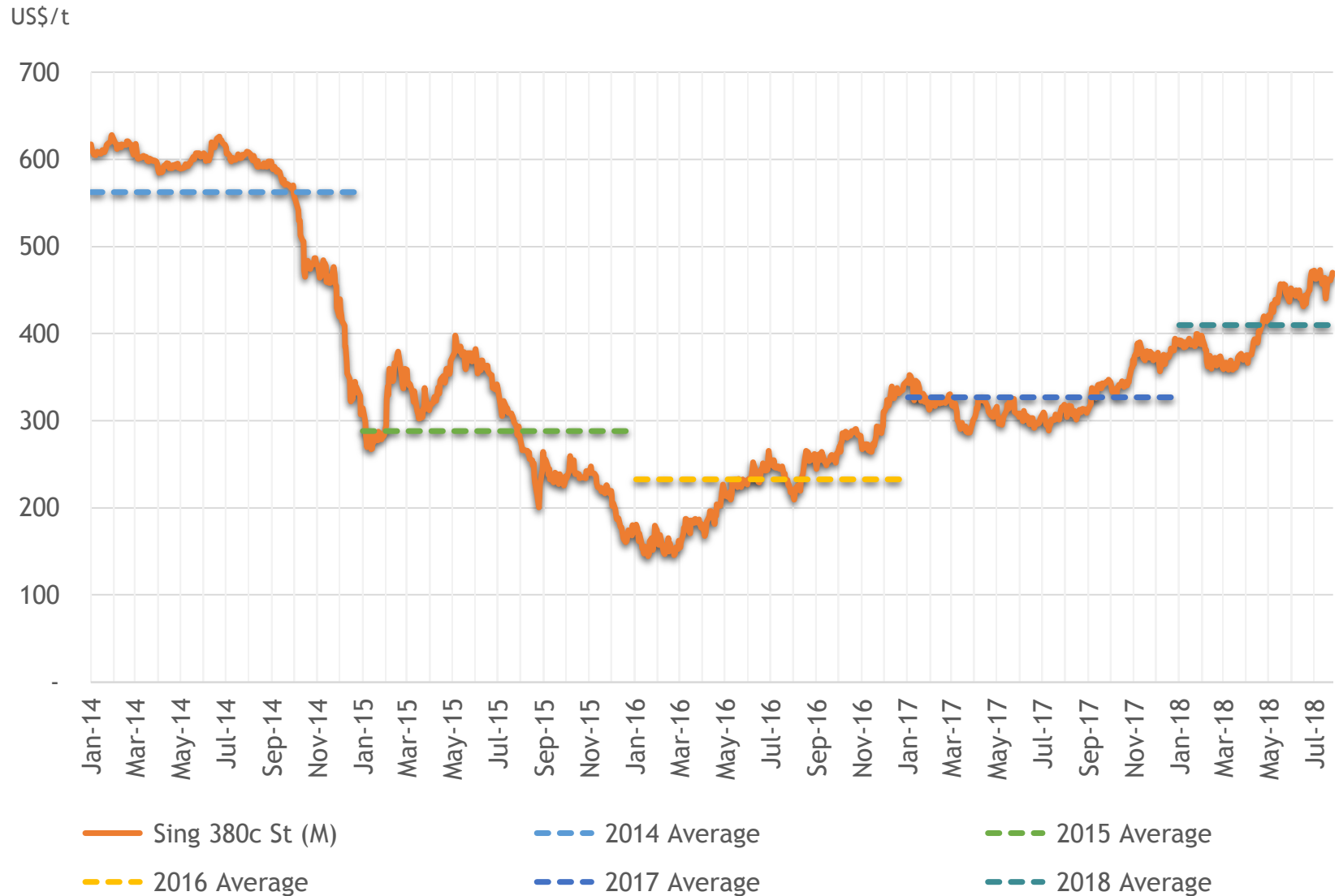
# Operating costs 1H 2018



Per Lifting	1H 2018 / 1H 2017 % ▲	1H 2018 Proportion
Total cost	3% ▲	100%
Cargo cost	1% ▼	55%
Equipment and Repo costs	7% ▲	14%
Vessel Voyage cost	0%	17%
Bunker cost	19% ▲	14%

Note: Results presented above include the discontinued operation, Long Beach Container Terminal.

# Bunker price - Sing 380c St (M)





✿ Fuel price increase outweighed efficiency gains

	1H18	1H17
Consumption (tonnes)	981,760	980,574
Revenue / tonne	US\$3,173	US\$2,889
Liftings / tonne	3.3	3.1

# Trade wars

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- ❁ Impossible to predict impact
  - ❁ Global trade flows have always been evolving
  - ❁ Entirely appropriate to be cautious
  - ❁ Limited, if any, proven impact so far
  
- ❁ Goods shipped in containers often lower value
  - ❁ Financial impact of tariffs small in US\$ terms
  - ❁ So may not reduce significantly, but could be a brake on growth
  
- ❁ May take time for alternative supply chains to be set up
  - ❁ >66% of Asian goods imported into US come from China
  - ❁ New trade deals may be implemented first

# Property investment

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## ✿ Long term but non-core property investments

### ✿ Wall Street Plaza

- Fair value gain of US\$39.9 million for 2018 interim
- Valuation of US\$310 million as at 30 June 2018
- Continues to record steady results

### ✿ Hui Xian REIT

- US\$14.3 million on balance sheet as at 30 June 2018
- US\$14.7 million Dividend-in-Specie 1H18 (last one)

# COSCO / OOIL transaction



- ✿ Offer to OOIL Shareholders 6 July 2018 to 27 July 2018
- ✿ 98.43% of OOIL issued share capital tendered
  - ✿ COSCO Shipping Holdings (1919.HK) : 88.53%
  - ✿ SIPG : 9.9%
- ✿ OOIL (0316.HK) listing a key priority
- ✿ List of incoming new shareholders:
  - ↳ CK Hutchison first batch of up to 4.99%
  - ↳ Rongshi International second batch of up to 2.38%
  - ↳ Silk Road Fund remaining up to 7.73%
- ✿ Suspension of OOIL stock from 30 July 2018 to c.17 August 2018
- ✿ 1919.HK shareholding reduced to under 75%
  - ✿ Freefloat maintained



## ✿ COSCO's six commitments

- (1) Keep the existing OOIL branding
- (2) Retain the listing status of OOIL
- (3) Maintain OOIL's global headquarters functions and presence in Hong Kong
- (4) Maintain the reporting lines
- (5) Commit to the continuity and stability of OOIL management team, business operations and global service network
- (6) Retain OOIL's existing compensation and benefit system

# COSCO / OOIL transaction



- ✿ Key management appointments now announced
  
- ✿ Multiple working groups identifying synergies
  - ↳ Network optimisation
  - ↳ Joint procurement
  - ↳ Information Technology
  - ↳ Equipment utilisation
  
- ✿ COSCO Shipping Holdings (1919.HK) will ensure the identification and maximisation of synergy benefits
  - ↳ VP's appointed from both OOCL and COSCO
  - ↳ 1919.HK roles are concurrent appointments with existing roles

# COSCO Shipping Holdings Organisational Structure



## COSCO SHIPPING HOLDINGS



Haimin Wang



Wei Zhang



VP

Xiang Chen  
Equipment



VP

Erxin Yao  
Procurement



VP

Jiandong Zhu  
Fleet and network  
planning



VP

Stephen Ng  
Commercial  
coordination



VP

Steve Siu  
CIO



VP

Shuai Chen  
Commercial  
coordination



CFO

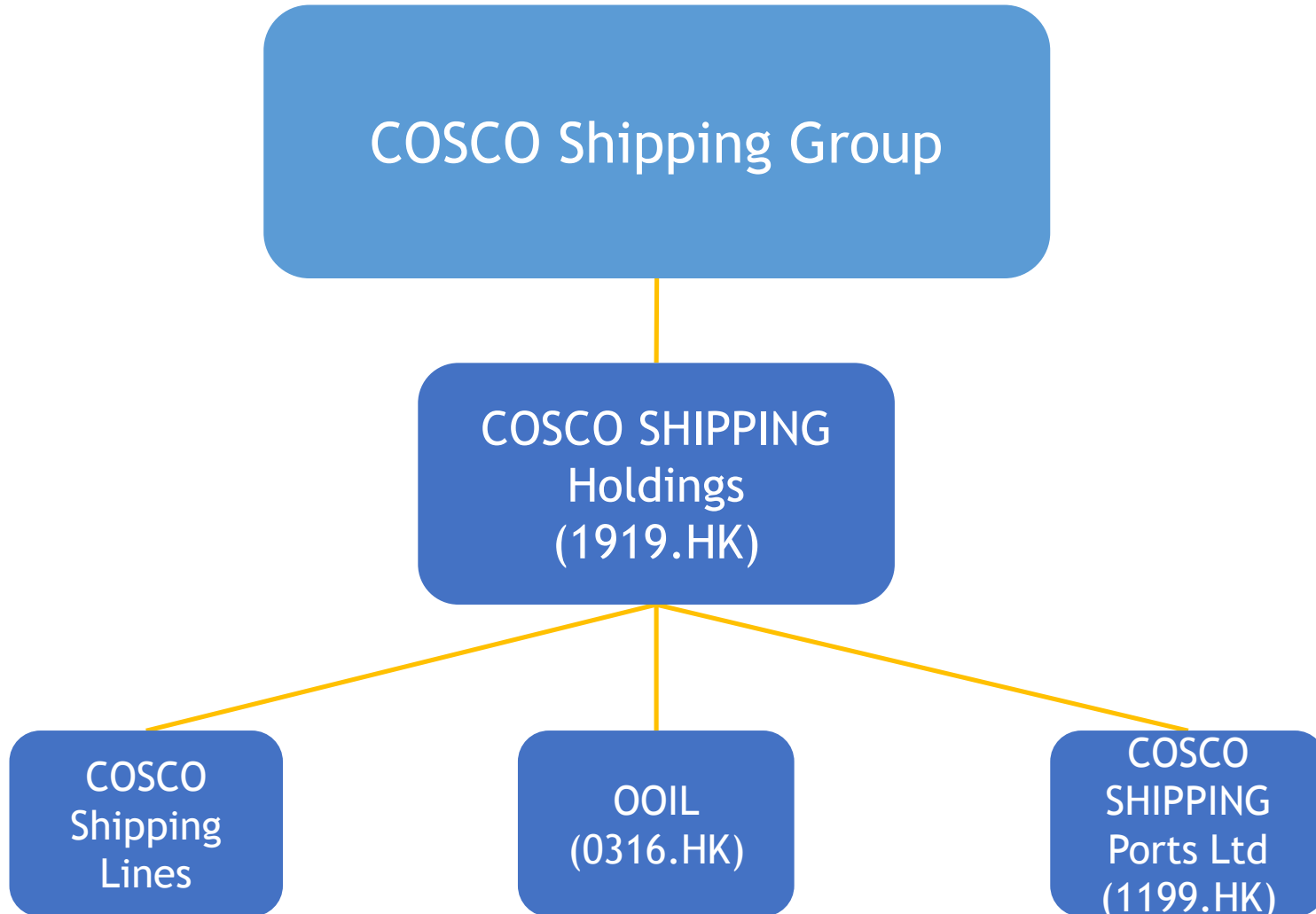
Mingwen Zhang



Board Secretary

Huawei Guo

# COSCO / OOIL transaction





## OOIL Board Seats

Capt. Xu Lirong  
Chairman & Executive Director

### Independent Non-Executive Directors

2 x  
Continuing

3 x New

### Executive Directors

Huang Xiaowen  
CEO (OOIL)

Wang Haimin  
Co-CEO(OOCL)

Zhang Wei  
Executive Director

Andy Tung  
Co-CEO(OOCL)

### investors:



Zhang Mingwen  
CFO

Michael Fitzgerald  
Deputy CFO

Lammy Lee  
Board Secretary

# Conclusion

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- ❁ Slow and steady recovery continues
- ❁ Cost challenges remain
- ❁ Trade war impact unknown
- ❁ Industry consolidation creates better hope of more stable environment
- ❁ OOIL and COSCO will continue to maintain high operating standards, high standards of service and leading IT capability
- ❁ Effectively combine the respective strengths of OOIL and COSCO to optimise our global network, thereby achieving greater economies of scale and synergies
- ❁ Our core competitiveness, operational efficiency and profitability will be further enhanced, which allows us to create greater values for shareholders.



**TOGETHER  
WE ACHIEVE GREATER SUCCESS**



**Orient Overseas (International) Limited**