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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 2016

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 2016, which have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 by our auditor, PricewaterhouseCoopers whose unqualified 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 2016

US\$'000	Note	2016	2015
Revenue	5	2,560,503	3,044,178
Operating costs		<u>(2,411,668)</u>	<u>(2,613,174)</u>
Gross profit		148,835	431,004
Fair value gain from an investment property		9,724	9,830
Other operating income		56,968	51,918
Other operating expenses		<u>(234,186)</u>	<u>(221,768)</u>
Operating (loss)/profit	6	(18,659)	270,984
Finance costs	8	(39,594)	(30,097)
Share of profits of joint ventures		3,405	2,677
Share of profits of associated companies		<u>7,386</u>	<u>9,225</u>
(Loss)/profit before taxation		(47,462)	252,789
Taxation	9	<u>(9,197)</u>	<u>(14,146)</u>
(Loss)/profit for the period		<u>(56,659)</u>	<u>238,643</u>
(Loss)/profit attributable to :			
Equity holders of the Company		(56,659)	238,632
Non-controlling interests		<u>-</u>	<u>11</u>
		<u>(56,659)</u>	<u>238,643</u>
(Loss)/earnings per ordinary share (US cents)			
Basic and diluted	11	<u>(9.1)</u>	<u>38.1</u>

Condensed Consolidated Statement of Comprehensive Income (unaudited)
For the six months ended 30th June 2016

US\$'000	2016	2015
(Loss)/profit for the period	<u>(56,659)</u>	<u>238,643</u>
Other comprehensive income:		
Item that will not be subsequently reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit schemes	<u>(11,313)</u>	<u>5,896</u>
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- Change in fair value	(24,956)	(18,300)
Currency translation adjustments		
- Foreign subsidiaries	(1,426)	(1,153)
- Associated companies	(2,973)	153
- Joint ventures	<u>(215)</u>	<u>5</u>
Total items that may be reclassified subsequently to profit or loss	<u>(29,570)</u>	<u>(19,295)</u>
Other comprehensive loss for the period, net of tax	<u>(40,883)</u>	<u>(13,399)</u>
Total comprehensive (loss)/income for the period	<u><u>(97,542)</u></u>	<u><u>225,244</u></u>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(97,542)	225,233
Non-controlling interests	<u>-</u>	<u>11</u>
	<u><u>(97,542)</u></u>	<u><u>225,244</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

As at 30th June 2016

US\$'000	Note	30th June 2016	31st December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,970,260	6,020,744
Investment property	12	210,000	200,000
Prepayments of lease premiums	12	8,212	8,462
Joint ventures		10,447	8,887
Associated companies		138,298	145,249
Intangible assets	12	55,951	55,646
Deferred taxation assets		3,948	3,765
Pension and retirement assets		-	7,855
Derivative financial instruments	14	-	1,507
Restricted bank balances		213	980
Available-for-sale financial assets		117,544	127,998
Held-to-maturity investments		200,232	217,004
Other non-current assets		<u>13,216</u>	<u>16,635</u>
		<u>6,728,321</u>	<u>6,814,732</u>
Current assets			
Inventories		75,348	72,481
Debtors and prepayments	13	494,808	499,409
Amounts due from joint ventures		-	2,871
Amounts due from associated companies		6,489	-
Held-to-maturity investments		34,488	19,074
Portfolio investments		309,247	295,894
Derivative financial instruments	14	935	147
Tax recoverable		11,380	10,942
Restricted bank balances		1,208	443
Cash and bank balances		<u>1,757,229</u>	<u>2,015,581</u>
		<u>2,691,132</u>	<u>2,916,842</u>
Total assets		<u>9,419,453</u>	<u>9,731,574</u>
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	<u>4,625,785</u>	<u>4,734,931</u>
Total equity		<u>4,688,364</u>	<u>4,797,510</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,434,390	3,663,100
Deferred taxation liabilities		65,674	62,041
Pension and retirement liabilities		<u>2,077</u>	<u>109</u>
		<u>3,502,141</u>	<u>3,725,250</u>
Current liabilities			
Creditors and accruals	17	652,961	750,378
Amounts due to joint ventures		8,459	11,037
Borrowings	18	563,341	438,619
Derivative financial instruments	14	-	5,316
Current taxation		<u>4,187</u>	<u>3,464</u>
		<u>1,228,948</u>	<u>1,208,814</u>
Total liabilities		<u>4,731,089</u>	<u>4,934,064</u>
Total equity and liabilities		<u>9,419,453</u>	<u>9,731,574</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)
For the six months ended 30th June 2016

US\$'000	2016	2015
Cash flows from operating activities		
Cash generated from operations	17,959	316,771
Interest and financing charges paid	(36,190)	(29,393)
Hong Kong profits tax paid	(23)	-
Overseas taxes paid	(4,933)	(8,864)
Net cash (used in)/from operating activities	<u>(23,187)</u>	<u>278,514</u>
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	7,800	76,847
Purchase of property, plant and equipment	(144,544)	(246,936)
Purchase of other non-current assets	(11,263)	(7,274)
Increase in portfolio investments	(5,964)	(69,632)
Net change in amounts due to joint ventures	293	1,704
Increase in restricted bank balances and bank deposits maturing more than three months	(377,405)	(353,489)
Interest received	18,383	17,892
Dividends and distribution received from investments	11,255	10,639
Dividend received from a joint venture and associated companies	6,505	6,786
Net cash used in investing activities	<u>(494,940)</u>	<u>(563,463)</u>
Cash flows from financing activities		
Drawdown of loans	264,688	325,800
Repayment of loans	(310,070)	(208,464)
Capital element of finance lease rental payments	(65,267)	(125,982)
Dividends paid to equity holders of the Company	(11,604)	(21,400)
Net cash used in financing activities	<u>(122,253)</u>	<u>(30,046)</u>
Net decrease in cash and cash equivalents	(640,380)	(314,995)
Cash and cash equivalents at beginning of period	1,737,511	1,942,822
Currency translation adjustments	4,295	(1,440)
Cash and cash equivalents at end of period	<u>1,101,426</u>	<u>1,626,387</u>
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	1,101,766	1,626,387
Bank overdrafts	(340)	-
	<u>1,101,426</u>	<u>1,626,387</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)
For the six months ended 30th June 2016

US\$'000	Equity holders			Non- controlling interests	Total
	Share capital	Reserves	Sub-total		
Balance at 31st December 2015	62,579	4,734,931	4,797,510	-	4,797,510
Total comprehensive loss for the period	-	(97,542)	(97,542)	-	(97,542)
Transaction with owners 2015 final dividend	-	(11,604)	(11,604)	-	(11,604)
Balance at 30th June 2016	62,579	4,625,785	4,688,364	-	4,688,364
Balance at 31st December 2014	62,579	4,572,173	4,634,752	-	4,634,752
Total comprehensive income for the period	-	225,233	225,233	11	225,244
Transaction with owners 2014 final dividend	-	(21,400)	(21,400)	-	(21,400)
Balance at 30th June 2015	62,579	4,776,006	4,838,585	11	4,838,596

Notes to the 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 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal 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 interim financial information is presented in US dollars, unless otherwise stated.

This interim financial information was approved by the Board of Directors on 5th August 2016.

2. Basis of Preparation

The interim financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and 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 Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2015 except for the adoption of amendments to HKFRSs effective for the financial year ending 31st December 2016.

2. Basis of Preparation (Continued)

The adoption of revised HKFRSs

In 2016, the Group adopted the following amendments and improvements to existing HKFRSs below, which are relevant to its operations.

Amendments and improvements to existing standards

HKFRSs	Annual Improvements 2012 – 2014 Reporting Cycle
HKAS 1 Amendments	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Classification of Acceptable Methods of Depreciation and Amortisation

The adoption of the above amendments and improvements to existing HKFRSs do not have a material impact on the Group.

New standards that are relevant but not yet effective to the Group

<u>New standards</u>		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group has not early adopted the above standards and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements will result.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2015.

3.1 Fair value estimation

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liability that are measured at fair value at 30th June 2016.

US\$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	42,568	-	-	42,568
– Debt securities	258,355	-	-	258,355
– Funds and other investments	-	8,324	-	8,324
Derivative financial instruments	-	935	-	935
Available-for-sale financial assets				
– Listed equity securities	84,972	-	-	84,972
– Other investments	-	-	32,572	32,572
Total assets	<u>385,895</u>	<u>9,259</u>	<u>32,572</u>	<u>427,726</u>

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2015.

US\$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	51,865	-	-	51,865
– Debt securities	234,172	-	-	234,172
– Funds and other investments	-	9,857	-	9,857
Derivative financial instruments	-	1,654	-	1,654
Available-for-sale financial assets				
– Listed equity securities	75,962	-	-	75,962
– Other investments	-	-	52,036	52,036
Total assets	<u>361,999</u>	<u>11,511</u>	<u>52,036</u>	<u>425,546</u>
Liability				
Derivative financial instruments	-	5,316	-	5,316
Total liability	<u>-</u>	<u>5,316</u>	<u>-</u>	<u>5,316</u>

There were no transfers among Levels 1, 2 and 3 during the period.

Specific valuation techniques used to value Levels 2 and 3 financial instruments include:

- Dealer quotes.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Marketability discount rate derived from management's judgment is applied to estimate the fair value of unlisted equity security classified as available-for-sale financial asset.

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

There were no changes in valuation techniques during the period.

Instruments included in level 3 mainly comprise unlisted equity securities classified as available-for-sale financial assets.

The following table presents the changes in level 3 instruments:

	US\$'000
Opening balance at 31st December 2015	52,036
Additions	229
Currency translation adjustments	7
Fair value change recognised in other comprehensive income	(19,700)
	<hr/>
Closing balance at 30th June 2016	32,572
	<hr/> <hr/>
	US\$'000
Opening balance at 31st December 2014	72,232
Currency translation adjustments	(4)
Fair value change recognised in other comprehensive income	(18,300)
	<hr/>
Closing balance at 30th June 2015	53,928
	<hr/> <hr/>

For level 3 instruments, the discount rate used to compute the fair value is 15%. The higher the discount rate, the lower the fair value.

3. Financial Risk Management (Continued)

3.2 Fair value of financial assets and liabilities measured at amortised cost

	Carrying amount		Fair value	
	30th June 2016	31st December 2015	30th June 2016	31st December 2015
US\$'000				
Non-current bank loans	1,949,012	1,981,561	1,948,666	1,981,774
Non-current finance lease obligations	1,485,378	1,681,539	1,517,309	1,691,993
Held-to-maturity investments	234,720	236,078	249,712	245,101

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Debtors and prepayments
- Prepayments of lease premiums
- Cash and bank balances
- Restricted bank balances
- Other current financial assets
- Creditors and accruals
- Borrowings except for those disclosed above
- Other current financial liabilities

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 interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2015.

5. Revenue

US\$'000	2016	2015
Container transport and logistics	2,547,306	3,031,916
Rental income	<u>13,197</u>	<u>12,262</u>
	<u>2,560,503</u>	<u>3,044,178</u>

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

Revenue comprises turnover which includes gross freight, charter hire, service and other income from the operation of the container transport and logistics and rental income from the investment property.

6. Operating (Loss)/Profit

US\$'000	2016	2015
Operating (loss)/profit is arrived at after crediting:		
Interest income from banks	7,992	9,059
Interest income from held-to-maturity investments	5,881	5,796
Gross rental income from an investment property	13,197	12,262
Profit on disposal of property, plant and equipment	-	292
Income from available-for-sale financial assets		
- Distribution	3,026	2,502
- Dividend income	22,168	24,749
Net gain on interest rate swap contracts	56	489
Fair value gain on foreign exchange forward contract	1,547	1,818
Gain on bunker price derivative contracts	2,180	-
Portfolio investment income		
- Fair value gain (realised and unrealised)	7,389	1,502
- Interest income	5,304	4,594
- Dividend income	394	458
	<u>148,655</u>	<u>112,795</u>
and after charging:		
Depreciation		
Owned assets	148,655	112,795
Leased assets	48,837	42,663
Operating lease rental expense		
Vessels and equipment	140,517	165,739
Terminals and berths	18,511	15,039
Land and buildings	17,636	15,410
Rental outgoings in respect of an investment property	7,515	7,295
Loss on disposal of property, plant and equipment	1,394	-
Loss on disposal of held-to-maturity investments	74	-
Amortisation of intangible assets	2,584	2,078
Amortisation of prepayments of lease premiums	112	118
Exchange loss	7,666	1,631
	<u>7,666</u>	<u>1,631</u>

7. Key Management Compensation

US\$'000	2016	2015
Salaries and other short-term employee benefits	2,819	2,325
Estimated money value of other benefits	54	-
Pension costs - defined contribution plans	<u>261</u>	<u>216</u>
	<u>3,134</u>	<u>2,541</u>

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses represent actual payments to the Directors and individuals during the current financial period in relation to performance for the preceding year.

8. Finance Costs

US\$'000	2016	2015
Interest expense	(42,598)	(33,454)
Amount capitalised under assets	<u>3,004</u>	<u>3,357</u>
Net interest expense	<u>(39,594)</u>	<u>(30,097)</u>

9. Taxation

US\$'000	2016	2015
Current taxation		
Hong Kong profits tax	(109)	(127)
Overseas taxation	<u>(5,365)</u>	<u>(11,089)</u>
	<u>(5,474)</u>	<u>(11,216)</u>
Deferred taxation		
Hong Kong profits tax	(24)	-
Overseas taxation	<u>(3,699)</u>	<u>(2,930)</u>
	<u>(3,723)</u>	<u>(2,930)</u>
	<u>(9,197)</u>	<u>(14,146)</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 10% to 47% (2015: 10% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2015: 16.5%).

10. Interim Dividend

US\$'000	2016	2015
Interim dividend of US cents nil (2015 : US9.6 cents) per ordinary share	<u>-</u>	<u>60,076</u>

The Board of Directors does not recommend the payment of an interim dividend for 2016 (2015 : US9.6 cents per ordinary share).

11. (Loss)/Earnings Per Ordinary Share

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

The basic and diluted (loss)/earnings per ordinary share are the same since there are no potential dilutive shares.

US\$'000	2016	2015
Number of ordinary shares in issue (thousands)	<u>625,793</u>	<u>625,793</u>
Group's (loss)/profit attributable to:		
Equity holders of the Company	(56,659)	238,632
Non-controlling interests	<u>-</u>	<u>11</u>
	<u>(56,659)</u>	<u>238,643</u>
(Loss)/earnings per share attributable to equity holders of the Company (US cents)	<u>(9.1)</u>	<u>38.1</u>

12. Capital Expenditure

US\$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts:					
Balance at 31st December 2015	6,020,744	200,000	8,462	55,646	6,284,852
Currency translation adjustments	(743)	-	(138)	-	(881)
Fair value gain	-	9,724	-	-	9,724
Additions	149,478	276	-	2,889	152,643
Disposals	(1,727)	-	-	-	(1,727)
Depreciation and amortisation	(197,492)	-	(112)	(2,584)	(200,188)
Balance at 30th June 2016	<u>5,970,260</u>	<u>210,000</u>	<u>8,212</u>	<u>55,951</u>	<u>6,244,423</u>
Balance at 31st December 2014	5,608,929	180,000	9,109	48,578	5,846,616
Currency translation adjustments	(176)	-	7	-	(169)
Fair value gain	-	9,830	-	-	9,830
Additions	492,751	170	-	6,098	499,019
Disposals	(2,536)	-	-	-	(2,536)
Depreciation and amortisation	(155,458)	-	(118)	(2,078)	(157,654)
Classified as asset held for sale	(51,719)	-	-	-	(51,719)
Balance at 30th June 2015	<u>5,891,791</u>	<u>190,000</u>	<u>8,998</u>	<u>52,598</u>	<u>6,143,387</u>

13. Debtors and Prepayments

US\$'000	30th June 2016	31st December 2015
Trade receivables	291,588	318,731
Less: provision for impairment	<u>(11,610)</u>	<u>(9,548)</u>
Trade receivables - net	279,978	309,183
Other debtors	80,212	80,850
Other prepayments	122,835	97,002
Utility and other deposits	<u>11,783</u>	<u>12,374</u>
	<u>494,808</u>	<u>499,409</u>

13. Debtors and Prepayments (Continued)

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors 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 dates of invoices, is as follows:

US\$'000	30th June 2016	31st December 2015
Below one month	249,074	276,684
Two to three months	22,554	25,900
Four to six months	5,659	4,673
Over six months	2,691	1,926
	<u>279,978</u>	<u>309,183</u>

14. Derivative Financial Instruments

US\$'000	30th June 2016	31st December 2015
Assets		
Non-current assets		
Interest rate swap contracts	<u>-</u>	<u>1,507</u>
Current assets		
Bunker price derivative contracts	935	-
Interest rate swap contract	<u>-</u>	<u>147</u>
	<u>935</u>	<u>147</u>
	<u>935</u>	<u>1,654</u>
Liabilities		
Current liabilities		
Foreign exchange forward contract	-	(3,157)
Bunker price derivative contracts	<u>-</u>	<u>(2,159)</u>
	<u>-</u>	<u>(5,316)</u>

15. Share Capital

US\$'000	30th June 2016	31st December 2015
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 (2015: 625,793,297) ordinary shares of US\$0.10 each	<u>62,579</u>	<u>62,579</u>

16. Reserves

US\$'000	Share premium	Contributed surplus	Capital redemption reserve	Available-for-sale financial assets revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2015	172,457	88,547	4,696	40,910	44,302	4,384,019	4,734,931
Total comprehensive loss for the period	-	-	-	(24,956)	(4,614)	(67,972)	(97,542)
Transaction with owners							
2015 final dividend	-	-	-	-	-	(11,604)	(11,604)
Balance at 30th June 2016	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>15,954</u>	<u>39,688</u>	<u>4,304,443</u>	<u>4,625,785</u>
Balance at 31st December 2014	172,457	88,547	4,696	69,374	61,400	4,175,699	4,572,173
Total comprehensive income/(loss) for the period	-	-	-	(18,300)	(995)	244,528	225,233
Transaction with owners							
2014 final dividend	-	-	-	-	-	(21,400)	(21,400)
Balance at 30th June 2015	172,457	88,547	4,696	51,074	60,405	4,398,827	4,776,006
Total comprehensive income/(loss) for the period	-	-	-	(10,164)	(16,103)	45,371	19,104
Transaction with owners							
2015 interim dividend	-	-	-	-	-	(60,179)	(60,179)
Balance at 31st December 2015	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>40,910</u>	<u>44,302</u>	<u>4,384,019</u>	<u>4,734,931</u>

17. Creditors and Accruals

US\$'000	30th June 2016	31st December 2015
Trade payables	161,620	193,401
Other creditors	75,159	108,928
Accrued expenses	357,825	377,630
Deferred revenue	58,357	70,419
	<u>652,961</u>	<u>750,378</u>

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

US\$'000	30th June 2016	31st December 2015
Below one month	126,036	129,801
Two to three months	30,392	50,395
Four to six months	2,521	7,799
Over six months	2,671	5,406
	<u>161,620</u>	<u>193,401</u>

18. Borrowings

	30th	31st
	June	December
US\$'000	2016	2015
Non-current		
Bank loans		
- Secured	1,724,224	1,748,392
- Unsecured	224,788	233,169
Finance lease obligations	<u>1,485,378</u>	<u>1,681,539</u>
	<u>3,434,390</u>	<u>3,663,100</u>
Current		
Bank overdrafts, unsecured	340	14
Bank loans		
- Secured	286,970	297,808
- Unsecured	14,471	14,559
Finance lease obligations	<u>261,560</u>	<u>126,238</u>
	<u>563,341</u>	<u>438,619</u>
Total borrowings	<u><u>3,997,731</u></u>	<u><u>4,101,719</u></u>

19. Commitments

(a) Capital commitments – Property, plant and equipment

US\$'000	30th June 2016	31st December 2015
Contracted but not provided for	<u>658,407</u>	<u>778,885</u>

(b) Operating lease commitments

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

US\$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2016			
2016/17	178,863	31,506	210,369
2017/18	106,502	19,308	125,810
2018/19	74,935	14,347	89,282
2019/20	66,164	12,080	78,244
2020/21	59,715	11,086	70,801
2021/22 onwards	<u>42,341</u>	<u>30,871</u>	<u>73,212</u>
	<u>528,520</u>	<u>119,198</u>	<u>647,718</u>
As at 31st December 2015			
2016	194,705	34,708	229,413
2017	126,409	26,150	152,559
2018	89,334	15,441	104,775
2019	67,212	12,955	80,167
2020	64,755	11,089	75,844
2021 onwards	<u>69,759</u>	<u>36,548</u>	<u>106,307</u>
	<u>612,174</u>	<u>136,891</u>	<u>749,065</u>

19. Commitments (Continued)

(b) Operating lease commitments (Continued)

The Group entered into the Preferential Assignment Agreement (the “Agreement”) with the City of Long Beach (“COLB”) for the use of the Middle Harbor Terminal (the “Terminal”) in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st July 2011. As of 30th June 2016, the Group signed several Amendments to Preferential Assignment Agreement (the “Amendment”) with COLB, which has amended certain terms within Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US\$180,000 to US\$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by 2020 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 30th June 2016, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2015: 98.8 acreages). The Group and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

20. Segment Information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, 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 provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others.

20. Segment Information (Continued)

Operating segments

The segment results for the six months ended 30th June 2016 are as follows:

US\$'000	Container transport and logistics	Others	Elimination	Group
Revenue	<u>2,547,306</u>	<u>13,524</u>	<u>(327)</u>	<u>2,560,503</u>
Operating (loss)/profit	(76,320)	57,661	-	(18,659)
Finance costs	(39,594)	-	-	(39,594)
Share of profits of joint ventures	3,405	-	-	3,405
Share of profits of associated companies	7,386	-	-	7,386
(Loss)/profit before taxation	<u>(105,123)</u>	<u>57,661</u>	<u>-</u>	<u>(47,462)</u>
Taxation	(3,981)	(5,216)	-	(9,197)
(Loss)/profit for the period	<u>(109,104)</u>	<u>52,445</u>	<u>-</u>	<u>(56,659)</u>
Capital expenditure	152,367	276	-	152,643
Depreciation	197,492	-	-	197,492
Amortisation	2,696	-	-	2,696

20. Segment Information (Continued)

Operating segments (Continued)

The segment results for the six months ended 30th June 2015 are as follows:

US\$'000	Container transport and logistics	Others	Elimination	Group
Revenue	<u>3,031,916</u>	<u>12,739</u>	<u>(477)</u>	<u>3,044,178</u>
Operating profit	210,466	60,518	-	270,984
Finance costs	(30,097)	-	-	(30,097)
Share of profits of joint ventures	2,677	-	-	2,677
Share of profits of associated companies	9,225	-	-	9,225
Profit before taxation	<u>192,271</u>	<u>60,518</u>	<u>-</u>	<u>252,789</u>
Taxation	(8,696)	(5,450)	-	(14,146)
Profit for the period	<u>183,575</u>	<u>55,068</u>	<u>-</u>	<u>238,643</u>
Capital expenditure	498,849	170	-	499,019
Depreciation	155,457	1	-	155,458
Amortisation	2,196	-	-	2,196

20. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities as at 30th June 2016 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	6,841,738	2,422,481	9,264,219
Joint ventures	10,447	-	10,447
Associated companies	<u>144,787</u>	-	<u>144,787</u>
Total assets	<u>6,996,972</u>	<u>2,422,481</u>	<u>9,419,453</u>
Segment liabilities	<u>(4,659,338)</u>	<u>(71,751)</u>	<u>(4,731,089)</u>

The segment assets and liabilities as at 31st December 2015 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	6,947,634	2,626,933	9,574,567
Joint ventures	11,758	-	11,758
Associated companies	<u>145,249</u>	-	<u>145,249</u>
Total assets	<u>7,104,641</u>	<u>2,626,933</u>	<u>9,731,574</u>
Segment liabilities	<u>(4,865,720)</u>	<u>(68,344)</u>	<u>(4,934,064)</u>

The segment of “Others” primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of “Others” consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments and portfolio investments together with cash and bank balances that are managed at corporate level. Liabilities under the segment of “Others” primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

20. Segment Information (Continued)

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US\$'000	Revenue	Capital expenditure
Six months ended 30th June 2016		
Asia	1,737,132	13,589
North America	375,330	26,626
Europe	365,534	55
Australia	82,507	4
Unallocated*	-	112,369
	<u>2,560,503</u>	<u>152,643</u>
Six months ended 30th June 2015		
Asia	2,014,797	7,608
North America	434,351	22,655
Europe	506,067	119
Australia	88,963	14
Unallocated*	-	468,623
	<u>3,044,178</u>	<u>499,019</u>

* Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.

Results for First Half 2016

For the first six months of 2016 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a loss attributable to equity holders of US\$56.7 million compared with US\$238.6 million profit for the corresponding period of 2015.

The loss attributable to equity holders for the first half of 2016 included investment income of US\$25.2 million from Hui Xian and a net fair value gain of US\$9.7 million on Wall Street Plaza revaluation.

OOIL INTERIM RESULTS ANALYSIS		
<i>(US\$'000)</i>	2016	2015
(Loss)/Profit before tax from operating activities	(82,377)	215,710
Investment income from Hui Xian	25,191	27,249
Revaluation of Wall Street Plaza	9,724	9,830
(Loss)/Profit Before Tax for the Period Ended 30th June	(47,462)	252,789
Taxation	(9,197)	(14,146)
Non-controlling Interests	-	(11)
(Loss)/Profit Attributable to Equity Holders	(56,659)	238,632

Review of Operations

Market conditions in the first six months of 2016 have been difficult for the industry. Weak economic growth in many key economies has constrained consumer demand, and global uncertainty seems to have given rise to some level of slowdown in corporate and government investment. Consumer demand and investment are the key drivers of demand in our industry, and in this context it is no great surprise that cargo volume growth has been uninspiring.

The recent UK referendum might also lead to some further delay in investment processes in the short term, at least in Europe, especially if negotiations between the UK and EU on their future trading relationship prove to be protracted. In addition, violence in Europe and geopolitical conditions in the Middle East and South China sea have injected another layer of cautiousness to sustained corporate activities and investment.

In addition to global economic uncertainty, the industry continues to face a supply and demand imbalance. A combination of weak global growth on the demand side and excessive shipping capacity growth, exasperated by the industry’s relentless pursuit for scale and efficiency in recent years, has compounded the over capacity. The result is a weak freight market where rates fell to levels that at times failed to cover voyage costs in selected trade lanes.

The challenging market conditions seen at the end of 2015 continued for the first half of 2016. A combination of weak global growth and the continued delivery of significant numbers of large vessels generated an unfavourable supply and demand balance for the industry. While there was some improvement in volumes as the period progressed and although freight rates appear to have recovered from their lows, the outcome was disappointing.

Compared to the first half of 2015, OOCL liner liftings increased by 5% and load factor by 1%, but revenue dropped by 17%. Average revenue levels in some trade lanes reached new post-Global Financial Crisis lows, with an average revenue per TEU drop of 21% in the first half.

Trans-Pacific liftings increased by 14% year-on-year, whereas the average revenue per TEU decreased by 26%. Recognising the importance of this trade to the group, and the coming on line of the first phase of our terminal at Long Beach, OOCL managed to achieve an increase in liftings in the Trans-Pacific trade.

Asia-Europe westbound lifting dropped 1% when compared to the same period last year, and revenue per TEU fell by 32%, due to the unfavourable supply/demand balance. Slow growth in Europe, in combination with the time necessary for the market to absorb the number of large new vessels being introduced to service, kept the market context difficult for most of the period. With some improvement on the demand side and in freight rates, it is hoped that the Asia-Europe may now be exiting its extended period of being under such pressure. However, many uncertainties remain, not least the outcome of Brexit negotiations.

Liftings of the Intra-Asia & Australasia Trade increased by 4% compared to the first half of last year, and average revenue per TEU was 19% lower. Low (or at least lower) growth in certain parts of the region was a key contributor to this, even if certain areas, notably South East Asia, continued to perform well. The relative weakness of the major East-West trades also drove the downward trend in this market. If the East-West trades have indeed started to recover, then we would anticipate that regional sub assembly of goods ultimately for export to the US or Europe will begin to generate improvement within Asia but the speed of any such recovery is unknown.

Trans-Atlantic liftings increased by 8%, with average revenue per TEU 15% lower. The trade performed well compared to the rest of the industry, not least driven by the strong USD and the gradual improvement in the US economy improving westbound cargo.

Although fuel costs have risen considerably since the remarkable lows of the first few months of 2016, they remain far lower than in recent years, and provide some element of cushion against the unsustainably low freight rates that have been seen in some trades.

The average price of bunker recorded by OOCL in the first half of 2016 was US\$186 per ton compared with US\$352 per ton for the corresponding period in 2015. In the first half of 2016, fuel costs decreased by 41% when compared to the corresponding period in 2015.

In the first half of 2016, no new-build vessels were delivered, and no new orders were placed by the Group. For six 20,000 TEU class new-build vessels contracted with Samsung Heavy Industries Co. Ltd. in South Korea, they are expected to be completed by the end of year 2017.

OOCL Logistics revenue for the first half of 2016 dropped by 14% compared with the same period last year. Due to challenging global market conditions, revenue from Supply Chain Management Service and Import/Export Services each dropped by 19%. Competition in the transportation sector in China remains fierce, but we were able to counter the revenue drop in transportation with the new long-term leased warehouses in China, resulting in a relatively flat revenue position in the Domestic Logistics business.

OOCL Logistics is a business focus for the Group. The combination of a soft market environment, intense competition, and changing trade patterns brought about both lower margins and service challenges for the industry. OOCL logistics continues to focus on building the underlying business, remaining profitable, and working towards becoming a steady and meaningful contributor to the Group's bottom line in the future.

In this challenging environment, our trademark attention to costs and to operational efficiency are more important than ever. This consistent approach over many years, implemented by our experienced staff, coupled with ongoing investment in IT to deliver superior customer service, yield management and cost control, will help ensure that OOCL is well placed to face up to the challenges of the current market and to be ready for the market upturn when it comes.

The Group's property investments include its long-standing ownership of Wall Street Plaza located in New York. Wall Street Plaza continues to record steady results and based on an independent valuation, has been re-valued upwards by US\$10 million as at 30th June 2016 to reflect an assessed market value of US\$210 million. After offsetting a total of US\$0.3 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2016 was US\$9.7 million.

The Group continues its investment in Beijing Oriental Plaza directly through holdings in the Hui Xian REIT and indirectly through Hui Xian Holdings Ltd., which holds units in the Hui Xian REIT. In the first half of 2016, Hui Xian Holdings declared a cash dividend and dividend in specie to its shareholders, of which the Group's shares amounted to US\$22.2 million. In addition, the Group also received a distribution of US\$3.0 million from its direct holding of Hui Xian REIT.

The investments in Wall Street Plaza and Hui Xian are both historical in nature and the Group currently has no intention of further investment in property other than that in relation to the operations of the container transportation and logistics business.

Looking Forward

Looking ahead, notwithstanding the fact that there have been some tonnage withdrawals and pockets of volume growth in selected trade lanes, if deployed capacity continues to be substantially in excess of demand, the second half of 2016 will be challenging and difficult.

The industry continues to face a supply and demand imbalance. While the orderbook as a percentage of existing fleet is anticipated to drop to 6.7% and 5.5% respectively in 2017 and 2018, the challenge for the next half decade is on the demand side. The world economy seems uninspiring at best. The US may have passed its most difficult period in this cycle, and China will likely avoid a hard landing. Even if Europe finds its footing in the aftermath of Brexit, the world may very well need to adjust to a “new normal” where unexciting growth and a low interest environment become the norm, at least for a half decade. In the mean time, the polarisation of domestic politics, the rise of populism, and the tendency towards “turning inwards” for many nations may also translate into a slow down in the velocity of globalization.

In this difficult environment, it is critical for carriers to focus on ensuring the ability to deliver superior service and the most cost effective way possible. Our new alliance platform with like-minded partners, our newbuilding vessels which will be deployed in 2017, our investment in information technology as a tool to transform decision making, and our port facility redevelopment project in Long Beach, California are all critical parts of our effort to further our efficiency gains, enhance our overall competitiveness, and protect our ability to deliver industry-leading operating margins. The Group balance sheet remains one of the strongest in the industry, and is an important element in our ability to retain flexibility and initiative. We continue to be deliberate in our efforts to balance the need for a strong and liquid balance sheet, necessary in a capital intensive business, with an industry-competitive shareholder return.

The first half of 2016 was disappointing for OOIL. We expect continued challenges given the global landscape. However, we remain confident that our prudent and deliberate management approach will lead the Group through the challenging times. Our customer base remains solid, and our business operations continue to benefit from our focus on cost and on efficiency, helped enormously by our ongoing investment in information technology. My colleagues and I remain committed to ensuring that the Group is well positioned for the future and continues to be one of the highest performing in the industry.

Interim Dividend

The Board of Directors of the Company (the “Board”) has resolved not to declare the payment of an interim dividend for the six months ended 30th June 2016.

Purchase, Sale or Redemption of Shares

During the six-month period ended 30th June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed 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 Corporate Governance Code

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 corporate governance code (the “CG Code”), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (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 applied by the Group and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the period from 1st January 2016 to 30th June 2016, the Company complied with the SEHK Code, save for the following:-

- there was no separation of the roles of Chairman and Chief Executive Officer of the Company. Mr. TUNG Chee Chen currently assumes the roles of both Chairman and Chief Executive Officer of the Company. The executive members of the Board currently consist of chief executive officer of the principal division of the Group and there is an effective separation of the roles between the chief executive of its principal division and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of the Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors 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 Company’s own code and the Model Code throughout the period from 1st January 2016 to 30th June 2016.

Publication of Results Announcement and Interim Report

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (“HKEx”) at <http://www.hkexnews.hk> and the Company at <http://www.oilgroup.com>. The 2016 Interim Report will be published on the HKEx’s website and the Company’s website and will be despatched to the shareholders of the Company on or around 1st September 2016.

Employee Information

As at 30th June 2016, the Group had 9,942 full-time equivalent employees. Salary and benefit levels are maintained at competitive levels and employees are rewarded on a performance-related basis within the general policy and framework of the Group’s salary and discretionary bonus schemes. These schemes, based on the performance of the Company and individual employees, are regularly reviewed. Other benefits are also provided including medical insurance and retirement funds. In support of the continuous development of individual employees, training and development programmes are offered for different levels of employee. Social and recreational activities are arranged for our employees around the world.

Directors

As at the date of this announcement, our Executive Directors are Messrs. TUNG Chee Chen, TUNG Lieh Cheung Andrew and TUNG Lieh Sing Alan; our Non-Executive Director is Professor Roger KING; and our Independent Non-Executive Directors are Mr. Simon MURRAY, Mr. CHOW Philip Yiu Wah, Professor WONG Yue Chim Richard, Mr. CHENG Wai Sun Edward and Mr. KWOK King Man Clement.

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

TUNG Chee Chen
Chairman

Hong Kong, 5th August 2016

† *For identification purpose only*
Website : <http://www.ooilgroup.com>