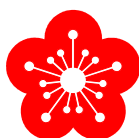


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ORIENT OVERSEAS (INTERNATIONAL) LIMITED

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 2017

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 2017, 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 2017

US\$'000	Note	2017	2016
Revenue	5	2,898,133	2,560,503
Operating costs		<u>(2,642,382)</u>	<u>(2,411,668)</u>
Gross profit		255,751	148,835
Fair value gain from an investment property		27,689	9,724
Other operating income		44,060	45,796
Business and administrative expenses		<u>(234,291)</u>	<u>(225,052)</u>
Other gains, net		16,387	2,038
Operating profit/(loss)	6	109,596	(18,659)
Finance costs	8	(45,031)	(39,594)
Share of profits of joint ventures		2,046	3,405
Share of profits of associated companies		7,555	7,386
Profit/(loss) before taxation		74,166	(47,462)
Taxation	9	<u>(20,560)</u>	<u>(9,197)</u>
Profit/(loss) for the period		<u>53,606</u>	<u>(56,659)</u>
Profit/(loss) attributable to :			
Equity holders of the Company		<u>53,606</u>	<u>(56,659)</u>
Earnings/(loss) per ordinary share (US cents)			
Basic and diluted	11	<u>8.6</u>	<u>(9.1)</u>

Condensed Consolidated Statement of Comprehensive Income (unaudited)
For the six months ended 30th June 2017

US\$'000	2017	2016
Profit/(loss) for the period	<u>53,606</u>	<u>(56,659)</u>
Other comprehensive income:		
Item that will not be subsequently reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit schemes	<u>9,028</u>	<u>(11,313)</u>
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- Change in fair value	4,400	(24,956)
Currency translation adjustments		
- Foreign subsidiaries	2,462	(1,426)
- Associated companies	3,273	(2,973)
- Joint ventures	<u>(10)</u>	<u>(215)</u>
Total items that have been reclassified or may be reclassified subsequently to profit or loss	<u>10,125</u>	<u>(29,570)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>19,153</u>	<u>(40,883)</u>
Total comprehensive income/(loss) for the period	<u><u>72,759</u></u>	<u><u>(97,542)</u></u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	<u><u>72,759</u></u>	<u><u>(97,542)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

As at 30th June 2017

US\$'000	Note	30th June 2017	31st December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,175,676	6,076,673
Investment property	12	250,000	220,000
Prepayments of lease premiums	12	7,856	7,818
Joint ventures		7,059	11,225
Associated companies		141,751	137,527
Intangible assets	12	57,138	60,143
Deferred taxation assets		1,875	4,227
Restricted bank balances		897	403
Available-for-sale financial assets		37,289	93,148
Held-to-maturity investments		213,494	195,296
Other non-current assets		<u>16,620</u>	<u>32,091</u>
		<u>6,909,655</u>	<u>6,838,551</u>
Current assets			
Inventories		111,197	84,472
Debtors and prepayments	13	547,614	474,158
Amount due from an associated company		2,967	2,854
Amounts due from joint ventures		4,978	431
Held-to-maturity investments		34,435	41,621
Portfolio investments		319,445	322,927
Derivative financial instruments	14	243	2,097
Tax recoverable		9,216	10,780
Restricted bank balances		608	1,023
Cash and bank balances		<u>1,752,326</u>	<u>1,625,676</u>
		<u>2,783,029</u>	<u>2,566,039</u>
Total assets		<u>9,692,684</u>	<u>9,404,590</u>
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	<u>4,529,466</u>	<u>4,456,707</u>
Total equity		<u>4,592,045</u>	<u>4,519,286</u>
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,579,622	3,489,272
Deferred taxation liabilities		82,817	71,337
Pension and retirement liabilities		<u>1,582</u>	<u>11,857</u>
		<u>3,664,021</u>	<u>3,572,466</u>
Current liabilities			
Creditors and accruals	17	788,512	695,897
Amounts due to joint ventures		8,916	10,712
Borrowings	18	634,596	601,465
Current taxation		<u>4,594</u>	<u>4,764</u>
		<u>1,436,618</u>	<u>1,312,838</u>
Total liabilities		<u>5,100,639</u>	<u>4,885,304</u>
Total equity and liabilities		<u>9,692,684</u>	<u>9,404,590</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)
For the six months ended 30th June 2017

US\$'000	2017	2016
Cash flows from operating activities		
Cash generated from operations	238,340	17,959
Interest and financing charges paid	(41,739)	(36,190)
Hong Kong profits tax paid	-	(23)
Overseas taxes paid	(5,018)	(4,933)
Net cash from/(used in) operating activities	<u>191,583</u>	<u>(23,187)</u>
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	80,711	7,800
Purchase of property, plant and equipment	(29,927)	(144,544)
Purchase of other non-current assets	(34,293)	(11,263)
Decrease/(increase) in portfolio investments	23,150	(5,964)
Net change in amounts due to joint ventures	(6,343)	293
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months	378	(377,405)
Interest received	21,058	18,383
Dividends and distribution received from investments	8,175	11,255
Dividend received from a joint venture and associated companies	12,693	6,505
Net cash from/(used in) investing activities	<u>75,602</u>	<u>(494,940)</u>
Cash flows from financing activities		
Drawdown of loans	234,330	264,688
Repayment of loans	(311,142)	(310,070)
Capital element of finance lease rental payments	(61,601)	(65,267)
Dividends paid to equity holders of the Company	-	(11,604)
Net cash used in financing activities	<u>(138,413)</u>	<u>(122,253)</u>
Net increase/(decrease) in cash and cash equivalents	128,772	(640,380)
Cash and cash equivalents at beginning of period	1,625,219	1,737,511
Currency translation adjustments	(1,665)	4,295
Cash and cash equivalents at end of period	<u>1,752,326</u>	<u>1,101,426</u>
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	1,752,326	1,101,766
Bank overdrafts	-	(340)
	<u>1,752,326</u>	<u>1,101,426</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)
For the six months ended 30th June 2017

US\$'000	Equity holders		
	Share capital	Reserves	Total
Balance at 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the period	-	72,759	72,759
Balance at 30th June 2017	62,579	4,529,466	4,592,045
Balance at 31st December 2015	62,579	4,734,931	4,797,510
Total comprehensive loss for the period	-	(97,542)	(97,542)
Transaction with owners 2015 final dividend	-	(11,604)	(11,604)
Balance at 30th June 2016	62,579	4,625,785	4,688,364

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 4th August 2017.

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 2016 except for the adoption of amendments to HKFRSs effective for the financial year ending 31st December 2017.

The adoption of revised HKFRSs

In 2017, the Group adopted the following amendments to existing HKFRSs below, which are relevant to its operations.

Amendments to existing standards

HKAS 7 Amendments	Statement of Cash Flows
HKAS 12 Amendments	Income Taxes
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The adoption of the above amendments to existing HKFRSs do not have a material impact on the Group and some additional disclosures will be made on the consolidated financial statements.

2. Basis of Preparation (Continued)

New standards, amendment and improvements to existing standards that are relevant but not yet effective to the Group

New standards, amendment and improvements to existing standards		Effective for accounting periods beginning on or after
HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKAS 40 Amendments	Transfer of Investment Property	1st January 2018
HKFRS 16	Leases	1st January 2019

The adoption of the above amendment and improvements is not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on the above new standards have been carried out:

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management is in the process of assessing the impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11 which covers construction contracts and HKAS 18 which covers contracts for goods and services for revenue recognition. It introduces the concept of recognising revenue over time if the performance obligation is satisfied over time. That is, the customer simultaneously receives and consumes the benefits provided. Management has performed a preliminary assessment on HKFRS 15 and considers there is no significant impact on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management is in the process of assessing to what extent the operating lease commitments as disclosed in note 19(b) will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

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 2016.

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 that are measured at fair value at 30th June 2017.

US\$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	63,561	-	-	63,561
– Debt securities	249,895	-	-	249,895
– Funds and other investments	-	5,989	-	5,989
Derivative financial instruments	-	243	-	243
Available-for-sale financial assets				
– Other investments	-	-	37,289	37,289
Total assets	<u>313,456</u>	<u>6,232</u>	<u>37,289</u>	<u>356,977</u>

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2016.

US\$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	36,720	-	-	36,720
– Debt securities	280,445	-	-	280,445
– Funds and other investments	-	5,762	-	5,762
Derivative financial instruments	-	2,097	-	2,097
Available-for-sale financial assets				
– Listed equity securities	60,259	-	-	60,259
– Other investments	-	-	32,889	32,889
Total assets	<u>377,424</u>	<u>7,859</u>	<u>32,889</u>	<u>418,172</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 bunker price derivative contracts is determined using future commodity price 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 2016	32,889
Fair value change recognised in other comprehensive income	4,400
	<hr/>
Closing balance at 30th June 2017	37,289
	<hr/> <hr/>
	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/>

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

US\$'000	Carrying amount		Fair value	
	30th June 2017	31st December 2016	30th June 2017	31st December 2016
Non-current bank loans	1,869,356	1,934,061	1,868,263	1,932,904
Non-current finance lease obligations	1,710,266	1,555,211	1,706,478	1,550,622
Held-to-maturity investments	247,929	236,917	263,006	249,984

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

- Debtors and prepayments
- 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 consolidated financial statements for the year ended 31st December 2016.

5. Revenue

US\$'000	2017	2016
Container transport and logistics	2,883,527	2,547,306
Rental income	<u>14,606</u>	<u>13,197</u>
	<u><u>2,898,133</u></u>	<u><u>2,560,503</u></u>

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

Revenue comprises 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 Profit/(Loss)

US\$'000	2017	2016
Operating profit/(loss) is arrived at after crediting:		
Interest income from banks	10,411	7,992
Interest income from held-to-maturity investments	5,688	5,881
Gross rental income from an investment property	14,606	13,197
Income from available-for-sale financial assets		
- Distribution	-	3,026
- Dividend income	21,180	22,168
Net gain on interest rate swap contracts	-	56
Fair value gain on foreign exchange forward contract	895	1,547
Gain on bunker price derivative contracts	-	2,180
Portfolio investment income		
- Fair value gain (realised and unrealised)	6,388	7,389
- Interest income	5,696	5,304
- Dividend income	349	394
Exchange gain	<u>11,926</u>	<u>-</u>
and after charging:		
Depreciation		
Owned assets	149,297	148,655
Leased assets	58,334	48,837
Operating lease rental expense		
Vessels and equipment	120,399	140,517
Terminals and berths	29,198	18,511
Land and buildings	16,446	17,636
Rental outgoings in respect of an investment property	7,439	7,515
Loss on bunker price derivative contracts	1,847	-
Loss on disposal of property, plant and equipment	783	1,394
Loss on disposal of held-to-maturity investments	-	74
Loss on disposal of available-for-sale financial assets	192	-
Amortisation of intangible assets	5,491	2,584
Amortisation of prepayments of lease premiums	108	112
Exchange loss	<u>-</u>	<u>7,666</u>

7. Key Management Compensation

US\$'000	2017	2016
Salaries and other short-term employee benefits	2,174	2,819
Estimated money value of other benefits	76	54
Pension costs - defined contribution plans	<u>200</u>	<u>261</u>
	<u>2,450</u>	<u>3,134</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	2017	2016
Interest expense	(51,296)	(42,598)
Amount capitalised under assets	<u>6,265</u>	<u>3,004</u>
Net interest expense	<u>(45,031)</u>	<u>(39,594)</u>

9. Taxation

US\$'000	2017	2016
Current taxation		
Hong Kong profits tax	(64)	(109)
Overseas taxation	<u>(6,609)</u>	<u>(5,365)</u>
	<u>(6,673)</u>	<u>(5,474)</u>
Deferred taxation		
Hong Kong profits tax	(262)	(24)
Overseas taxation	<u>(13,625)</u>	<u>(3,699)</u>
	<u>(13,887)</u>	<u>(3,723)</u>
	<u>(20,560)</u>	<u>(9,197)</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 11% to 46% (2016: 10% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2016: 16.5%).

10. Interim Dividend

US\$'000	2017	2016
Interim dividend of US2.14 cents (2016 : nil) per ordinary share	<u>13,392</u>	<u>-</u>

The Board of Directors declares the payment of an interim dividend of US2.14 cents per ordinary share for 2017 (2016 : nil).

11. Earnings/(Loss) Per Ordinary Share

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

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

US\$'000	2017	2016
Number of ordinary shares in issue (thousands)	<u>625,793</u>	<u>625,793</u>
Group's profit/(loss) attributable to:		
Equity holders of the Company	<u>53,606</u>	<u>(56,659)</u>
Earnings/(loss) per share attributable to equity holders of the Company (US cents)	<u>8.6</u>	<u>(9.1)</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 2016	6,076,673	220,000	7,818	60,143	6,364,634
Currency translation adjustments	1,044	-	146	-	1,190
Fair value gain	-	27,689	-	-	27,689
Additions	307,516	2,311	-	2,486	312,313
Disposals	(1,926)	-	-	-	(1,926)
Depreciation and amortisation	(207,631)	-	(108)	(5,491)	(213,230)
Balance at 30th June 2017	6,175,676	250,000	7,856	57,138	6,490,670
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	5,970,260	210,000	8,212	55,951	6,244,423

13. Debtors and Prepayments

US\$'000	30th June 2017	31st December 2016
Trade receivables	367,648	310,742
Less: provision for impairment	(16,480)	(16,313)
Trade receivables - net	351,168	294,429
Other debtors	85,538	72,806
Other prepayments	96,836	93,996
Utility and other deposits	14,072	12,927
	547,614	474,158

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:

	30th June 2017	31st December 2016
US\$'000		
Below one month	324,404	271,913
Two to three months	20,418	16,598
Four to six months	2,899	4,839
Over six months	3,447	1,079
	<u>351,168</u>	<u>294,429</u>

14. Derivative Financial Instruments

	30th June 2017	31st December 2016
US\$'000		
Assets		
Current assets		
Bunker price derivative contracts	<u>243</u>	<u>2,097</u>

15. Share Capital

US\$'000	30th June 2017	31st December 2016
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 (2016: 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 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707
Total comprehensive income for the period	-	-	-	4,400	5,725	62,634	72,759
Balance at 30th June 2017	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>35,252</u>	<u>32,804</u>	<u>4,195,710</u>	<u>4,529,466</u>
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	172,457	88,547	4,696	15,954	39,688	4,304,443	4,625,785
Total comprehensive income/(loss) for the period	-	-	-	14,898	(12,609)	(171,367)	(169,078)
Balance at 31st December 2016	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>30,852</u>	<u>27,079</u>	<u>4,133,076</u>	<u>4,456,707</u>

17. Creditors and Accruals

US\$'000	30th June 2017	31st December 2016
Trade payables	195,058	198,819
Other creditors	124,216	102,116
Accrued expenses	423,066	354,239
Deferred revenue	46,172	40,723
	<u>788,512</u>	<u>695,897</u>

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

US\$'000	30th June 2017	31st December 2016
Below one month	161,429	142,754
Two to three months	21,078	44,932
Four to six months	4,921	656
Over six months	7,630	10,477
	<u>195,058</u>	<u>198,819</u>

18. Borrowings

	30th	31st
	June	December
US\$'000	2017	2016
Non-current		
Bank loans		
- Secured	1,570,133	1,624,089
- Unsecured	299,223	309,972
Finance lease obligations	<u>1,710,266</u>	<u>1,555,211</u>
	<u>3,579,622</u>	<u>3,489,272</u>
Current		
Bank loans		
- Secured	232,935	242,848
- Unsecured	21,498	21,498
Finance lease obligations	<u>380,163</u>	<u>337,119</u>
	<u>634,596</u>	<u>601,465</u>
Total borrowings	<u><u>4,214,218</u></u>	<u><u>4,090,737</u></u>

19. Commitments

- (a) Capital commitments – Property, plant and equipment

US\$'000	30th June 2017	31st December 2016
Contracted but not provided for	<u>428,762</u>	<u>663,951</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 2017			
2017/18	197,910	32,701	230,611
2018/19	78,853	27,672	106,525
2019/20	69,564	22,680	92,244
2020/21	62,362	13,093	75,455
2021/22	32,374	8,663	41,037
2022/23 onwards	<u>13,125</u>	<u>22,689</u>	<u>35,814</u>
	<u>454,188</u>	<u>127,498</u>	<u>581,686</u>
As at 31st December 2016			
2017	145,136	28,954	174,090
2018	89,135	18,679	107,814
2019	67,095	15,750	82,845
2020	64,770	12,015	76,785
2021	44,043	10,729	54,772
2022 onwards	<u>26,167</u>	<u>24,885</u>	<u>51,052</u>
	<u>436,346</u>	<u>111,012</u>	<u>547,358</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 2017, 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 2017, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2016: 193.0 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 2017 are as follows:

US\$'000	Container transport and logistics	Others	Elimination	Group
Revenue	<u>2,883,527</u>	<u>14,835</u>	<u>(229)</u>	<u>2,898,133</u>
Operating profit	21,776	87,820	-	109,596
Finance costs	(45,031)	-	-	(45,031)
Share of profits of joint ventures	2,046	-	-	2,046
Share of profits of associated companies	7,555	-	-	7,555
Profit/(loss) before taxation	<u>(13,654)</u>	<u>87,820</u>	<u>-</u>	<u>74,166</u>
Taxation	(7,286)	(13,274)	-	(20,560)
Profit/(loss) for the period	<u>(20,940)</u>	<u>74,546</u>	<u>-</u>	<u>53,606</u>
Capital expenditure	310,002	2,311	-	312,313
Depreciation	207,631	-	-	207,631
Amortisation	5,599	-	-	5,599

20. Segment Information (Continued)

Operating segments (Continued)

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 assets and liabilities as at 30th June 2017 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	7,217,893	2,318,036	9,535,929
Joint ventures	12,037	-	12,037
Associated companies	<u>144,718</u>	-	<u>144,718</u>
Total assets	<u>7,374,648</u>	<u>2,318,036</u>	<u>9,692,684</u>
Segment liabilities	<u>(5,002,266)</u>	<u>(98,373)</u>	<u>(5,100,639)</u>

The segment assets and liabilities as at 31st December 2016 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	6,961,231	2,291,322	9,252,553
Joint ventures	11,656	-	11,656
Associated companies	<u>140,381</u>	-	<u>140,381</u>
Total assets	<u>7,113,268</u>	<u>2,291,322</u>	<u>9,404,590</u>
Segment liabilities	<u>(4,809,327)</u>	<u>(75,977)</u>	<u>(4,885,304)</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 property and 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 2017		
Asia	2,014,511	2,707
North America	407,322	43,944
Europe	395,545	162
Australia	80,755	-
Unallocated*	-	265,500
	<u>2,898,133</u>	<u>312,313</u>
 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>

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

Results for First Half 2017

For the first six months of 2017 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit attributable to equity holders of US\$53.6 million compared with US\$56.7 million loss for the corresponding period of 2016.

The profit attributable to equity holders for the first half of 2017 included investment income of US\$21.2 million from Hui Xian and a net fair value gain of US\$27.7 million on Wall Street Plaza revaluation.

OOIL INTERIM RESULTS ANALYSIS		
<i>(US\$'000)</i>	2017	2016
Profit/(Loss) before tax from operating activities	25,297	(82,377)
Investment income from Hui Xian	21,180	25,191
Revaluation of Wall Street Plaza	27,689	9,724
Profit/(Loss) Before Tax for the Period Ended 30th June	74,166	(47,462)
Taxation	(20,560)	(9,197)
Profit/(Loss) Attributable to Equity Holders	53,606	(56,659)

Review of Operations

In the first half of 2017, we have begun to see a slow and steady recovery from the tough market conditions that characterised 2016. The results for the period reflect this.

It seems that healthier demand growth has reappeared, at least to some extent. While we must wait to see how enduring this will be, this is a very welcome change from recent years. Improving data, and moreover improving sentiment, in many of the large economies gives us some comfort as to the sustainability of this better environment.

In tandem with this gradual improvement in demand, we note the slowdown in supply side growth. Scrapping occurred at a record rate in 2016, continuing at approximately the same pace in 2017 year to date. Orders of newbuildings have been notably absent this year so far.

This steady improvement in the supply demand balance is not a sign of a booming market – we are far from that. However, it does mean that for the first time since the onset of the Global Financial Crisis, the supply demand balance is not worsening year on year. This is a significant shift, and if it holds, then the industry will at least have the chance to start to absorb some of the excess capacity that exists.

Compared to the first half of 2016, OOCL liner liftings increased by 7% and load factor by 1%. Revenue levels per TEU increased by 8%.

Trans-Pacific liftings increased by 23% compared to the same period last year, with revenue decreasing by 2% per TEU. The material level of volume growth achieved by OOCL is in part due simply to additional capacity (both through our own expansion and through the increased scale of the Ocean Alliance). We also appear to be benefiting from a focus on financial robustness coming from our customers, many of whom are seeking to manage their risk by allocating higher volumes to carriers with stronger balance sheets.

Similar to what was seen on the Trans-Pacific trade, volumes and rates on the Asia-Europe trade have both started to recover from the historic lows suffered in 2016. Liftings increased by 22%, with revenue per TEU improving by 21%. The significant volume improvement will also be driven partly by the basis effect (comparing to a weak 1H 2016), but also from the new importance of financial robustness to our customers.

Industry-wide data for the Intra-Asia trade shows markedly negative volume growth for the IADA area as a whole. For IADA, it appears that trade between North China, Japan and Korea has suffered in particular, whereas Taiwan and certain parts of South East Asia are doing better. For our Intra-Asia and Australasia business, which covers a broader area than just IADA, volumes were down 5% although revenue per TEU improved by 8%.

Trans-Atlantic trade saw good volume growth, with liftings up by 8% as against the same period last year. Just as for the Trans-Pacific trade, the improving US economy and the relatively strong USD will have driven better demand. The trade continues to be less balanced than in the past, with more volume heading west than east, although if European economic data continues to improve, this trend towards increasing imbalance may change.

The average price of bunker recorded by OOCL in the first half of 2017 was US\$306 per ton compared with US\$186 per ton for the corresponding period in 2016. Both the fuel oil and the diesel oil price have rebounded from their lowest levels, leading to the increase in bunker costs by 64% in the first half of 2017 compared with the corresponding period of 2016.

During the first half of 2017, the Group took delivery of the first of its 21,413 TEU series of newbuildings from Samsung Heavy Industries in South Korea, namely the ‘OOCL Hong Kong’, marking an important milestone for the Group. With her carrying capacity of 21,413 TEU, she is the largest container vessel in the world. The delivery of the remaining five newbuildings of the same series is expected to be completed by the end of the first quarter of 2018. No orders for newbuildings were placed in the first half of 2017.

OOCL Logistics revenue and contribution for the first half of 2017 increased by 5% and 6% respectively compared with the same period last year. Due to improving global market conditions, the contribution from International Supply Chain Management Service increased by 13% and the contribution from Import/Export Services increased by 1%. Competition in the transportation sector in China remains very challenging, but we were able to counter the contribution drop in transportation with great business improvement in the long-term leased warehouses sector in China, resulting in only a 3% contribution drop of overall Domestic Logistics business.

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\$30 million as at 30th June 2017 to reflect an assessed market value of US\$250 million. After offsetting a total of US\$2.3 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2017 was US\$27.7 million.

The Group invests in Beijing Oriental Plaza directly through holdings in the Hui Xian REIT and indirectly through Hui Xian Holdings Limited, which holds units in the Hui Xian REIT. In the first half of 2017, Hui Xian Holdings Limited declared a cash dividend and dividend in specie to its shareholders, of which the Group’s shares amounted to US\$21.2 million.

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

Driven in part by the unsustainable markets of last year, but also being the continuation of a relentless trend towards scale and consolidation, the shape of the industry has changed dramatically. Following a wave of M&A, corporate reorganisations, a corporate collapse, and the change in alliance groupings implemented in April 2017, the industry continues to evolve. Over time, this may help to provide a more stable context for the industry, which is ultimately to the benefit of liner companies as well as of their customers.

In this context, on the 9th of July 2017, it was jointly announced by Orient Overseas (International) Limited ("OOIL"; HKEx: 0316), COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"; SHA: 601919; HKEx: 1919), and Shanghai International Port (Group) Co., Ltd ("SIPG"; SHA: 600018) that COSCO SHIPPING Holdings and SIPG have made a pre-conditional voluntary general offer ("Offer") to all shareholders of OOIL to acquire all issued shares at an offer price of HK\$78.67 in cash. The Offer is dependent upon the satisfaction of pre-conditions, which include the necessary regulatory approvals as well as approval from COSCO SHIPPING Holdings shareholders. The controlling shareholder, who currently holds 68.7% of OOIL has irrevocably undertaken to accept the Offer. On completion, COSCO SHIPPING Holdings will hold 90.1%, while SIPG will hold 9.9% of the total amount of OOIL shares tendered.

For years, we have achieved scale benefits by means of alliance membership and the deployment of the right, often the largest, vessels in each trade lane. These techniques, alongside our highly skilled employees, our customer base, our IT system, our focus on cost efficiency and our robust balance sheet, go together to drive the success of our group. However, as the industry consolidates at speed, with the largest players now having millions of TEU in carrying capacity, the capital base necessary to operate successfully, and to establish a place among the leading industry participants, is becoming increasingly sizeable.

The Offer provides an opportunity for OOIL to continue to operate the OOCL brand, but as part of the China COSCO Shipping Group, and to bring together our operating model and our corporate culture with the competitive advantages of COSCO, including its size and scale, capital base, growing fleet and extensive port investments, to name but a few. This would create a combined group that would have a very strong chance of maintaining and building a status as one of the very best performers in an industry now entering a new phase.

Interim Dividend

The Board of Directors of the Company (the “Board”) is pleased to announce an interim dividend of US2.14 cents (HK\$0.167 at the exchange rate of US\$1 : HK\$7.8) per ordinary share for the six months ended 30th June 2017 to be paid on 11th October 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 7th September 2017. Shareholders should complete the dividend election form (if applicable) and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited (the “Branch Share Registrar”), at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28th September 2017.

Closure of Register of Members

The register of members of the Company will be closed from 1st September 2017 to 7th September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31st August 2017.

Purchase, Sale or Redemption of Shares

During the six-month period ended 30th June 2017, 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 2017 to 30th June 2017, 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.

Review of Financial Statements

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th June 2017, in conjunction with the external and internal auditors of the Company.

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the “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 Code and the Model Code throughout the period from 1st January 2017 to 30th June 2017.

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 2017 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 31st August 2017.

Employee Information

As at 30th June 2017, the Group had 10,123 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, 4th August 2017

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