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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)

### 2017 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited (the “Company”) announce the results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2017 as follows:

#### Consolidated Profit and Loss Account For the year ended 31st December 2017

US\$'000	Note	2017	2016
Revenue	4	6,108,350	5,297,693
Operating costs		(5,531,438)	(5,032,272)
<b>Gross profit</b>		<b>576,912</b>	265,421
Fair value gain from an investment property		43,436	18,522
Other operating income		72,082	72,456
Business and administrative expenses		(487,299)	(468,897)
Other gains/(losses), net		27,039	(25,729)
<b>Operating profit/(loss)</b>	5	<b>232,170</b>	(138,227)
Finance costs	6	(101,215)	(79,393)
Share of profits of joint ventures		5,177	5,135
Share of profits of associated companies		13,957	12,818
<b>Profit/(loss) before taxation</b>		<b>150,089</b>	(199,667)
Taxation	7	(12,433)	(19,554)
<b>Profit/(loss) for the year</b>		<b>137,656</b>	(219,221)
<b>Profit/(loss) attributable to :</b>			
Equity holders of the Company		137,656	(219,221)
<b>Earnings/(loss) per ordinary share (US cents)</b>	9		
<b>Basic and diluted</b>		<b>22.0</b>	(35.0)

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31st December 2017**

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US\$'000	2017	2016
<b>Profit/(loss) for the year</b>	<u>137,656</u>	<u>(219,221)</u>
<b>Other comprehensive income:</b>		
Item that will not be subsequently reclassified to profit or loss:		
Remeasurement gains/(losses) on defined benefit schemes	<u>10,506</u>	<u>(20,118)</u>
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
- Change in fair value	12,492	(28,012)
- Release of assets revaluation reserve upon disposal	-	4,753
- Release of assets revaluation reserve upon impairment	-	13,201
Currency translation adjustments		
- Foreign subsidiaries	6,978	(6,880)
- Associated companies	8,505	(9,176)
- Joint ventures	<u>478</u>	<u>(1,167)</u>
Total items that have been reclassified or may be reclassified subsequently to profit or loss	<u>28,453</u>	<u>(27,281)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>38,959</u>	<u>(47,399)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><u>176,615</u></u>	<u><u>(266,620)</u></u>
<b>Total comprehensive income/(loss) attributable to :</b>		
Equity holders of the Company	<u><u>176,615</u></u>	<u><u>(266,620)</u></u>

**Consolidated Balance Sheet**

As at 31st December 2017

US\$'000	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,251,457	6,076,673
Investment property		270,000	220,000
Prepayments of lease premiums		7,972	7,818
Joint ventures		10,833	11,225
Associated companies		148,840	137,527
Intangible assets		49,204	60,143
Deferred taxation assets		1,476	4,227
Pension and retirement assets		243	-
Restricted bank balances		60,414	403
Available-for-sale financial assets		45,383	93,148
Held-to-maturity investments		217,889	195,296
Other non-current assets		40,863	32,091
		<u>7,104,574</u>	<u>6,838,551</u>
<b>Current assets</b>			
Inventories		102,157	84,472
Debtors and prepayments	10	589,936	474,158
Amount due from an associated company		-	2,854
Amounts due from joint ventures		6,007	431
Held-to-maturity investments		17,040	41,621
Portfolio investments		294,720	322,927
Derivative financial instruments		1,825	2,097
Tax recoverable		8,637	10,780
Restricted bank balances		3,425	1,023
Cash and bank balances		1,940,975	1,625,676
		<u>2,964,722</u>	<u>2,566,039</u>
<b>Total assets</b>		<u>10,069,296</u>	<u>9,404,590</u>
<b>EQUITY</b>			
<b>Equity holders</b>			
Share capital		62,579	62,579
Reserves		4,619,934	4,456,707
<b>Total equity</b>		<u>4,682,513</u>	<u>4,519,286</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,930,025	3,489,272
Deferred taxation liabilities		65,221	71,337
Pension and retirement liabilities		38	11,857
Other non-current liabilities		11,628	-
		<u>4,006,912</u>	<u>3,572,466</u>
<b>Current liabilities</b>			
Creditors and accruals	11	740,260	695,897
Amounts due to joint ventures		7,526	10,712
Borrowings		624,158	601,465
Current taxation		7,927	4,764
		<u>1,379,871</u>	<u>1,312,838</u>
<b>Total liabilities</b>		<u>5,386,783</u>	<u>4,885,304</u>
<b>Total equity and liabilities</b>		<u>10,069,296</u>	<u>9,404,590</u>

**Consolidated Cash Flow Statement**  
**For the year ended 31st December 2017**

US\$'000	2017	2016
<b>Cash flows from operating activities</b>		
Operating profit/(loss)	232,170	(138,227)
Interest income	(46,611)	(39,580)
Dividend income and distribution	(22,975)	(30,016)
Depreciation and amortisation	439,824	408,874
Write off of intangible assets	6,690	-
Impairment on available-for-sale financial assets	-	13,201
Fair value gain from assets and liabilities	(50,196)	(28,791)
Net (gain)/loss on disposal of non-current assets	(8,434)	6,171
Operating profit before working capital changes	550,468	191,632
Increase in inventories	(17,685)	(11,991)
(Increase)/decrease in debtors and prepayments	(115,641)	26,118
Increase/(decrease) in creditors and accruals	41,161	(56,580)
Increase in other non-current liabilities	11,628	-
Change in net pension assets/liabilities	(1,556)	(688)
Settlement of derivative financial instruments	2,319	852
Cash generated from operations	470,694	149,343
Interest and financing charges paid	(90,095)	(72,343)
Hong Kong profits tax (paid)/refunded	(21)	334
Overseas taxes paid	(10,220)	(8,863)
Net cash from operating activities	370,358	68,471
<b>Cash flows from investing activities</b>		
Sale and redemption on maturity of non-current assets	155,757	41,128
Purchase of property, plant and equipment	(470,428)	(251,822)
Purchase of other non-current assets	(98,101)	(59,181)
Decrease/(increase) in portfolio investments	46,200	(23,375)
Investment in a joint venture	(154)	-
Net change in amounts due to joint ventures	(8,762)	2,115
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months	(61,956)	277,596
Interest received	46,496	40,036
Dividends and distribution received from investments	9,710	15,766
Dividends received from joint ventures and associated companies	20,204	10,140
Net cash (used in)/from investing activities	(361,034)	52,403
<b>Cash flows from financing activities</b>		
Drawdown of loans	447,361	559,289
Repayment of loans	(552,076)	(658,098)
Drawdown of finance lease obligations	659,521	-
Capital element of finance lease rental payments	(236,838)	(129,649)
Dividend paid to equity holders of the Company	(13,388)	(11,604)
Net cash from/(used in) financing activities	304,580	(240,062)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>313,904</b>	<b>(119,188)</b>
Cash and cash equivalents at beginning of year	1,625,219	1,737,511
Currency translation adjustments	1,852	6,896
Cash and cash equivalents at end of year	1,940,975	1,625,219

**Consolidated Statement of Changes in Equity  
For the year ended 31st December 2017**

US\$'000	Equity holders		
	Share capital	Reserves	Total
At 31st December 2015	62,579	4,734,931	4,797,510
Total comprehensive loss for the year	-	(266,620)	(266,620)
Transactions with owners			
2015 final dividend	-	(11,604)	(11,604)
At 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the year	-	176,615	176,615
Transactions with owners			
2017 interim dividend	-	(13,388)	(13,388)
At 31st December 2017	62,579	4,619,934	4,682,513

## **NOTES**

### **1. Scope of work of PricewaterhouseCoopers**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

### **2. 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.

### **3. Accounting policies and basis of preparation**

The consolidated financial statements have 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, portfolio investments and derivative financial instruments which are carried at fair value.

### 3. Accounting policies and basis of preparation (Continued)

#### The adoption of revised HKFRS

In 2017, the Group adopted the following amendments to existing HKFRS 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 HKFRS do not have a material impact to the Group.

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

<b>New standards, amendment, improvements and interpretations to existing standards</b>		<b>Effective for accounting periods beginning on or after</b>
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
HKFRS 15 Amendment	Clarifications to HKFRS 15	1st January 2018
HKAS 40 Amendment	Transfer of Investment Property	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HKFRSs	Annual Improvements 2015 – 2017 Reporting Cycle	1st January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021

The adoption of HKFRSs Annual Improvements 2014 – 2016 Reporting Cycle, HKFRSs Annual Improvements 2015 – 2017 Reporting Cycle, HKFRS 17, HKAS 40 Amendment, HK(IFRIC)-Int 22 and HK(IFRIC)-Int 23 are not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on HKFRS 9, 15 and 16 have been carried out.

### 3. Accounting policies and basis of preparation (Continued)

#### The adoption of revised HKFRS (Continued)

##### HKFRS 9 Financial Instruments

HKFRS 9 will have impact on the classification and measurement of financial assets using the expected credit loss method. Management has preliminarily assessed its impact to the Group's consolidated financial statements and considers adoption of HKFRS 9 will not have a significant impact on the Group's results or financial position.

##### 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 an 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 the 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 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.

### 4. Revenue and segment information

#### (a) Revenue

US\$'000	2017	2016
Container transport and logistics	6,078,192	5,270,323
Others	<u>30,158</u>	<u>27,370</u>
	<u>6,108,350</u>	<u>5,297,693</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.

#### 4. Revenue and segment information (Continued)

##### (b) Segment information

##### Operating segments

The segment results for the year ended 31st December 2017 are as follows:

US\$'000	Container transport and logistics	Others	Elimination	Group
<b>Revenue</b>	6,078,192	30,619	(461)	6,108,350
Operating profit	86,311	145,859	-	232,170
Finance costs (note 6)	(101,215)	-	-	(101,215)
Share of profits of joint ventures	5,177	-	-	5,177
Share of profits of associated companies	13,957	-	-	13,957
<b>Profit before taxation</b>	4,230	145,859	-	150,089
Taxation	(16,232)	3,799	-	(12,433)
<b>Profit/(loss) for the year</b>	(12,002)	149,658	-	137,656
Fair value gain from an investment property	-	43,436	-	43,436
Capital expenditure	612,126	6,564	-	618,690
Depreciation	428,482	-	-	428,482
Amortisation	11,342	-	-	11,342

#### 4. Revenue and segment information (Continued)

##### (b) Segment information (Continued)

##### Operating segments (Continued)

The segment results for the year ended 31st December 2016 are as follows:

US \$'000	Container transport and logistics	Others	Elimination	Group
<b>Revenue</b>	5,270,323	27,986	(616)	5,297,693
Operating (loss)/profit	(202,529)	64,302	-	(138,227)
Finance costs (note 6)	(79,393)	-	-	(79,393)
Share of profits of joint ventures	5,135	-	-	5,135
Share of profits of associated companies	12,818	-	-	12,818
<b>(Loss)/profit before taxation</b>	(263,969)	64,302	-	(199,667)
Taxation	(9,645)	(9,909)	-	(19,554)
<b>(Loss)/profit for the year</b>	(273,614)	54,393	-	(219,221)
Fair value gain from an investment property	-	18,522	-	18,522
Capital expenditure	477,159	1,478	-	478,637
Depreciation	400,351	-	-	400,351
Amortisation	8,523	-	-	8,523

#### 4. Revenue and segment information (Continued)

##### (b) Segment information (Continued)

##### Operating segments (Continued)

The segment assets and liabilities at 31st December 2017 and 2016 are as follows:

US\$'000	2017		
	Container transport and logistics	Others	Group
Segment assets	7,404,001	2,499,615	9,903,616
Joint ventures	16,840	-	16,840
Associated companies	<u>148,840</u>	<u>-</u>	<u>148,840</u>
Total assets	<u>7,569,681</u>	<u>2,499,615</u>	<u>10,069,296</u>
Segment liabilities	<u>(5,320,815)</u>	<u>(65,968)</u>	<u>(5,386,783)</u>
	2016		
US\$'000	Container transport and logistics	Others	Group
	Segment assets	6,961,231	2,291,322
Joint ventures	11,656	-	11,656
Associated companies	<u>140,381</u>	<u>-</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 the corporate level. Liabilities under the segment of “Others” primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

#### 4. Revenue and segment information (Continued)

##### (b) 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
Year ended 31st December 2017		
Asia	4,262,323	11,271
Europe	868,912	529
North America	812,183	52,103
Australia	164,932	-
Unallocated *	-	554,787
	<u>6,108,350</u>	<u>618,690</u>
Year ended 31st December 2016		
Asia	3,614,076	23,766
Europe	732,317	180
North America	788,826	55,903
Australia	162,474	18
Unallocated *	-	398,770
	<u>5,297,693</u>	<u>478,637</u>

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

## 5. Operating profit/(loss)

US\$'000	2017	2016
Operating profit/(loss) is arrived at after crediting :		
Operating lease rental income		
Land and buildings	<u>30,158</u>	<u>27,370</u>
and after charging:		
Depreciation		
Owned assets	298,765	299,296
Leased assets	129,717	101,055
Operating lease rental expense		
Vessels and equipment	244,698	260,264
Terminals and berths	58,760	47,203
Land and buildings	33,472	34,601
Rental outgoings in respect of an investment property	15,555	15,648
Amortisation of intangible assets	11,123	8,302
Amortisation of prepayments of lease premiums	219	221
Auditors' remuneration		
Audit	2,610	2,630
Non-audit	<u>2,770</u>	<u>902</u>

## 6. Finance costs

US\$'000	2017	2016
Interest expense		
Bank loans and bank overdrafts	54,168	47,506
Finance lease obligations	<u>54,547</u>	<u>37,070</u>
	108,715	84,576
Amount capitalised under assets	<u>(7,500)</u>	<u>(5,183)</u>
Net interest expense	<u>101,215</u>	<u>79,393</u>

## 7. Taxation

US\$'000	2017	2016
Current taxation		
Hong Kong profits tax	411	78
Overseas taxation	<u>15,318</u>	<u>10,533</u>
	<u>15,729</u>	<u>10,611</u>
Deferred taxation		
Hong Kong profits tax	359	108
Overseas taxation	<u>(3,655)</u>	<u>8,835</u>
	<u>(3,296)</u>	<u>8,943</u>
	<u>12,433</u>	<u>19,554</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 year. These rates range from 13% to 46% (2016: 11% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2016: 16.5%).

## 8. Dividends

US\$'000	2017	2016
Interim paid : US2.14 cents (2016: nil) per ordinary share	<u>13,388</u>	<u>-</u>

The Board of Directors do not recommend a final dividend in respect of 2017 (2016: nil).

## 9. 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 year.

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>137,656</u>	<u>(219,221)</u>
Earnings/(loss) per share attributable to equity holders of the Company (US cents)	<u>22.0</u>	<u>(35.0)</u>

## 10. Debtors and prepayments

US\$'000	2017	2016
Trade receivables		
- Fully performing	230,973	182,934
- Past due but not impaired	152,639	111,495
- Impaired and provided for	<u>16,061</u>	<u>16,313</u>
	399,673	310,742
Less: provision for impairment	<u>(16,061)</u>	<u>(16,313)</u>
Trade receivables - net	383,612	294,429
Other debtors	86,291	72,806
Other prepayments	107,756	93,996
Utility and other deposits	<u>12,277</u>	<u>12,927</u>
	<u>589,936</u>	<u>474,158</u>

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 majority of past due but not impaired trade receivables are less than three months old. 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	2017	2016
Below one month	344,374	271,913
Two to three months	27,608	16,598
Four to six months	7,523	4,839
Over six months	<u>4,107</u>	<u>1,079</u>
	<u>383,612</u>	<u>294,429</u>

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

## 11. Creditors and accruals

<b>US\$'000</b>	<b>2017</b>	<b>2016</b>
Trade payables	<b>179,189</b>	198,819
Other creditors	<b>113,216</b>	102,116
Accrued expenses	<b>420,654</b>	354,239
Deferred revenue	<b>27,201</b>	40,723
	<b><u>740,260</u></b>	<b><u>695,897</u></b>

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

<b>US\$'000</b>	<b>2017</b>	<b>2016</b>
Below one month	<b>138,973</b>	142,754
Two to three months	<b>32,483</b>	44,932
Four to six months	<b>1,309</b>	656
Over six months	<b>6,424</b>	10,477
	<b><u>179,189</u></b>	<b><u>198,819</u></b>

## Results for 2017

Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit attributable to equity holders of US\$137.7 million for 2017, compared to a loss of US\$219.2 million in 2016.

OOIL ANNUAL RESULTS ANALYSIS		
<i>(US\$'000)</i>	<b>2017</b>	<b>2016</b>
Profit/(loss) before tax from operation	106,653	(218,189)
Fair value gain on Wall Street Plaza	43,436	18,522
<b>Profit/(loss) Before Tax for the Year Ended 31st December</b>	<b>150,089</b>	<b>(199,667)</b>
Taxation	(12,433)	(19,554)
<b>Profit/(loss) Attributable to Equity Holders</b>	<b>137,656</b>	<b>(219,221)</b>

## Review of Operations

The economic backdrop for 2017 was more robust than forecasters had expected. Following a decade of low growth, we saw healthier performance in both GDP and trade volumes across most of the world’s major economies. This was a welcome change after the industry’s low point of 2016.

This synchronicity of growth, a rare phenomenon in recent memory, may bode well for the sustainability of the recovery.

However, growth on the supply side continues across the trade lanes. Even if the ordering of new vessels remains muted in relative terms, upsizing of capacity continues in certain key routes. Ultra-large vessels ordered in the past few years are now being delivered and brought into operation. Furthermore, as trade growth improves, the industry continues to introduce additional services using cascaded or previously idled capacity.

This combination of better economic growth and continuing (if moderated) growth in supply, along with higher bunker prices, means that for OOIL and our peers, the environment remains merely one of gradual recovery, not the boom that some analysts expected when improved economic data first started to appear.

2017 was a year of tremendous growth for OOCL in both European and US bound trades. For the full year 2017, OOCL's liftings were up 3.6% overall, but 16.3% on Trans-Pacific and 19.7% on Asia-Europe. This growth outpaced the already strong volume growth seen in the market as a whole.

One of the cornerstone strategies for many years of the OOIL group has been to work in alliance. We are now almost into the second year of the Ocean Alliance with COSCO, CMA CGM and Evergreen. Alliance membership continues to deliver meaningful benefits in terms of network and scale, and very much remains part of delivering our growth strategy.

The second phase of our Middle Harbor Redevelopment Project in California commenced operations towards the end of 2017. We are delighted with the progress made so far, and already feel the benefit of greater efficiency through welcome cost gains.

OOCL Logistics ("OLL") continues to develop steadily and profitably. The profitability of OLL's domestic logistics activities improved. OLL's core business of managing the international supply chains of large retailers in North America and Europe retained its role as the key profit driver. The goal is to build and grow the business, in what is unquestionably a highly competitive market.

Tying together the success of these three strands, our liner activities, our terminal activities and our logistics activities, are many things, not least the OOCL take it personally spirit, which applies to everything we do, from delivering quality service to handling customer relationships and managing costs. A key element of being able to deliver this total service is our approach to digital technology. In addition to enhancing supply chain visibility for customers, we are also embracing the use of data analytics to enhance yield management and internal operating efficiencies. The OOIL group remains fully committed to continuing its quest to invest in the development of digital technology.

During the year, the Group took delivery of five of a total of six 'Giga' Class 21,413 TEU vessels ordered from the Samsung Heavy Industries shipyard. The last vessel in the series was delivered in January 2018. No orders for new buildings were placed during the year.

Based on an independent valuation as at 31st December 2017, Wall Street Plaza was valued upwards by US\$50 million, reflecting an assessed market value of US\$270 million. After offsetting a total of US\$6.6 million capital expenditures in 2017, the net fair value gain for 2017 has come to US\$43.4 million. As at 31st December 2016, Wall Street Plaza was valued at US\$220 million with a net fair value gain of US\$18.5 million in 2016.

## **Looking Forward**

2017 has been a year of considerable growth for the Group. It is pleased to note that this growth has been achieved without a deleterious effect on the profit and loss account. We have now taken delivery of all six of our 21,413 TEU ships, with these titans of the sea providing us not only with additional capacity, but also with a more efficient cost base.

Once the large new vessels scheduled to be delivered in 2018 have been brought into service, with a comparatively low order book for 2019 and 2020, and taking into account the improved economic data, we are hopeful that the industry may start to enjoy greater stability than it has done for many years. In the meantime, we maintain a positive, if somewhat cautious, stance.

The future of container shipping demands a seamless interface not only between the different steps on the journey of each box, but also between all parties involved. Our goal is to achieve total integration of supply chains, and of the communication between all the moving parts therein, thereby generating cost and efficiency gains for all stakeholders along the logistics supply chain.

Against this gradually improving economic background, and in the context of a consolidating industry, the future for OOIL appears to be promising. We are well placed to continue to grow, and look forward to maintaining our track record of being amongst the most consistently highest performers in the industry.

## **Final Dividend**

The Board of Directors of the Company (the “Board”) does not recommend the payment of a final dividend for the year ended 31st December 2017.

## **Liquidity and Financial Resources**

As at 31st December 2017, the Group had liquid assets amounting to US\$2,534.5 million and a total indebtedness of US\$4,554.2 million. The Group had a net debt to equity ratio of 0.43 : 1 as at end of 2017, compared with 0.42 : 1 at the end of 2016.

The indebtedness of the Group mainly comprises bank loans and finance leases which are all denominated in US dollars. The Group’s borrowings are monitored to ensure a smooth repayment schedule to maturity.

## **Employee Information**

As at 31st December 2017, the Group has 10,300 full time employees whose salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group’s salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

## **Closure of Register of Members**

The register of members of the Company will be closed during the period from 27th April 2018 to 4th May 2018, both days inclusive, to ascertain the shareholders entitled to attend and vote at the Annual General Meeting of the Company to be held on 4th May 2018 (the “AGM”). During this period, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 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 26th April 2018.

## **Purchase, Sale or Redemption of Shares**

During the year ended 31st December 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 year of 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.

Further information on the CG Code will be set out in the Corporate Governance Report contained in the Company’s 2017 Annual Report.

### ***Review of Financial Statements***

The Audit Committee has reviewed the annual results of the Group for the year ended 31st December 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 for the year ended 31st December 2017.

### **Annual General Meeting**

The AGM will be held on 4th May 2018. Notice of the AGM will be despatched to the shareholders of the Company on or around 29th March 2018.

### **Publication of Results Announcement and Annual Report**

This annual 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.ooilgroup.com>. The 2017 Annual 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 9th April 2018.

## **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 obligations 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, 9th March 2018

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