

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2018

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 2018. The following financial information, including the Group’s unaudited condensed consolidated balance sheet as at 30th June 2018 and the unaudited condensed consolidated profit and loss account, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated cash flow statement and the unaudited condensed consolidated statement of changes in equity for the six-month period and explanatory notes 1 to 21 as presented below are extracted from the Interim Financial Information which has been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

#### Condensed Consolidated Profit and Loss Account (unaudited) For the six months ended 30th June 2018

US\$'000	Note	2018	Restated 2017
Revenue	5	3,115,056	2,832,496
Operating costs		<u>(2,870,409)</u>	<u>(2,592,239)</u>
<b>Gross profit</b>		<b>244,647</b>	240,257
Fair value gain from an investment property		39,944	27,689
Other operating income		50,843	44,055
Business and administrative expenses		<b>(267,916)</b>	(221,421)
Other (losses)/gains, net		<u>(16,980)</u>	<u>16,360</u>
<b>Operating profit</b>	6	<b>50,538</b>	106,940
Finance costs	8	<b>(68,748)</b>	(43,114)
Share of profits of joint ventures		1,470	2,046
Share of profits of associated companies		<u>6,601</u>	<u>7,555</u>
<b>(Loss)/profit before taxation</b>		<b>(10,139)</b>	73,427
Taxation	9	<u>(35,551)</u>	<u>(20,290)</u>
<b>(Loss)/profit for the period from continuing operations</b>		<b>(45,690)</b>	53,137
<b>Discontinued operation :</b>			
<b>Profit for the period from discontinued operation</b>	12	<u>35,370</u>	469
<b>(Loss)/profit for the period</b>		<u><b>(10,320)</b></u>	<u>53,606</u>
<b>(Loss)/profit attributable to :</b>			
Equity holders of the Company		<u><b>(10,320)</b></u>	<u>53,606</u>
<b>(Loss)/earnings per ordinary share (US cents)</b>			
- from continuing operations		<b>(7.3)</b>	8.5
- from discontinued operation		<u>5.7</u>	<u>0.1</u>
<b>Basic and diluted</b>	11	<u><b>(1.6)</b></u>	<u>8.6</u>

**Condensed Consolidated Statement of Comprehensive Income (unaudited)**  
**For the six months ended 30th June 2018**

US\$'000	2018	Restated 2017
<b>(Loss)/profit for the period</b>	<u><b>(10,320)</b></u>	<u>53,606</u>
<b>Other comprehensive (loss)/income:</b>		
Item that will not be subsequently reclassified to profit or loss:		
Remeasurement gains on defined benefit schemes	5,296	9,028
Financial assets at fair value through other comprehensive income		
- Change in fair value	<u>(21,360)</u>	<u>-</u>
	<u><b>(16,064)</b></u>	<u>9,028</u>
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets through other comprehensive income		
- Change in fair value	-	4,400
Currency translation adjustments		
- Foreign subsidiaries	(4,781)	2,462
- Associated companies	(1,410)	3,273
- Joint ventures	(100)	(10)
- Release of reserve upon partial disposal of a joint venture	<u>(120)</u>	<u>-</u>
Total items that have been reclassified or may be reclassified subsequently to profit or loss	<u><b>(6,411)</b></u>	<u>10,125</u>
Other comprehensive (loss)/income for the period, net of tax	<u><b>(22,475)</b></u>	<u>19,153</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><u><b>(32,795)</b></u></u>	<u><u>72,759</u></u>
<b>Total comprehensive (loss)/income for the period attributable to equity holders of the Company arises from:</b>		
Continuing operations	(68,165)	72,290
Discontinued operation	<u>35,370</u>	<u>469</u>
	<u><u><b>(32,795)</b></u></u>	<u><u>72,759</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)**

**As at 30th June 2018**

US\$'000	Note	30th June 2018	31st December 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,821,814	6,251,457
Investment property	13	310,000	270,000
Prepayments of lease premiums	13	7,775	7,972
Joint ventures		7,736	10,833
Associated companies		139,868	148,840
Intangible assets	13	38,622	49,204
Deferred taxation assets		1,407	1,476
Pension and retirement assets		7,853	243
Restricted bank balances		59,848	60,414
Investments at fair value through other comprehensive income		24,016	-
Available-for-sale financial assets		-	45,383
Investments at amortised cost		213,589	-
Held-to-maturity investments		-	217,889
Other non-current assets		169,769	40,863
		<u>6,802,297</u>	<u>7,104,574</u>
<b>Current assets</b>			
Inventories		116,157	102,157
Debtors and prepayments	14	623,081	589,936
Amounts due from associated companies		9,109	-
Amounts due from joint ventures		2,571	6,007
Investments at amortised cost		6,503	-
Held-to-maturity investments		-	17,040
Portfolio investments at fair value through profit or loss		386,700	294,720
Derivative financial instruments	15	-	1,825
Tax recoverable		9,259	8,637
Restricted bank balances		3,179	3,425
Cash and bank balances		1,526,195	1,940,975
		<u>2,682,754</u>	<u>2,964,722</u>
Assets held for sale	12	453,473	-
		<u>3,136,227</u>	<u>2,964,722</u>
<b>Total assets</b>		<u>9,938,524</u>	<u>10,069,296</u>
<b>EQUITY</b>			
<b>Equity holders</b>			
Share capital	16	62,579	62,579
Reserves	17	4,573,967	4,619,934
<b>Total equity</b>		<u>4,636,546</u>	<u>4,682,513</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	3,634,320	3,930,025
Deferred taxation liabilities		87,191	65,221
Pension and retirement liabilities		39	38
Other non-current liabilities		-	11,628
		<u>3,721,550</u>	<u>4,006,912</u>
<b>Current liabilities</b>			
Creditors and accruals	18	818,098	740,260
Amounts due to joint ventures		3,677	7,526
Borrowings	19	594,481	624,158
Current taxation		6,903	7,927
		<u>1,423,159</u>	<u>1,379,871</u>
Liabilities directly associated with assets classified as held for sale	12	157,269	-
		<u>1,580,428</u>	<u>1,379,871</u>
<b>Total liabilities</b>		<u>5,301,978</u>	<u>5,386,783</u>
<b>Total equity and liabilities</b>		<u>9,938,524</u>	<u>10,069,296</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited)**  
**For the six months ended 30th June 2018**

US\$'000	2018	2017
<b>Cash flows from operating activities</b>		
Cash generated from operations	246,088	239,694
Interest and financing charges paid	(63,184)	(43,093)
Hong Kong profits tax paid	(35)	-
Overseas taxes paid	(9,408)	(5,018)
Net cash from operating activities	<u>173,461</u>	<u>191,583</u>
<b>Cash flows from investing activities</b>		
Sale and redemption on maturity of non-current assets	47,434	80,711
Purchase of property, plant and equipment	(131,350)	(29,927)
Purchase of other non-current assets	(31,171)	(34,293)
(Increase)/decrease in portfolio investments at fair value through profit or loss	(86,793)	23,150
Proceeds on partial disposal of a joint venture	1,230	-
Net change in amounts due to joint ventures	(413)	(6,343)
Decrease in restricted bank balances and bank deposits maturing more than three months	492	378
Interest received	26,697	21,058
Dividends and distribution received from investments	9,262	8,175
Dividend received from joint ventures and associated companies	9,067	12,693
Net cash (used in)/from investing activities	<u>(155,545)</u>	<u>75,602</u>
<b>Cash flows from financing activities</b>		
Drawdown of loans	-	234,330
Repayment of loans	(223,740)	(311,142)
Capital element of finance lease rental payments	(151,617)	(61,601)
Net cash used in financing activities	<u>(375,357)</u>	<u>(138,413)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(357,441)</b>	<b>128,772</b>
Cash and cash equivalents at beginning of period	1,940,975	1,625,219
Cash and cash equivalents of disposal group classified as held for sale	(53,754)	-
Currency translation adjustments	(3,905)	(1,665)
Cash and cash equivalents at end of period	<u>1,525,875</u>	<u>1,752,326</u>
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	<u>1,525,875</u>	<u>1,752,326</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(unaudited)**  
**For the six months ended 30th June 2018**

US\$'000	Equity holders		
	Share capital	Reserves	Total
<b>Balance at 31st December 2017</b>	62,579	4,619,934	4,682,513
Adjustment on adoption of HKFRS 9	-	(13,172)	(13,172)
Restated balance at 1st January 2018	62,579	4,606,762	4,669,341
Total comprehensive loss for the period	-	(32,795)	(32,795)
<b>Balance at 30th June 2018</b>	<b>62,579</b>	<b>4,573,967</b>	<b>4,636,546</b>
<b>Balance at 31st December 2016</b>	62,579	4,456,707	4,519,286
Total comprehensive income for the period	-	72,759	72,759
<b>Balance at 30th June 2017</b>	<b>62,579</b>	<b>4,529,466</b>	<b>4,592,045</b>

## **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 shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

As at 30th June 2018, the ultimate parent company of the Group was Tung Holdings (Trustee) Inc., incorporated in the Republic of Liberia. On 13th July 2018, the ultimate parent company was changed to China COSCO SHIPPING Corporation Limited, a state-owned enterprise established in the People’s Republic of China.

On 6th July 2018, the Group entered into the National Security Agreement pursuant to which the Group and COSCO SHIPPING Holdings Co., Ltd. committed to divest the subsidiaries which directly or indirectly operate the Long Beach Container Terminal (“U.S. Terminal Business”). The proposed sale of the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 “Non-current assets held for sale and discontinued operations”. Analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business is presented in note 12.

This interim financial information is presented in US dollars, unless otherwise stated.

This interim financial information was approved by the Board of Directors on 3rd August 2018.

### **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, investments at fair value through other comprehensive income, portfolio investments at fair value through profit or loss and derivative financial instruments, 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 2017 except for the adoption of new standards, amendments, improvement and interpretation to HKFRSs effective for the financial year ending 31st December 2018.

## 2. Basis of Preparation (Continued)

### The adoption of revised HKFRSs

In 2018, the Group adopted the following new standards, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

#### (a) Impact on the financial statements

##### New standards, amendments, improvement and interpretation

HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HKAS 40 (Amendment)	Transfer of Investment Property
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 Financial Instruments as set out below:

#### (b) HKFRS 9 Financial Instruments – Impact of adoption

The adoption of HKFRS 9 Financial Instruments from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31st December 2017, but are recognised in the opening balance sheet on 1st January 2018.

## 2. Basis of Preparation (Continued)

### (b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The adjustments on the condensed consolidated balance sheet as at 1st January 2018 are summarised below:

US\$'000		<b>31st December 2017</b>	<b>Effect of adoption of HKFRS 9</b>	<b>1st January 2018 restated</b>
<b>Balance sheet (extract)</b>	<b>Notes</b>	<b>As originally presented</b>		
<b>Non-current assets</b>				
Investments at fair value through other comprehensive income	(i)(a)	-	45,383	45,383
Investments at amortised cost	(i)(b),(ii)	-	217,617	217,617
Available-for-sale financial assets	(i)(a)	45,383	(45,383)	-
Held-to-maturity investments	(i)(b)	217,889	(217,889)	-
<b>Current assets</b>				
Debtors and prepayments	(ii)	589,936	(12,897)	577,039
Investments at amortised cost	(i)(b),(ii)	-	17,037	17,037
Held-to-maturity investments	(i)(b)	17,040	(17,040)	-
<b>Total assets</b>		<u>10,069,296</u>	<u>(13,172)</u>	<u>10,056,124</u>
Retained profit		4,267,850	(13,172)	4,254,678
<b>Total equity</b>		<u>4,682,513</u>	<u>(13,172)</u>	<u>4,669,341</u>

The total impact on the Group's retained profit as at 1st January 2018 is as follows:

US\$'000	Notes	
<b>Closing retained profit as at 31st December 2017</b>		4,267,850
Increase in provision for trade receivables and investments at amortised cost	(ii)	<u>(13,172)</u>
<b>Opening retained profit as at 1st January 2018</b>		<u><u>4,254,678</u></u>

## 2. Basis of Preparation (Continued)

### (b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

#### (i) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from the reclassification are:

#### (a) Equity investments previously classified as available-for-sale financial assets

The equity investments previously classified as available-for-sale financial assets were reclassified as investments at fair value through other comprehensive income as these investments are held as long-term strategic investments.

#### (b) Reclassification from held-to-maturity investments to investments at amortised cost

Bonds that would have previously been classified as held-to-maturity investments are now classified as investments at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

#### (ii) Impairment of financial assets

The Group has adopted the new impairment models in which the recognition of impairment provision is based on expected credit losses rather than only incurred credit losses. The below financial assets are assessed to have impact under the HKFRS 9's new expected credit loss model:

- Trade receivables
- Investments at amortised cost

## 2. Basis of Preparation (Continued)

### (b) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

#### *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The loss allowance for trade receivables as at 31st December 2017 reconcile to the opening loss allowance on 1st January 2018 as follows:

<b>US\$'000</b>	<b>Trade receivables</b>
At 31st December 2017 – calculated under HKAS 39	16,061
Amounts restated through opening retained profit	12,897
	<hr/>
<b>Opening loss allowance as at 1st January 2018 – calculated under HKFRS 9</b>	<b>28,958</b>
	<hr/> <hr/>

#### *Investments at amortised cost*

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The adoption of the expected credit loss model resulted in the recognition of a loss allowance at US\$275,000 on 1st January 2018.

## 2. Basis of Preparation (Continued)

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

New standards, amendment, improvement and interpretation to existing standards		Effective for accounting periods beginning on or after
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 2015 – 2017 Reporting Cycle, HK(IFRIC) – Int 23, HKFRS 9 (Amendment) and HKFRS 17 are not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on HKFRS 16 has been carried out.

#### 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 as disclosed in note 20(b) and note 12 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 2017.

#### 3.1 Fair value estimation

The financial instruments that are measured in the consolidated 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 2018.

US\$'000	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Portfolio investments at fair value through profit or loss				
– Equity securities	48,897	-	-	48,897
– Debt securities	331,796	-	-	331,796
– Funds and other investments	-	6,007	-	6,007
Investments at fair value through other comprehensive income				
– Other investments	-	-	24,016	24,016
Total assets	<u>380,693</u>	<u>6,007</u>	<u>24,016</u>	<u>410,716</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 2017.

US\$'000	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Portfolio investments at fair value through profit or loss				
– Equity securities	35,852	-	-	35,852
– Debt securities	252,728	-	-	252,728
– Funds and other investments	-	6,140	-	6,140
Derivative financial instruments	-	1,825	-	1,825
Available-for-sale financial assets				
– Other investments	-	-	45,383	45,383
Total assets	<u>288,580</u>	<u>7,965</u>	<u>45,383</u>	<u>341,928</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 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 investments at fair value through other comprehensive income.

### 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 investments at fair value through other comprehensive income.

The following table presents the changes in level 3 instruments:

	US\$'000
Opening balance at 31st December 2017	45,383
Disposal	(1)
Currency translation adjustments	(6)
Fair value change recognised in other comprehensive income	(21,360)
	<hr/>
Closing balance at 30th June 2018	24,016
	<hr/> <hr/>
	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/>

### 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 2018	31st December 2017	30th June 2018	31st December 2017
Non-current bank loans	<u>1,519,082</u>	<u>1,807,166</u>	<u>1,517,932</u>	<u>1,805,997</u>
Non-current finance lease obligations	<u>2,115,238</u>	<u>2,122,859</u>	<u>2,063,394</u>	<u>2,095,766</u>
Investments at amortised cost	<u>220,092</u>	<u>-</u>	<u>220,589</u>	<u>-</u>
Held-to-maturity investments	<u>-</u>	<u>234,929</u>	<u>-</u>	<u>242,672</u>

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 in preparing the consolidated financial statements 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 2017.

#### 5. Revenue

US\$'000	2018	Restated 2017
Container transport and logistics	3,101,854	2,817,890
Rental income	<u>13,202</u>	<u>14,606</u>
	<u><u>3,115,056</u></u>	<u><u>2,832,496</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

US\$'000	2018		Restated 2017	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Operating profit is arrived at after crediting:				
Interest income from banks	15,331	213	10,406	5
Interest income from investments at amortised cost/ held-to-maturity investments	5,281	-	5,688	-
Gross rental income from an investment property	13,202	-	14,606	-
Income from investments at fair value through other comprehensive income/ available-for-sale financial assets				
- Dividend income	22,590	-	21,180	-
Fair value gain on foreign exchange forward contract	92	-	895	-
Gain on bunker price derivative contracts	876	-	-	-
Gain on partial disposal of a joint venture	896	-	-	-
Gain on disposal of property, plant and equipment	1,523	-	-	27
Income from portfolio investments at fair value through profit or loss				
- Fair value gain (realised and unrealised)	-	-	6,388	-
- Interest income	6,075	-	5,696	-
- Distribution	610	-	-	-
- Dividend income	138	-	349	-
Exchange gain	-	6	11,926	-
and after charging:				
Depreciation				
Owned assets	128,907	14,723	138,156	11,141
Leased assets	68,166	3,445	54,888	3,446
Operating lease rental expense				
Vessels and equipment	117,231	-	120,399	-
Terminals and berths	2,800	27,843	2,484	26,714
Land and buildings	17,064	-	16,446	-
Rental outgoings in respect of an investment property	7,758	-	7,439	-
Loss on bunker price derivative contracts	-	-	1,847	-
Loss on disposal of property, plant and equipment	-	576	810	-
Loss on disposal of investments at amortised cost	827	-	-	-
Loss on disposal of investments at fair value through other comprehensive income/ available-for-sale financial assets	1	-	192	-
Fair value loss on portfolio investments at fair value through profit or loss (realised and unrealised)	9,500	-	-	-
Amortisation of intangible assets	10,791	-	5,491	-
Amortisation of prepayments of lease premiums	121	-	108	-
Exchange loss	9,382	-	-	-

## 7. Key Management Compensation

US\$'000	2018	2017
Salaries and other employee benefits	2,586	2,174
Estimated money value of other benefits	77	76
Pension costs - defined contribution plans	<u>241</u>	<u>200</u>
	<u>2,904</u>	<u>2,450</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	2018	Restated 2017
Interest expense	(68,874)	(49,379)
Amount capitalised under assets	<u>126</u>	<u>6,265</u>
Net interest expense	<u>(68,748)</u>	<u>(43,114)</u>

## 9. Taxation

US\$'000	2018	Restated 2017
Current taxation		
Hong Kong profits tax	(613)	(64)
Overseas taxation	<u>(7,491)</u>	<u>(8,957)</u>
	<u>(8,104)</u>	<u>(9,021)</u>
Deferred taxation		
Hong Kong profits tax	158	(262)
Overseas taxation	<u>(27,605)</u>	<u>(11,007)</u>
	<u>(27,447)</u>	<u>(11,269)</u>
	<u>(35,551)</u>	<u>(20,290)</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 35% (2017: 11% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2017: 16.5%).

## 10. Interim Dividend

US\$'000	2018	2017
Interim dividend : nil (2017 : US2.14 cents) per ordinary share	<u>-</u>	<u>13,392</u>

The Board of Directors does not recommend the payment of an interim dividend for 2018 (2017 : interim dividend of US2.14 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	2018	Restated 2017
Number of ordinary shares in issue (thousands)	<u>625,793</u>	<u>625,793</u>
Group's (loss)/profit from continuing operations attributable to equity holders of the Company	<u>(45,690)</u>	<u>53,137</u>
(Loss)/earnings per share from continuing operations attributable to equity holders of the Company (US cents)	<u>(7.3)</u>	<u>8.5</u>
Group's profit from discontinued operation attributable to equity holders of the Company	<u>35,370</u>	<u>469</u>
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	<u>5.7</u>	<u>0.1</u>

## 12. Discontinued Operation

Analysis of the results, cash flows and assets and liabilities of the U.S. Terminal Business is as follows:

### (a) Discontinued operation

US\$'000	2018	2017
<b>(i) Results</b>		
Revenue	62,455	65,637
Operating costs	<u>(9,765)</u>	<u>(50,143)</u>
Gross profit	52,690	15,494
Other operating income	213	5
Business and administrative expenses	(14,473)	(12,870)
Other (losses)/gains, net	<u>(570)</u>	<u>27</u>
Operating profit	37,860	2,656
Finance costs	<u>(1,848)</u>	<u>(1,917)</u>
Profit before taxation	36,012	739
Taxation	<u>(642)</u>	<u>(270)</u>
Profit for the period	<u><u>35,370</u></u>	<u><u>469</u></u>
<b>(ii) Cash flows</b>		
Operating cash flows	22,177	18,882
Investing cash flows	2,056	(456)
Financing cash flows	<u>(7,786)</u>	<u>(7,684)</u>
Total cash flows	<u><u>16,447</u></u>	<u><u>10,742</u></u>

Note:

The intra-group revenue of US\$107.7 million (2017: US\$79.1 million) has been eliminated.

## 12. Discontinued Operation (Continued)

### (b) Assets held for sale

US\$'000	As at 30th June 2018
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	<u>370,615</u>
<b>Current assets</b>	
Inventories	5,155
Debtors and prepayments	23,949
Cash and bank balances	<u>53,754</u>
	<u>82,858</u>
<b>Total assets</b>	<u><u>453,473</u></u>

### (c) Liabilities directly associated with assets held for sale

US\$'000	As at 30th June 2018
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Borrowings	99,739
Deferred taxation liabilities	6,552
Other non-current liabilities	<u>11,242</u>
	<u>117,533</u>
<b>Current liabilities</b>	
Creditors and accruals	24,070
Borrowings	<u>15,666</u>
	<u>39,736</u>
<b>Total liabilities</b>	<u><u>157,269</u></u>

Note:

The aggregate net book amounts of assets pledged as securities for loans and finance lease amounts to US\$137.1 million.

## 12. Discontinued Operation (Continued)

### (d) Operating lease commitments

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 2018, 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 early 2021 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 30th June 2018, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2017: 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.

### (e) Capital commitments – Property, plant and equipment

	<b>30th June 2018</b>	31st December 2017
US\$'000		
Contracted but not provided for	<u><b>7,863</b></u>	<u>17,268</u>

### 13. Capital Expenditure

US\$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts:					
Balance at 31st December 2017	6,251,457	270,000	7,972	49,204	6,578,633
Currency translation adjustments	(743)	-	(76)	-	(819)
Fair value gain	-	39,944	-	-	39,944
Government grants	(2,817)	-	-	-	(2,817)
Additions	162,952	56	-	866	163,874
Classified as assets held for sale (note 12)	(370,615)	-	-	-	(370,615)
Disposals	(3,179)	-	-	(657)	(3,836)
Depreciation and amortisation	(215,241)	-	(121)	(10,791)	(226,153)
<b>Balance at 30th June 2018</b>	<b>5,821,814</b>	<b>310,000</b>	<b>7,775</b>	<b>38,622</b>	<b>6,178,211</b>
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

#### 14. Debtors and Prepayments

	<b>30th June 2018</b>	31st December 2017
Trade receivables	<b>393,136</b>	399,673
Less: provision for impairment	<b>(24,962)</b>	(16,061)
Trade receivables - net	<b>368,174</b>	383,612
Other debtors	<b>94,835</b>	86,291
Other prepayments	<b>147,450</b>	107,756
Utility and other deposits	<b>12,622</b>	12,277
	<b><u>623,081</u></b>	<u>589,936</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 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:

	<b>30th June 2018</b>	31st December 2017
Below one month	<b>331,885</b>	344,374
Two to three months	<b>21,665</b>	27,608
Four to six months	<b>6,969</b>	7,523
Over six months	<b>7,655</b>	4,107
	<b><u>368,174</u></b>	<u>383,612</u>

#### 15. Derivative Financial Instruments

	<b>30th June 2018</b>	31st December 2017
<b>Assets</b>		
Current assets		
Bunker price derivative contracts	<u>          -</u>	<u>          1,825</u>

## 16. Share Capital

<b>US\$'000</b>	<b>30th June 2018</b>	31st December 2017
Authorised :		
900,000,000 ordinary shares of US\$0.10 each	<b>90,000</b>	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	<b>65,000</b>	65,000
50,000,000 redeemable preferred shares of US\$1 each	<b>50,000</b>	50,000
	<b><u>205,000</u></b>	<u>205,000</u>
Issued and fully paid :		
625,793,297 (2017: 625,793,297) ordinary shares of US\$0.10 each	<b><u>62,579</u></b>	<u>62,579</u>

## 17. Reserves

US\$'000	Share premium	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2017	172,457	88,547	4,696	43,344	43,040	4,267,850	4,619,934
Adjustment on adoption of HKFRS 9	-	-	-	-	-	(13,172)	(13,172)
Restated balance at 1st January 2018	172,457	88,547	4,696	43,344	43,040	4,254,678	4,606,762
Total comprehensive loss for the period	-	-	-	(21,360)	(6,411)	(5,024)	(32,795)
<b>Balance at 30th June 2018</b>	<b><u>172,457</u></b>	<b><u>88,547</u></b>	<b><u>4,696</u></b>	<b><u>21,984</u></b>	<b><u>36,629</u></b>	<b><u>4,249,654</u></b>	<b><u>4,573,967</u></b>
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	172,457	88,547	4,696	35,252	32,804	4,195,710	4,529,466
Total comprehensive income for the period	-	-	-	8,092	10,236	85,528	103,856
Transaction with owners							
2017 interim dividend	-	-	-	-	-	(13,388)	(13,388)
Balance at 31st December 2017	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>43,344</u>	<u>43,040</u>	<u>4,267,850</u>	<u>4,619,934</u>

## 18. Creditors and Accruals

<b>US\$'000</b>	<b>30th June 2018</b>	<b>31st December 2017</b>
Trade payables	<b>203,610</b>	179,189
Other creditors	<b>140,077</b>	113,216
Accrued expenses	<b>453,917</b>	420,654
Deferred revenue	<b>20,494</b>	27,201
	<b><u>818,098</u></b>	<b><u>740,260</u></b>

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

<b>US\$'000</b>	<b>30th June 2018</b>	<b>31st December 2017</b>
Below one month	<b>103,988</b>	138,973
Two to three months	<b>88,905</b>	32,483
Four to six months	<b>5,687</b>	1,309
Over six months	<b>5,030</b>	6,424
	<b><u>203,610</u></b>	<b><u>179,189</u></b>

## 19. Borrowings

US\$'000	30th June 2018	31st December 2017
<b>Non-current</b>		
Bank loans		
- Secured	1,266,357	1,531,192
- Unsecured	252,725	275,974
Finance lease obligations	<u>2,115,238</u>	<u>2,122,859</u>
	<u>3,634,320</u>	<u>3,930,025</u>
<b>Current</b>		
Bank loans		
- Secured	257,135	256,258
- Unsecured	46,498	33,998
Finance lease obligations	<u>290,848</u>	<u>333,902</u>
	<u>594,481</u>	<u>624,158</u>
<b>Total borrowings</b>	<u>4,228,801</u>	<u>4,554,183</u>

## 20. Commitments

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

US\$'000	<b>30th June 2018</b>	Restated 31st December 2017
Contracted but not provided for	<u><b>300,688</b></u>	<u>267,148</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
<b>As at 30th June 2018</b>			
2018/19	174,227	34,711	208,938
2019/20	69,813	29,252	99,065
2020/21	62,448	17,524	79,972
2021/22	32,568	11,375	43,943
2022/23	6,848	9,472	16,320
2023/24 onwards	<u>1,242</u>	<u>14,525</u>	<u>15,767</u>
	<u><b>347,146</b></u>	<u><b>116,859</b></u>	<u><b>464,005</b></u>
<b>As at 31st December 2017</b>			
2018	145,501	32,294	177,795
2019	75,240	29,604	104,844
2020	67,999	19,162	87,161
2021	46,791	11,630	58,421
2022	19,295	8,210	27,505
2023 onwards	<u>8,920</u>	<u>19,381</u>	<u>28,301</u>
	<u><b>363,746</b></u>	<u><b>120,281</b></u>	<u><b>484,027</b></u>

## 21. 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.

## 21. Segment Information (Continued)

### *Operating segments*

The segment results for the six months ended 30th June 2018 are as follows:

US\$'000	Continuing operations				Discontinued operation			Group
	Container transport and logistics	Others	Elimination	Sub-total	Discontinued operation	Elimination	Sub-total	
<b>Revenue</b>	<b>3,101,854</b>	<b>13,438</b>	<b>(236)</b>	<b>3,115,056</b>	<b>170,105</b>	<b>(107,650)</b>	<b>62,455</b>	<b>3,177,511</b>
Operating profit/(loss)	(11,152)	61,690	-	50,538	37,860	-	37,860	88,398
Finance costs	(68,748)	-	-	(68,748)	(1,848)	-	(1,848)	(70,596)
Share of profits of joint ventures	1,470	-	-	1,470	-	-	-	1,470
Share of profits of associated companies	6,601	-	-	6,601	-	-	-	6,601
<b>(Loss)/profit before taxation</b>	<b>(71,829)</b>	<b>61,690</b>	<b>-</b>	<b>(10,139)</b>	<b>36,012</b>	<b>-</b>	<b>36,012</b>	<b>25,873</b>
Taxation	(5,342)	(30,209)	-	(35,551)	(642)	-	(642)	(36,193)
<b>(Loss)/profit for the period</b>	<b>(77,171)</b>	<b>31,481</b>	<b>-</b>	<b>(45,690)</b>	<b>35,370</b>	<b>-</b>	<b>35,370</b>	<b>(10,320)</b>
Capital expenditure	162,657	56	-	162,713	1,161	-	1,161	163,874
Depreciation	197,073	-	-	197,073	18,168	-	18,168	215,241
Amortisation	10,912	-	-	10,912	-	-	-	10,912

## 21. Segment Information (Continued)

### *Operating segments (Continued)*

The segment results for the six months ended 30th June 2017 are as follows:

US\$'000	Continuing operations				Discontinued operation			Group
	Container transport and logistics	Others	Elimination	Sub-total	Discontinued operation	Elimination	Sub-total	
<b>Revenue</b>	<u>2,817,890</u>	<u>14,835</u>	<u>(229)</u>	<u>2,832,496</u>	<u>144,707</u>	<u>(79,070)</u>	<u>65,637</u>	<u>2,898,133</u>
Operating profit	19,120	87,820	-	106,940	2,656	-	2,656	<b>109,596</b>
Finance costs	(43,114)	-	-	(43,114)	(1,917)	-	(1,917)	<b>(45,031)</b>
Share of profits of joint ventures	2,046	-	-	2,046	-	-	-	<b>2,046</b>
Share of profits of associated companies	7,555	-	-	7,555	-	-	-	<b>7,555</b>
<b>Profit/(loss) before taxation</b>	<u>(14,393)</u>	<u>87,820</u>	<u>-</u>	<u>73,427</u>	<u>739</u>	<u>-</u>	<u>739</u>	<b>74,166</b>
Taxation	(7,016)	(13,274)	-	(20,290)	(270)	-	(270)	<b>(20,560)</b>
<b>Profit/(loss) for the period</b>	<u>(21,409)</u>	<u>74,546</u>	<u>-</u>	<u>53,137</u>	<u>469</u>	<u>-</u>	<u>469</u>	<b>53,606</b>
Capital expenditure	309,476	2,311	-	311,787	526	-	526	<b>312,313</b>
Depreciation	193,044	-	-	193,044	14,587	-	14,587	<b>207,631</b>
Amortisation	5,599	-	-	5,599	-	-	-	<b>5,599</b>

## 21. Segment Information (Continued)

### *Operating segments (Continued)*

The segment assets and liabilities as at 30th June 2018 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	7,175,457	2,150,310	9,325,767
Joint ventures	10,307	-	10,307
Associated companies	<u>148,977</u>	-	<u>148,977</u>
	7,334,741	2,150,310	9,485,051
Assets held for sale (note 12)	<u>453,473</u>	-	<u>453,473</u>
Total assets	<u><u>7,788,214</u></u>	<u><u>2,150,310</u></u>	<u><u>9,938,524</u></u>
Segment liabilities	(5,037,236)	(107,473)	(5,144,709)
Liabilities directly associated with assets held for sale (note 12)	<u>(157,269)</u>	-	<u>(157,269)</u>
Total liabilities	<u><u>(5,194,505)</u></u>	<u><u>(107,473)</u></u>	<u><u>(5,301,978)</u></u>

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

US\$'000	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>148,840</u>
Total assets	<u><u>7,569,681</u></u>	<u><u>2,499,615</u></u>	<u><u>10,069,296</u></u>
Segment liabilities	<u><u>(5,320,815)</u></u>	<u><u>(65,968)</u></u>	<u><u>(5,386,783)</u></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, investments at fair value through other comprehensive income, investments at amortised cost, portfolio investments at fair value through profit or loss and held-to-maturity 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.

## 21. 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
<b>Six months ended 30th June 2018</b>		
Continuing operations		
Asia	2,251,962	5,366
North America	337,811	20,265
Europe	447,702	244
Australia	77,581	37
Unallocated*	<u>-</u>	<u>136,801</u>
	<b>3,115,056</b>	<b>162,713</b>
Discontinued operation		
North America	<u>62,455</u>	<u>1,161</u>
	<b><u>3,177,511</u></b>	<b><u>163,874</u></b>
 <b>Six months ended 30th June 2017</b>		
Continuing operations :		
Asia	2,014,511	2,707
North America	341,685	43,418
Europe	395,545	162
Australia	80,755	-
Unallocated*	<u>-</u>	<u>265,500</u>
	2,832,496	311,787
Discontinued operation		
North America	<u>65,637</u>	<u>526</u>
	<b><u>2,898,133</u></b>	<b><u>312,313</u></b>

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

## Results for First Half 2018

For the first six months of 2018 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a loss attributable to equity holders of US\$10.3 million compared with US\$53.6 million profit for the corresponding period of 2017.

Results for the first half of 2018 included investment income of US\$23.2 million from Hui Xian and a net fair value gain of US\$39.9 million on Wall Street Plaza revaluation.

<b>OOIL INTERIM RESULTS ANALYSIS</b>		
<i>(US\$'000)</i>	<b>2018</b>	<b>Restated 2017</b>
(Loss)/Profit before tax from continuing operations	(73,280)	24,558
Investment income from Hui Xian	23,197	21,180
Revaluation of Wall Street Plaza	39,944	27,689
<b>(Loss)/Profit Before Tax for the Period Ended 30th June</b>	<b>(10,139)</b>	<b>73,427</b>
Taxation	(35,551)	(20,290)
Profit from discontinued operation	35,370	469
<b>(Loss)/Profit Attributable to Equity Holders</b>	<b>(10,320)</b>	<b>53,606</b>

## Review of Operations

Against the backdrop of a healthy global economy, the industry experienced good levels of cargo growth, and benefitted from moderate improvements in freight rates in many trade lanes. As such, the slow and steady recovery that began in late 2016 continued to provide encouragement to our sector.

However, the financial results for the current reporting period reflect not only the positive growth story, but also some of the significant challenges that we have been facing.

Supply side growth continued at a significant pace, with total capacity levels remaining a risk factor in the future, even if newbuilding deliveries look likely to reduce markedly in the coming two to three years. Increased costs have also hurt profitability: the higher price of oil has increased fuel costs, and equipment repositioning costs have been amplified by the increasing imbalance between (1) strong headhaul growth and (2) stable to weakening backhaul growth.

The strong cargo volume growth seen in most East-West trade lanes, especially on Transpacific routes, is encouraging, not least because it is a trend that has now been sustained for over a year. While it is true that global economies still appear reasonably robust, not least the USA, the uncertainty caused by the threat of looming so-called trade wars justifies a degree of caution. It may well be that the impact on containerised transport will be less than some fear, on the grounds that goods transported in containers often tend to be higher volume but lower value. However, it would be naïve to be too confident in offering any predictions about how the currently imminent trade wars will impact the industry. Restrictions on trade are clearly not a positive factor: we will need to wait to gauge what their negative influence might be.

Compared to the first half of 2017, OOCL liner liftings increased by 6.0% while load factor reduced by 3.1%. Revenue levels per TEU increased by 3.5%.

Trans-Pacific trade lane continues to be highly competitive. In this context, in spite of strong cargo volume growth against the background of a robust and seemingly continuously strengthening US economy, a trend line drawn for the rate environment would be mostly flat as against the same period in 2017. Certainly, no shipping company would argue that it wouldn't prefer rates to be higher, but given how much additional capacity has been introduced to the market in recent years, it is arguably quite encouraging that rates have at least held, and in some cases marginally improved, year on year. Trans-Pacific liftings increased by 11.3% compared to the same period last year, with revenue increasing by 3.2% per TEU.

Similar to what was seen on the Trans-Pacific trade, volumes and rates on the Asia-Europe trade have both continued their slow recovery from the nadir of 2016. Liftings increased by 16.7%, with revenue per TEU declining by 4.9%. The significant volume improvement is driven by the same factors that have improved our liftings on the Trans-Pacific trade. Better volumes in the market as a whole appear to be driven by more robust European economies, after several years of rather flat growth.

Industry-wide data for the Intra-Asia trade shows improvement on recent years. The larger economies of North Asia, which had been producing lower growth than before, seem to have improved somewhat, and we note better data coming out of Korea, China and even now Japan, which for many years has been in low growth or even decline mode. As such, some of the service cuts we made in 2016 and 2017 might need to be reversed in order to benefit from improved market conditions.

An important but relatively smaller trade, the Trans-Atlantic trade saw an increase in headhaul (westbound) volumes, with liftings up by 1% as against the same period last year. The robust US economy will have been a contributing factor behind this continuing if unspectacular growth. However, backhaul was weaker, shrinking slightly by 1%. Average revenue per TEU increased by 1.0%. 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 2018 was US\$383 per ton compared with US\$306 per ton for the corresponding period in 2017. As a result of the rise in fuel oil & diesel oil prices, bunker costs increased by 26% in the first half of 2018 when compared with the corresponding period of 2017.

During the first half of 2018, the Group took delivery of the sixth and the last of the 21,413 TEU series new-build vessel from Samsung Heavy Industries in South Korea, namely the 'OOCL Indonesia'. All six vessels of the 21,413 TEU series have been deployed in the Asia-Europe service and they mark an important milestone for the Group. As at 30th June 2018, no new-build vessels are pending for delivery; and no orders for new buildings were placed in the first half of 2018.

OOCL Logistics revenue and contribution for the first half of 2018 increased by 10.1% and 13.7% respectively compared with the same period last year. Profit increased by 113% compared with the same period last year. The contribution from International Supply Chain Management Service increased by 5.5% while contribution from Import/Export Services increased by 20.2% and is attributed to FCL, FFW, CHB, Depot and AFFW business growth. The growth of our warehouse business, including better utilisation improvements of existing warehouse facilities, as well as CCL warehousing, system sales and 4PL business were all key contributing activities contributing to the 28.7% growth in Domestic Logistics business.

The Group's property investments include its long-standing ownership of Wall Street Plaza located in New York. Based on an independent valuation, Wall Street Plaza has been re-valued upwards by US\$40 million as at 30th June 2018 to reflect an assessed market value of US\$310 million. After offsetting a total of US\$0.1 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2018 was US\$39.9 million.

The Group invests in Beijing Oriental Plaza directly through holdings in the Hui Xian REIT and indirectly through Hui Xian Holdings Limited. In the first half of 2018, Hui Xian Holdings Limited, the original developer company of Hui Xian REIT, declared a cash dividend and dividend in specie to its shareholders, of which the Group's shares amounted to US\$22.6 million. In addition, the Group also received a distribution of US\$0.6 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

On the 13th July 2018, it was announced that the joint offer made by COSCO SHIPPING Holdings Co., Ltd. (“COSCO SHIPPING Holdings”; SHA: 601919; HKEx: 1919) and Shanghai International Port (Group) Co., Ltd (“SIPG”; SHA: 600018) to acquire all the shares of OOIL has achieved the necessary level of shareholder acceptance to become unconditional.

In a rapidly consolidating industry, this transaction offers tremendous opportunities both to OOIL and to the wider COSCO group. Together with greater scale and with increased financial resources, we will be able to combine the complementary strengths of our two liner businesses and COSCO’s terminal business, and thereby to create an industry leader, providing the widest of networks and the best of service to our customers, using ambitious growth targets and meaningful synergy benefits to create value for our shareholders, enhancing our business through information technology, and offering challenging and exciting careers to our employees.

We will achieve all these while maintaining the separate listing, branding, management and staff of the OOIL group. We look forward with confidence to seeing the OOIL corporate culture of team work and our *take it personally* spirit play their part in the creation of a new industry champion, and offer every encouragement and wish every success to all those who will deliver this goal.

## Remarks from The Incoming Chairman of OOIL, Captain Xu Lirong:

“I believe that after OOIL becomes a member of COSCO SHIPPING, we can effectively combine the respective strengths of OOIL and COSCO SHIPPING Lines and optimize our global network, thereby achieving greater economies of scale and synergies. This will not only enable both companies to enhance the overall profitability and promote the sustainable development, but will also allow us to offer customers more product choices. They can thus experience our better services. We have made “six undertakings to preserve the integrity of OOIL”. It is an important decision which reflects our full confidence in the management of OOIL and the quality of its employees. In the future, OOIL will surely continue to maintain high operating standards, high standards of services and leading IT capability. The strengths of OOIL's international, professional and high-caliber talent team will be retained and further unleashed, so that the management and operating capability of the company will be strengthened in tandem with its fascinating growth. OOIL will thus become more competitive and effective, exert greater influence in the market, and provide customers with first-class products and services as before. At the same time, we and OOIL will adhere to the concept of "Trust Together", promptly combining our respective strengths to drive greater synergies between both companies. Our core competitiveness, operational efficiency and profitability will be further enhanced, which allows us to create greater values for shareholders.”

## **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 2018.

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

During the six-month period ended 30th June 2018, 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 2018 to 30th June 2018, 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 2018, 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 2018 to 30th June 2018.

## **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.ooilgroup.com>. The 2018 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 30th August 2018.

## **Employee Information**

As at 30th June 2018, the Group had 10,209 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.

## **Suspension of Trading**

As stated in the announcement jointly issued by Faulkner Global Holdings Limited, Shanghai Port Group (BVI) Development Co., Limited, COSCO SHIPPING Holdings Co., Ltd. and the Company dated 27 July 2018, the public float of the Company’s Shares has fallen to approximately 11.47% upon the close of the Offer. As a result, trading in the Company’s Shares has been suspended since 9:00 a.m. on Monday, 30 July 2018 pending the restoration of the public float of the Company’s Shares and will remain suspended until further notice.

An application has been made to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of one month commencing 30 July 2018. The Company will keep the public informed of the latest development as and when appropriate.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## 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.

By order of the Board  
**Orient Overseas (International) Limited**  
**Lammy LEE**  
*Company Secretary*

Hong Kong, 3rd August 2018

*As at the date of approval 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.*

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