Interim Report 2008

Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

Contents

Statement to Shareholders from the Chairman

Although the overall result for the Group for the first half of 2008 was less than that for the 2007 half year, profit for our core business of Container Transportation and Logistics improved for the period. This was achieved in spite of higher energy costs and increasing concerns as to global economic growth.

On the property development side, tightening measures introduced in China through 2007 have continued to impact capital investment and financing of real estate. Nevertheless, we have made good progress during the half year in obtaining the various funding approvals needed to move our projects forward.

INTERIM RESULT

Orient Overseas (International) Limited and its subsidiaries (the "Group") attained a profit after tax and minority interests attributable to shareholders of US$158.3 million for the six month period ended 30th June 2008.

Earnings per ordinary share for the first half of 2008 were US25.3 cents, while earnings per ordinary share from continuing operations for the first half of 2007 were US36.7 cents.

DIVIDEND

The Board of Directors is pleased to announce for 2008 an interim dividend of US6.5 cents (HK51 cents) per ordinary share. The dividend will be paid on 12th September 2008 to those ordinary shareholders whose names appear on the register on 1st September 2008.

The Board of Directors will consider a final dividend for the full year 2008 as performance and future business prospects dictate.

CONTAINER TRANSPORT AND LOGISTICS

The core international container transport and logistics business of the Group, "OOCL" reported an operating profit of US$208.9 million for the first six months of the year, a 1.7% increase on the result reported for the first half of 2007.

OOCL has continued to experience strong overall container volume growth with total liftings for the first half of 2008 showing a 9.4% increase over the corresponding period last year, but rising operating costs continue to be an issue.

The direct impact of high oil prices in the form of higher bunker fuel expense is readily apparent but high energy prices also impact indirectly through higher terminal and third-party transportation costs (e.g. trucking and especially North American railroad charges). While higher bunker fuel costs are increasingly mitigated through separate bunker surcharges and operational adjustments, base freight rates need to adjust to cover the less transparent increase in other operating costs.

OOCL continues to tightly manage its business and administration costs with a moderate improvement on a unit cost basis over the prior year. This reduction comes from OOCL's continued emphasis on IT investment, which is delivering demonstrable gains in terms of productivity, control of repositioning costs, yield management and improved collection of detention and demurrage charges.

PROPERTY INVESTMENT AND DEVELOPMENT

The building of the Group's property investment and development businesses continues as planned. Our portfolio of New York and Beijing property investments are performing in line with expectations in terms of operating results.

Despite the tightening measures experienced in China, our development projects in the Greater Shanghai and Greater Bohai areas have continued as planned. The Group maintained momentum on all its developments through the strength of our internal resources, with the ongoing support of our banks, and from our in-depth local knowledge as well as the good working relationship we have with our partners, contractors and authorities.

While the sentiment has been negative in certain sectors of the property market in China, we believe that the location, quality, mix, expected timing of completion, and our ability to phase sales to meet market demand, will work to our favour. Given those factors, we remain confident in building OODL into a profitable and sustainable business and that the existing projects will contribute significantly to Group profits as they come to fruition.

COMMUNITY

All of us in the OOIL Group were deeply concerned for those affected by the recent earthquake in central China on 12th May 2008, which caused unprecedented damage and loss of life in Sichuan and neighbouring provinces. Through OOCL, we were able to assist the relief efforts in Sichuan, transporting goods such as blankets and food supplies to the needy and providing refrigerated containers for the storage of food and medical supplies. OOIL Group employees continued a long-standing tradition of donating for disaster relief. With a matching donation by the Group, a total contribution of US$560,000 was made to the relief fund.

OUTLOOK

With increased industry capacity, slowing US and European economies, and ongoing high energy prices, I expect the second half of this year to be more challenging than the first half has been. Given the globalisation of world trade, it seems likely that any further slowing in the United States economy will have increasing impact elsewhere.

In the face of this uncertainty, there is a risk of deterioration in freight rates as these are market driven and vulnerable to adverse swings in sentiment. Capacity increases on the Asia-Europe and Intra-Asia trades are likely to see continued pressure on rates over the remainder of the year. However, on Trans-Pacific and Transatlantic services where there is limited new capacity being introduced, we expect rates to be more stable, given the increase in costs being experienced on these trades across the industry.

Despite the current sentiment, I am optimistic for the global container transportation industry as global trade will continue to grow.

With no further newbuild capacity delivering this year, redelivery options on existing chartered-in vessels coupled with our new-building deliveries in 2009 will afford us with flexibility to adjust our capacity according to the market environment.

Additionally, the impact of high oil prices on voyage profitability is increasingly mitigated through improved levels of bunker recovery. This follows the industry-wide introduction of separate, largely floating, bunker adjustment factors on Trans-Pacific services this year.

The Group is well positioned to meet the more challenging environment ahead with strong operations, a solid customer base, and a well-capitalised, low-geared balance sheet. Our ongoing investment in information technology delivers us productivity benefits that enable us to improve operating efficiency and to contain our business and administration costs as we grow. At the same time, that investment is delivering improved service levels to our customers which are of ever-increasing importance as market conditions move.

Accordingly, I am confident that, within a healthy industry, OOCL and the entire OOIL Group can continue to deliver the record of quality earnings for which we are known.

C C Tung
Chairman

Hong Kong, 30th July 2008

Management Discussion and Analysis

ANALYSIS OF RESULTS

For the first six months of 2008 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit before tax from continuing activities of US$175.6 million including a US$10 million negative revaluation of Wall Street Plaza. This is a US$78.4 million or 30.9% reduction compared to the profit before tax of US$254.0 million for the corresponding period of 2007, which included a US$25 million revaluation gain of Wall Street Plaza in that period.

OOIL INTERIM RESULTS ANALYSIS

(US$'000)	**2008**	2007
Operating Profit from Continuing Activities		
Container Transport and Logistics	**208,895**	205,389
Property Investment and Development	**4,295**	7,595
Unallocated	**14,430**	60,431
Total Operating Profit Excluding Property Revaluation	**227,620**	273,415
Revaluation of Wall Street Plaza	**(10,000)**	25,000
Total Operating Profit	**217,620**	298,415
Finance Costs and Other Items	**(42,029)**	(44,382)
Profit Before Tax for the Period Ended 30th June	**175,591**	254,033
Taxation on Profit of Continuing Activities	**(15,626)**	(24,263)
Net Profit from Sale of Terminals Division	**—**	1,986,973
Minority Interests	**(1,715)**	(433)
Profit Attributable to Shareholders	**158,250**	2,216,310

Total Operating Profit excluding the revaluation of Wall Street Plaza of US$227.6 million was US$45.8 million (16.7%) down as compared to the first half of 2007. This reduction is principally a result of lower earnings in relation to our liquid assets. Our Container Transport and Logistics operations had an improved result year-on-year, with a 1.7% increase in operating profit to US$208.9 million for the first half of 2008 compared to the equivalent 2007 period.

Earnings in the Property Investment and Development division were in line with the first half of 2007 while income from the portfolio and treasury function decreased notably in the first six months of 2008. The reduction in earnings was a result of lower cash balances held with US$1 billion of special dividends paid out over the course of 2007, combined with lower US dollar deposit interest rates in the first half of 2008 compared to those prevailing through the first six months of 2007. Earnings were also down due to the net adverse impact on the value of the equity component of our investment portfolio from movements in the Hong Kong stock market since the start of the year.

The improved result from our Container Transport and Logistics operations came from increased revenue that was in line with our expectations. We experienced only a small decline in load factor despite a significant increase in capacity, and we benefited from the improvement in freight rates seen over the course of 2007. However, higher costs due to the increase in the price of oil offset a substantial portion of the improved revenue result. The increase in energy costs hit us directly in fuel expenses and indirectly through the cost of third-party services, including terminal handling, rail, and trucking.

Group turnover for the six months ended 30th June 2008 was US$3,203.7 million, an increase of US$689.5 million or 27.4% as compared with the corresponding period of 2007. OOCL accounted for 99% of Group turnover, and had revenue of US$3,175.7 for the first six months of 2008 being a US$674.4 million or 27% increase over that in the 2007 half year. Volume and rate increases drove revenue growth in nearly equally measure.

OOCL had a 12.8% increase in capacity for the first half of 2008 as compared with the same period last year from the nine vessels added to the fleet in 2007 and the three 4,506 TEU vessels delivered from Samsung during the first half of 2008. With the weaker demand in the US and the slowing economies in Europe, east-west trades saw relatively modest lifting growth, and load factors on the head haul trades softened. Nevertheless, OOCL's total liftings increased by 9.4%, and overall revenue per TEU increased 14.0% versus the 2007 half-year period. In comparison, liftings increased by 18.8% for the first half of 2007 while overall revenue per TEU had fallen by 3.4%, compared with the first half of 2006.

ORIENT OVERSEAS CONTAINER LINE

	CURRENT QUARTER			YEAR-TO-DATE		
	Q2 2008	Q2 2007	*change*	**1H 2008**	1H 2007	*change*
LIFTINGS *(TEU'S)*						
Trans-Pacific	**331,248**	334,230	*–0.9%*	**660,744**	627,452	*+5.3%*
Asia / Europe	**213,821**	199,655	*+7.1%*	**405,725**	391,637	*+3.6%*
Transatlantic	**108,194**	100,786	*+7.4%*	**207,907**	190,225	*+9.3%*
Intra-Asia / Australasia	**603,001**	534,189	*+12.9%*	**1,141,037**	997,582	*+14.4%*
TOTAL ALL SERVICES	**1,256,264**	1,168,860	*+7.5%*	**2,415,413**	2,206,896	*+9.4%*
TOTAL REVENUES *(US$'000)*						
Trans-Pacific	**543,102**	482,961	*+12.5%*	**1,039,700**	898,169	*+15.8%*
Asia / Europe	**367,440**	283,058	*+29.8%*	**710,961**	528,692	*+34.5%*
Transatlantic	**186,792**	155,874	*+19.8%*	**355,747**	297,783	*+19.5%*
Intra-Asia / Australasia	**418,817**	320,243	*+30.8%*	**797,049**	601,847	*+32.4%*
TOTAL ALL SERVICES	**1,516,151**	1,242,136	*+22.1%*	**2,903,457**	2,326,491	*+24.8%*

Liftings increased by 5.3% on our Trans-Pacific services compared with the corresponding period last year. Total revenue increased 15.8% and average revenues per TEU increased 9.9% over the last twelve months. Most of that increase has come in the last six months, with average revenue per TEU growing 8.9% since the beginning of the year. Unfortunately, the revenue increase has been insufficient to cover the increase in costs, notably that of bunker fuel. The recently completed annual service contract negotiations will improve the situation. While industry capacity growth on the Trans-Pacific remains relatively flat, demand volume levels are increasingly a concern given the continued slowdown in the United States.

Liftings for our Asia / Europe services grew by a modest 3.6% after an extended period of very strong growth. Freight rates for these services increased significantly in the fourth quarter of 2007; compared to the first half of 2007 the average revenue per TEU was up 29.8%. With substantial capacity having been introduced into the Asia / Europe trade by carriers in response to the weaker demand growth on Trans-Pacific over the year, freight rates have been under downward pressure during the second quarter of this year. Despite this pressure, the overall average revenue per TEU for the Asia / Europe trade remains above where it was this time last year and we expect it to be above 2007 on a full-year basis.

Our Transatlantic services have enjoyed good growth with an increase in total liftings of 9.3% coming predominately from strong growth in export volume from the United States to Europe. That strong growth in demand also saw a significant lift in average revenue per TEU of 9.3% in all Transatlantic services. Volume and freight rate improvements resulted in a 19.5% increase in total revenues.

Our Intra-Asia and Australasia services have continued to experience good growth, with a 14.4% increase in liftings and a 32.4% increase in total revenues with a 15.8% increase in average revenue per TEU compared with the same period last year.

Volume pressure in the long haul intra-Asia routes is expected in the second half of 2008 as carriers start to cascade in vessels from other trades. The Australia trades are performing with record liftings and improved average revenue with an improvement in reefer liftings.

While revenue growth over the last twelve months, achieved through both increased liftings and improved freight rates, has been pleasing, the increase in revenue has not been sufficient to offset the increase in costs induced by the extra-ordinary increase in the price of oil.

The average bunker price paid for the first half of 2008 was US$502 per ton, which was 64% higher than the US$306 per ton recorded in the same period of 2007. While savings in consumption have continued to be achieved through revision of sailing and operational programs such as slow-steaming, bunker now represents 79% of voyage costs versus 70% during the first half of 2007. The introduction of a separate floating bunker charge into a majority of contracts for Trans-Pacific services during the 2008 contract negotiations is a major positive development in achieving improved bunker cost recovery.

In this environment of increasing energy-related costs, we have maintained our concentration upon operational efficiencies and tight cost control. Improved export volumes from the United States have reduced repositioning costs on Trans-Pacific services, while our ongoing investment in IT systems has assisted in the improved recovery of demurrage and detention charges. Our continued focus on directly controllable costs has seen our business and administration costs on a per TEU basis continue to fall.

VESSELS

During the first half of 2008 the Group took delivery of a further three "P" Class 4,506 TEU Panamax size vessels from Samsung Heavy Industries Co Ltd in South Korea – being the *OOCL Busan*, the *OOCL Texas* and the *OOCL Panama*.

Those deliveries leave a further ten "P" Class and four "SX" Class 8,063 TEU vessels to be delivered from Samsung through 2009 and 2010. Additionally we have six 8,600 TEU newbuild vessels from Hudong – Zhonghua Shipyard (Group) Co. Ltd. scheduled for delivery from September 2010 to December 2011.

NEWBUILDING DELIVERY SCHEDULE

					TEU	DELIVERY
Ordered from Samsung Heavy Industries						
Ordered July 2006	{	Hull no.	1728	*"to be named"*	4,506	Dec 2009
	{	Hull no.	1729	*"to be named"*	4,506	Dec 2009
	{	Hull no.	1730	*"to be named"*	4,506	Dec 2009
	{	Hull no.	1731	*"to be named"*	4,506	Feb 2010
Ordered October 2006	{	Hull no.	1719	*"to be named"*	8,063	Oct 2009
	{	Hull no.	1720	*"to be named"*	8,063	Oct 2009
	{	Hull no.	1721	*"to be named"*	8,063	Dec 2009
	{	Hull no.	1722	*"to be named"*	8,063	Mar 2010
Ordered April 2007	{	Hull no.	1775	*"to be named"*	4,506	Feb 2009
	{	Hull no.	1776	*"to be named"*	4,506	Jul 2009
	{	Hull no.	1777	*"to be named"*	4,506	Aug 2009
	{	Hull no.	1778	*"to be named"*	4,506	Sep 2009
	{	Hull no.	1779	*"to be named"*	4,506	Oct 2009
Ordered May 2007	{	Hull no.	1801	*"to be named"*	4,506	Oct 2009
Ordered from Hudong – Zhonghua Shipyard						
Ordered October 2007	{	Hull no.	1562	*"to be named"*	8,600	Sep 2010
	{	Hull no.	1563	*"to be named"*	8,600	Jan 2011
	{	Hull no.	1564	*"to be named"*	8,600	Jun 2011
	{	Hull no.	1565	*"to be named"*	8,600	Oct 2011
Ordered November 2007	{	Hull no.	1584	*"to be named"*	8,600	Aug 2011
	{	Hull no.	1585	*"to be named"*	8,600	Dec 2011

These new vessels serve to satisfy the projected capacity needs of our international container transport business for the near future and no new orders were placed in the first half of 2008. Nevertheless, the size and composition of the fleet remain under constant review and the Group currently is re-examining the vessel requirements necessary to achieve internal organic growth plans.

Of the twenty vessels on order and still to be delivered, we started the year with financing in place for four. During the first half of 2008 we have arranged various committed financing facilities for a further ten vessels. Additionally, we are considering an offer of financing on two more vessels and expect that facility to have closed by year-end. This will leave only four vessels, to be delivered in 2011, for which financing has yet to be arranged. Our ability to put in place funding facilities through this period of problems in the financial sector speaks to the strength of the Group and the support it has from its banks.

Adequate resources will continue to be reserved to ensure that the delivery of the vessels on order, and any further orders, does not impose any undue financial burden upon the Group as a whole.

ORIENT OVERSEAS DEVELOPMENTS LTD ("OODL")

The Group's property development and investment activities are conducted under OODL. Our property development activities are focused in the Greater Shanghai and Greater Bohai (Beijing/Tianjin) areas of China. For property investment, we currently have two investments in properties, namely Wall Street Plaza in New York and Beijing Oriental Plaza in Beijing.

Wall Street Plaza, our 100% owned investment property in the city of New York has continued to perform solidly despite deterioration in the Manhattan commercial property rental market. The overall vacancy rate in downtown Manhattan has increased from 6.2% at the end of 2007 to 7.7% as at the end of June 2008, as the financial sector scales back its space requirements in light of massive losses in recent quarters. Wall Street Plaza commenced the year fully leased but currently has a vacancy rate of 9.9% after an early termination of a lease. With the associated early-termination payment received, Wall Street Plaza's operating profit for the half year is ahead of last year and is still expected to produce an improved year-on-year operating profit for 2008. As at 30th June 2008, Wall Street Plaza was valued at US$190 million, a US$10 million reduction on the valuation as at 31st December 2007.

Beijing Oriental Plaza, in which we have an 8% interest at a book value of US$109.5 million as at 30th June 2008, is performing as forecast. While it continues to make modest profits at the project level, it is not expected to make a meaningful contribution to Group profitability in the near term.

Our property development activities in China continue to focus in the short to near term on execution of existing projects to achieve a resumption of material earnings from 2010 onwards.

The range of projects under development is unchanged from the start of the year with no material disposals and no new sites or projects acquired in the first half of 2008. Given the condition of the market, we do not expect to complete any new acquisitions for the remainder of the year.

Expected completion dates remain as previously reported but may be subject to delay given the stringent regulatory and funding environment for property development in China experienced over the last six months, and cost escalation given the inflationary environment for construction materials. New, revised, and tighter application of, Central Government regulations and procedures for capital approval and foreign exchange conversion, combined with restrictive directions to banks on real-estate related lending, have made for a more challenging and uncertain environment in executing our projects in a timely manner.

Luwan Changle Lu Project is a project combining high-end residential units and a luxury hotel in downtown Shanghai with a total GFA of approximately 145,000 sqm. Construction continued on the residential portion, with the first phase of the basement construction scheduled for completion in July/August this year. For the hotel, completion of piling is expected in July this year. Conclusion of an agreement with an international hotel operator is expected in the second half of 2008.

Changning Lu Project is a mixed used project in Shanghai with a total GFA of approximately 240,000 sqm. A revised master layout plan has been submitted to the local District Planning Bureau for the project. Subject to finalisation of public consultation and planning approval, construction is expected to start by mid-2009.

Pudong Nanmatou Project is a residential project in Pudong, Shanghai with a total GFA of approximately 100,000 sqm. Capitalisation and project planning continued as planned in the first half of the year. We expect final execution of the Land Agreement in the second half of the year.

Hengshan Lu Project is a small commercial site in Xu Hui District, Shanghai with a total GFA of approximately 15,000 sqm. Planning for the project has progressed with the option of developing a luxury hotel on the site now being the preferred choice. Formal submission of a master plan is scheduled for early in the fourth quarter of this year.

In Kunshan Jiangsu Province, the 400 room Double Tree by Hilton hotel project is expected to commence operation by the fourth quarter of this year. Pre-opening activities at the hotel have begun and the core management team is substantially in place.

Also in Kunshan Jiangsu Province, piling for the first phase of the Huaqiao Residential Project is underway. Total project size is approximately 700,000 sqm including 70,000 sqm of commercial area. Given the size of the project, the overall timetable for the project is currently under review.

The Tianjin International Trade Centre Project is a mixed used project in downtown Tianjin. Capitalisation and project planning continued as planned in the first half of the year. We expect final execution of the Land Agreement in the second half of this year.

While we expect the tight regulatory and credit conditions in China to remain through to the end of 2009, we remain confident that progress on our projects can be maintained given the Group's liquidity position and strong capital structure. We continue to enjoy good support from our banks with successful syndication and arrangement of a term loan and other RMB facilities respectively during the first half of this year, giving us confidence in regard to financing of our other projects.

Our property development and investment portfolios remain soundly positioned and we expect to continue our investment in the property sector as suitable projects are identified and become available. Our aim continues to be the creation of a stand-alone and recurrently profitable property business for the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2008, the Group had cash, bond and portfolio investment balances of US$1,972.9 million and a total indebtedness of US$2,245.3 million. The Group has therefore moved from a zero net debt position as at the 2007 year-end to having net debt of US$272.4 million as at 30th June 2008. The increase in net debt has occurred due to a US$39.1 million increase in gross debt and a US$264.2 million reduction in liquid assets, as cash and debt have been used to fund capital expenditure, particularly progress payments on newbuild vessels on order. The net debt position of the Group is expected to increase over the remainder of the year primarily due to an increase in gross debt in relation to the financing of new container boxes, and a decrease in cash as land payments are made for the property development projects in China. The Group continues to have significant borrowing capacity and remains comfortably within its target of keeping its net debt to equity ratio below 1:1.

The indebtedness of the Group mainly comprises bank loans, finance leases and other obligations which are largely denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity. The profile of the Group's long-term liabilities is set out in Note 19 to the Financial Information.

The liquid assets of the Group are predominantly cash deposits with a range of banks and with tenors from overnight to up to three months. The list of approved banks and exposure limits on each bank were reviewed again in the first half of the year in light of the ongoing losses in the banking industry.

Given the inherently volatile nature of shipping industry earnings and experience with fluctuations in asset values, the Group maintains a portion of its liquidity reserves in a portfolio of longer tenor investments. The Group's investment portfolio of US$162.4 million as at 30th June 2008 comprises a mix of investment grade bonds, and Hong Kong listed equities.

CURRENCY EXPOSURE AND RELATED HEDGES

The Group's principal income is mainly comprised of freight revenues, receipts from terminal operations and rental income from investment properties, all of which are denominated in US dollars. Over 63% of cost items are also US-dollar based. Certain costs, such as terminal charges, transportation charges and administrative expenses for regional offices, are expended in domestic currencies. The Group's policy is to hedge the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

Over 90% of the Group's total liabilities are denominated in US dollars. The non-US dollar denominated liabilities are backed by an equivalent value of assets denominated in the respective local currency. Consequently, the risk of currency fluctuations affecting the Group's debt profile is effectively mitigated.

EMPLOYEE INFORMATION

As at 30th June 2008, the Group had 7,661 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 discretionary bonus schemes based on the performance of the Company and the individual employee. These schemes are regularly reviewed. Other benefits are also provided including medical insurance and retirement funds. Social and recreational activities are arranged for our employees around the world. In support of the continuous development of individual employees, training and development programmes for each different level of employees are arranged.

ENVIRONMENTAL PROTECTION

OOIL recognises that businesses must take responsibility for their industry's effects on the environment. Our Group is dedicated to meeting the needs of the present without compromising those of the future. We encourage sustainable economic development through innovative environmental care measures.

We believe that by taking a proactive role in caring for the environment, we can help minimise our carbon footprint, as well as other harmful pollutants such as sulphur oxides (SOx), nitrogen oxides (NOx) and particulate matters, and make the world a better place to live for ourselves and future generations.

At OOCL, we encourage sustainable economic development through innovative and voluntary measures. In March this year we launched a new environmental care website (www.oocl.com/eng/aboutoocl/Environmentalcare/) to raise awareness of our proactive role in caring for the environment. The website is divided into three main sections: reducing emissions (CO2, NOx and SOx), promoting care for the environment and conserving resources. The three sections cover every aspect of OOCL's business, from on board our vessels, to terminals, containers, inside our offices and employee training.

OOCL voluntarily co-operates with many programs and standards around the world, and has received numerous awards and recognition for our achievements and quality practices. During the first half of this year we were proud to announce that for the second consecutive year, OOCL achieved a compliance level of 100% in voluntary vessel speed reduction under the Port of Long Beach Green Flag Incentive Program, for the year of 2007. OOCL donated its dockage rebate fees for 100% compliance in 2006 – totalling US$140,000 – back to community projects and charities in Long Beach.

SAFETY AND SECURITY

The Group has long been committed to the security of our operations against possible compromise and to the maintenance of the highest level of compliance in security-related areas. We fully recognise our responsibility to ensure the safety and integrity of all our employees, both on shore and at sea, of our managed ships, our customers' cargoes and our port facilities.

The Group's Corporate Security Policy and other internal guidelines comply with Customs-Trade Partnership Against Terrorism rules and regulations, and we work actively with various governments and other authorities worldwide in their efforts against any act that would impinge upon maritime or cargo security. Our Group meets the International Ship and Port Facility Security Code ("ISPS" Code), which ensures that security threats are detected and assessed, and that preventative measures are in place on our vessels and at our port facilities. In addition, to provide world-class quality and secure information to customers and partners, our Global Data Centre has also achieved and maintained BS7799 certification, which is a code of practice for information security management.

Other Information

INTERIM DIVIDEND

The Directors are pleased to announce an interim dividend of US6.5 cents (HK$0.51 at the exchange rate of US$1: HK$7.8) per ordinary share for the six months ended 30th June 2008 to be paid on 12th September 2008 to the shareholders of the Company whose names appear on the register of members of the Company on 1st September 2008. Shareholders who wish to receive the interim dividend in US Dollars should complete the Dividend Election Form, which accompanies this Interim Report, and return it to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4th September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29th August 2008 to 1st September 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28th August 2008.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2008, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the "Shares") and the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name	Direct Interests	Other Interests	Total Number of Shares (Long Position)	Percentage
Chee Chen Tung	—	426,416,088 *(Notes 1 and 2)*	426,416,088	68.14%
Tsann Rong Chang	612,731	—	612,731	0.09%
Philip Yiu Wah Chow	93,100	7,000 *(Note 3)*	100,100	0.02%
Simon Murray	122,000	—	122,000	0.02%
Richard Yue Chim Wong	—	500 *(Note 4)*	500	0.00008%

Notes:

1. Mr Chee Chen Tung has an interest in a trust which, through Artson International Inc. ("Artson") as trustee, holds shares of Thelma Holdings Limited ("Thelma"), which has an indirect interest in 405,131,088 Shares, in which Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), wholly owned subsidiaries of Thelma, have direct interests in 325,903,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 405,131,088 Shares are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc. ("THTI"). Mr Chee Chen Tung also has an indirect interest in 21,285,000 Shares in which Cathay Finance & Investment Corp. ("Cathay"), a company which is wholly owned by him, has a direct interest.

2. Fortune Crest and Gala Way together are referred to as the controlling shareholders.

3. 7,000 Shares are held by the spouse of Mr Philip Yiu Wah Chow.

4. 500 Shares are held by the spouse of Professor Richard Yue Chim Wong.

As at 30th June 2008, none of the Directors or the Chief Executive of the Company is a director or employee of a company which had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30th June 2008, none of the Directors or the Chief Executive of the Company had any interests or short positions in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30th June 2008, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	Number of Shares Interested (Long Position)	Percentage
Artson International Inc.*	Trustee	405,131,088 *(Note 1)*	64.73%
Hanberry Worldwide Ltd.*	Trustee	405,131,088 *(Note 2)*	64.73%
Thelma Holdings Limited*	Indirect	405,131,088 *(Note 3)*	64.73%
Chee Hwa Tung	Indirect	405,156,319 *(Note 4)*	64.74%
Archmore Investment Limited*	Beneficiary of a trust	405,131,088 *(Note 5)*	64.73%
Edgemont Holdings Limited*	Indirect	405,131,088 *(Note 6)*	64.73%
Javier Associates Limited*	Indirect	405,131,088 *(Note 7)*	64.73%
Bartlock Assets Ltd.*	Beneficiary of a trust	405,131,088 *(Note 8)*	64.73%
Flowell Development Inc.	Beneficiary of a trust	405,131,088 *(Note 9)*	64.73%
Izone Capital Limited*	Beneficiary of a trust	405,131,088 *(Note 10)*	64.73%
Jeference Capital Inc.*	Beneficiary of a trust	405,131,088 *(Note 11)*	64.73%
Tung Holdings (Trustee) Inc.*	Voting	405,131,088 *(Note 12)*	64.73%
Fortune Crest Inc.	Direct	325,903,656 *(Note 13)*	52.07%
Gala Way Company Inc.	Direct	79,227,432 *(Note 14)*	12.66%
Cathay Finance & Investment Corp.*	Direct	21,285,000 *(Note 15)*	3.40%

Notes:

1. Artson, a company which is wholly owned by Mr Chee Chen Tung, holds 56.36% of the shares of Thelma and, accordingly, has an indirect interest in the same Shares in which Thelma has an interest.

2. Hanberry Worldwide Ltd. ("Hanberry"), a company which is wholly owned by Mr Chee Hwa Tung, holds 43.64% of the shares of Thelma and, accordingly, has an indirect interest in the same Shares in which Thelma has an interest.

3. Thelma, a company which is owned collectively by Artson and Hanberry, has an indirect interest in the same Shares in which Fortune Crest and Gala Way, wholly-owned subsidiaries of Thelma, have an interest.

4. Mr Chee Hwa Tung has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares. Mrs Betty Hung Ping Chiu Tung (spouse of Mr Chee Hwa Tung, sister-in-law of Mr Chee Chen Tung and Mr Roger King, and mother of Mr Alan Lieh Sing Tung) owns 25,231 Shares.

5. Archmore Investment Limited ("Archmore"), a company which is wholly owned by Edgemont Holdings Limited ("Edgemont"), has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares.

6. Edgemont has an indirect interest in the same Shares in which Archmore, a wholly-owned subsidiary of Edgemont, has an interest.

7. Javier Associates Limited ("Javier"), a company which is wholly owned by Mr Chee Chen Tung, has an indirect interest in the same Shares in which Edgemont, a wholly-owned subsidiary of Javier, has an interest.

8. Bartlock Assets Ltd., a company which is wholly owned by Mr Chee Hwa Tung, has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares.

9. Flowell Development Inc., a company which is wholly owned by Mr Chee Chen Tung, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares.

10. Izone Capital Limited, a company which is wholly owned by Mr Chee Chen Tung, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares.

11. Jeference Capital Inc., a company which is wholly owned by Mr Chee Chen Tung, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 405,131,088 Shares.

12. THTI is a company wholly owned by Mr Chee Chen Tung.

13. Fortune Crest has a direct interest in 325,903,656 Shares.

14. Gala Way has a direct interest in 79,227,432 Shares.

15. Cathay, a company which is wholly owned by Mr Chee Chen Tung, has a direct interest in 21,285,000 Shares.

16. Mr Chee Chen Tung is a director of the companies marked with an asterisk.

Save as disclosed herein, as at 30th June 2008, the Company has not been notified by any person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBT SECURITIES

As at 30th June 2008, none of the Directors nor the Chief Executive of the Company (or any of their associates) (as defined in the Listing Rules) was granted any right to acquire shares in or debt securities of the Company or any of its associated corporations.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2008, the Company has not redeemed any of its Shares and neither the Company nor any of its subsidiaries has purchased or sold 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 Code on Corporate Governance Practices

The Board of Directors (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 code on corporate governance practices (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the accounting period covered by these interim results, the Company has complied with the SEHK Code, except for the following:

- Code Provision

Code provision of the SEHK Code	Deviation	Considered reason for deviation
Separation of the role of Chairman and Chief Executive Officer of a listed issuer.	Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company.	The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

- Recommended Best Practice

  ➢ a nomination committee has not been established

  ➢ the remuneration of senior management is disclosed in bands

  ➢ operational results are announced and published quarterly instead of financial results

Audit Committee

The Audit Committee was established in 1992 and currently comprises three members who are Independent Non-Executive Directors, namely, Dr Victor Kwok King FUNG (chairman), Mr Simon MURRAY and Professor Richard Yue Chim WONG, with Mr Vincent FUNG, the Head of Internal Audit as the secretary and Ms Lammy LEE as the assistant secretary.

Under its Terms of Reference, the primary duties of the Audit Committee include to:

- make recommendation to the Board on the appointment and removal of external auditor and to assess their independence and performance;
- review the effectiveness of financial reporting processes and internal control systems of the Group and to monitor the integrity thereof;
- review the completeness, accuracy and fairness of the Company's financial statements before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews;
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure; and
- monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

The Audit Committee has reviewed the Group's interim results for the six months ended 30th June 2008.

Remuneration Committee

The Remuneration Committee was established in 2005 and currently comprises Mr Chee Chen TUNG (Chairman) and two Independent Non-Executive Directors of the Company, namely, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG, with Ms Lammy LEE, as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

- establish and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme;
- review from time to time and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme; and to
- review and recommend for the Board's consideration remuneration packages and compensation arrangements for loss of office of Executive Directors and senior management of the Company.

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the "Securities Code") on terms no less exacting than the required standard set out in 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 Model Code and the Securities Code throughout the period from 1st January 2008 to 30th June 2008.

Report on Review of Interim Financial Information

To the Board of Directors of
Orient Overseas (International) Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 19 to 44, which comprise the condensed consolidated balance sheet of Orient Overseas (International) Limited (the "Company") and its subsidiaries (together the "Group") as at 30th June 2008 and the condensed consolidated profit and loss account, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and fair presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th July 2008

Condensed Consolidated Profit and Loss Account (unaudited)

For the six months ended 30th June 2008

US$'000	Note	2008	2007
Revenue	5	**3,203,723**	2,514,250
Operating costs		**(2,775,581)**	(2,111,496)
Gross profit		**428,142**	402,754
Fair value (loss)/gain from an investment property		**(10,000)**	25,000
Other operating income		**35,635**	77,711
Other operating expenses		**(236,157)**	(207,050)
Operating profit	6	**217,620**	298,415
Finance costs	8	**(45,931)**	(43,849)
Share of profits less losses of jointly controlled entities		**1,591**	1,633
Share of profits/(losses) of associated companies		**2,311**	(2,166)
Profit before taxation		**175,591**	254,033
Taxation	9	**(15,626)**	(24,263)
Profit for the period from continuing operations		**159,965**	229,770
Discontinued operation :			
Profit for the period from discontinued operation	10	**—**	1,986,973
Profit for the period		**159,965**	2,216,743
Attributable to:			
Equity holders of the Company		**158,250**	2,216,310
Minority interests		**1,715**	433
		159,965	2,216,743
Interim dividend	11	**40,677**	560,085
Earnings per ordinary share (US cents)			
– from continuing operations		**25.3**	36.7
– from discontinued operation		**—**	317.5
Basic and diluted	12	**25.3**	354.2

Condensed Consolidated Balance Sheet (unaudited)

As at 30th June 2008

US$'000	Note	30th June 2008	31st December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,666,017**	3,350,844
Investment property	13	**190,000**	200,000
Prepayments of lease premiums	13	**8,912**	8,710
Jointly controlled entities		**11,916**	9,914
Associated companies		**55,593**	49,982
Intangible assets	13	**42,894**	39,696
Deferred taxation assets		**737**	895
Pension and retirement assets		**26,213**	4,233
Available-for-sale financial assets		**39,633**	25,420
Restricted bank balances and other deposits		**187,873**	75,647
Other non-current assets		**87,291**	87,092
		4,317,079	3,852,433
Current assets			
Properties under development and for sale		**405,450**	385,303
Inventories		**138,217**	100,953
Debtors and prepayments	14	**731,833**	694,602
Portfolio investments		**162,426**	287,720
Derivative financial instruments	15	**3,327**	7,099
Cash and bank balances		**1,634,437**	1,885,534
		3,075,690	3,361,211
Total assets		**7,392,769**	7,213,644
EQUITY			
Equity holders			
Share capital	16	**62,579**	62,579
Reserves	17	**4,240,877**	4,113,789
		4,303,456	4,176,368
Minority interests		**19,602**	14,937
Total equity		**4,323,058**	4,191,305

As at 30th June 2008

US$'000	Note	30th June 2008	31st December 2007
LIABILITIES			
Non-current liabilities			
Borrowings	19	**2,004,044**	1,864,436
Deferred taxation liabilities		**40,573**	33,475
Pension and retirement liabilities		**11,552**	11,505
		2,056,169	1,909,416
Current liabilities			
Creditors and accruals	18	**760,247**	752,343
Borrowings	19	**241,263**	341,748
Current taxation		**12,032**	18,832
		1,013,542	1,112,923
Total liabilities		**3,069,711**	3,022,339
Total equity and liabilities		**7,392,769**	7,213,644
Net current assets		**2,062,148**	2,248,288
Total assets less current liabilities		**6,379,227**	6,100,721

C C Tung
Kenneth G Cambie
Directors

Condensed Consolidated Cash Flow Statement (unaudited)

For the six months ended 30th June 2008

US$'000	Note	2008	2007
Cash flows from operating activities			
Cash generated from operations		**223,338**	265,310
Interest paid		**(19,906)**	(16,704)
Interest element of finance lease rental payments		**(38,384)**	(26,648)
Dividend on preference shares		**(1,982)**	(4,626)
Hong Kong profits tax paid		**—**	(481)
Overseas taxes paid		**(10,358)**	(58,918)
Net cash from operating activities		**152,708**	157,933
Cash flows from investing activities			
Sale of property, plant and equipment		**18,515**	32,130
Sale of available-for-sale financial assets		**54**	4,542
Purchase of property, plant and equipment		**(421,133)**	(328,621)
Purchase of available-for-sale financial assets		**(20)**	(14)
Decrease/(increase) in portfolio investments		**125,294**	(228,769)
Investment in an associated company		**—**	(1,227)
Disposal of subsidiaries	23	**—**	2,298,266
(Increase)/decrease in amounts due by jointly controlled entities		**(1,174)**	359
Increase in bank deposits maturing more than three months from the date of placement		**(102,271)**	(8,216)
Purchase of intangible assets		**(6,619)**	(7,270)
Increase in other non-current assets		**(199)**	(1,531)
Interest received		**27,994**	57,318
Income from available-for-sale financial assets		**17**	18
Dividends received from portfolio investments		**396**	233
Dividends received from jointly controlled entities		**1,264**	2,543
Net cash (used in)/from investing activities		**(357,882)**	1,819,761

For the six months ended 30th June 2008

US$'000	Note	2008	2007
Cash flows from financing activities			
New loans		**258,567**	40,146
Repayment of loans		**(183,794)**	(47,445)
Redemption of preference shares		**(10,145)**	(9,680)
Capital element of finance lease rental payments		**(27,884)**	(44,969)
Contributions from minority interests		**1,871**	—
Dividends paid to shareholders		**(84,433)**	(575,373)
Net cash used in financing activities		**(45,818)**	(637,321)
Net (decrease)/increase in cash and cash equivalents		**(250,992)**	1,340,373
Cash and cash equivalents at beginning of period		**1,855,289**	810,903
Currency translation adjustments		**9,837**	8,651
Cash and cash equivalents at end of period		**1,614,134**	2,159,927
Analysis of cash and cash equivalents			
Bank balances and deposits maturing within three months from the date of placement		**1,614,328**	2,160,033
Bank overdrafts		**(194)**	(106)
		1,614,134	2,159,927

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th June 2008

US$'000	Equity holders			Minority	
	Share capital	Reserves	Sub-total	interests	Total
At 31st December 2007	62,579	4,113,789	4,176,368	14,937	4,191,305
Currency translation adjustments	—	38,980	38,980	1,079	40,059
Change in fair value	—	14,291	14,291	—	14,291
Profit for the period	—	158,250	158,250	1,715	159,965
2007 final dividend	—	(84,433)	(84,433)	—	(84,433)
Contributions from minority interests	—	—	—	1,871	1,871
At 30th June 2008	**62,579**	**4,240,877**	**4,303,456**	**19,602**	**4,323,058**
At 31st December 2006	62,579	2,664,627	2,727,206	12,827	2,740,033
Currency translation adjustments	—	11,388	11,388	347	11,735
Change in fair value	—	2,349	2,349	—	2,349
Asset revaluation reserve realised	—	(2,250)	(2,250)	—	(2,250)
Profit for the period	—	2,216,310	2,216,310	433	2,216,743
2006 final dividend	—	(75,049)	(75,049)	—	(75,049)
2006 special dividend	—	(500,324)	(500,324)	—	(500,324)
At 30th June 2007	62,579	4,317,051	4,379,630	13,607	4,393,237

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 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This interim financial information was approved by the Board of Directors on 30th July 2008.

2. Basis of Preparation

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment property, certain property, plant and equipment, available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value and in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2007.

The adoption of new / revised HKFRS

In 2008, the Group adopted the new interpretation of Hong Kong Financial Reporting Standards ("HKFRS") below, which is relevant to its operations.

HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The Group has assessed the impact of the adoption of this new interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts will be resulted.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31st December 2007.

4. Critical Accounting Estimates and Judgements

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2007.

5. Revenue

US$'000	2008	2007
Container transport and logistics	**3,175,693**	2,501,266
Property investment and development	**28,030**	12,984
	3,203,723	2,514,250

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

Revenue comprises turnover which includes gross freight, charterhire, service and other income from the operations of the container transport and logistics, and sale of properties and rental income from the operation of the property investment.

6. Operating Profit

US$'000	**2008 Continuing operations**	2007 Continuing operations	2007 Discontinued operation
Operating profit is arrived at after crediting:			
Interest income from banks	**25,201**	56,495	188
Gross rental income from an investment property	**14,186**	12,820	—
Profit on disposal of property, plant and equipment	**1,046**	2,806	—
Profit on disposal of available-for-sale financial assets	**—**	2,344	—
Gain on foreign exchange forward contracts	**603**	900	—
Portfolio investment income	**—**	12,539	—
Exchange gain	**6,291**	4,720	—
and after charging:			
Depreciation			
Owned assets	**62,226**	60,810	1,867
Leased assets	**33,575**	21,370	—
Operating lease rental expense			
Vessels and equipment	**271,677**	255,438	—
Land and buildings	**13,623**	11,037	—
Rental outgoings in respect of an investment property	**5,704**	5,197	—
Portfolio investment loss	**2,218**	—	—
Loss on interest rate swap contracts	**290**	3,607	—
Amortisation of intangible assets	**3,421**	1,456	—
Amortisation of leasehold land and land use rights	**892**	856	—

7. Key Management Compensation

US$'000	**2008**	2007
Salaries and other short-term employee benefits	**6,345**	8,939
Pension costs – defined contribution plans	**565**	568
	6,910	9,507

8. Finance Costs

US$'000	2008	2007
Interest expense	**(46,002)**	(50,070)
Amount capitalised under assets	**2,053**	8,515
Net interest expense	**(43,949)**	(41,555)
Dividend on preference shares	**(1,982)**	(2,294)
	(45,931)	(43,849)

9. Taxation

US$'000	2008	2007
Current taxation		
Hong Kong profits tax	**—**	(66)
Overseas taxation	**(10,488)**	(13,688)
	(10,488)	(13,754)
Deferred taxation		
Hong Kong profits tax	**—**	(615)
Overseas taxation	**(5,138)**	(9,894)
	(15,626)	(24,263)

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 4% to 52% (2007: 6% to 52%) and the rate applicable for Hong Kong profits tax is 16.5% (2007: 17.5%).

10. Discontinued Operation

An analysis of the results and cash flows of the Disposal Group in 2007 was as follows:

US$'000	2007
(i) Results	
Revenue	53,387
Operating costs	(38,707)
Gross profit	14,680
Other operating income	188
Other operating expenses	(5,004)
Operating profit	9,864
Finance costs	(748)
Profit before taxation	9,116
Taxation	(4,577)
Profit after taxation	4,539
Gain on disposal of subsidiaries, net of tax (note 23)	1,982,434
Profit from discontinued operation	1,986,973

Gain on disposal of subsidiaries was stated after deducting estimated capital gain tax of US$84.1 million.

US$'000	2007
(ii) Cash flows	
Operating cash flows	7,171
Investing cash flows	(4,212)
Financing cash flows	(2,578)
Total cash flows	381

11. Interim Dividend

The Board of Directors declares an interim dividend of US6.5 cents per ordinary share for 2008 (2007: US9.5 cents for interim dividend and US80 cents for special dividend).

At a meeting held on 4th March 2008, the Directors proposed a final dividend of US13.5 cents per ordinary share amounting to US$84,433,000 for the year ended 31st December 2007, which was paid on 5th May 2008 and have been reflected as appropriations of retained profit for the six months ended 30th June 2008.

12. Earnings Per Ordinary Share

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

The basic and diluted earnings are the same since there are no potential dilutive shares.

	2008	2007
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's profit from continuing operations attributable to equity holders (US$'000)	**158,250**	229,337
Earnings per share from continuing operations (US cents)	**25.3**	36.7
Profit from discontinued operation attributable to equity holders (US$'000)	**—**	1,986,973
Earnings per share from discontinued operation (US cents)	**—**	317.5

13. Capital Expenditure

US$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts:					
At 31st December 2007	3,350,844	200,000	8,710	39,696	3,599,250
Currency translation adjustments	5,494	—	421	—	5,915
Fair value loss	—	(10,000)	—	—	(10,000)
Additions	422,949	—	—	6,619	429,568
Disposals	(17,469)	—	—	—	(17,469)
Depreciation and amortisation	(95,801)	—	(219)	(3,421)	(99,441)
At 30th June 2008	**3,666,017**	**190,000**	**8,912**	**42,894**	**3,907,823**
At 31st December 2006	2,777,004	200,000	5,416	29,363	3,011,783
Currency translation adjustments	1,190	—	80	1	1,271
Fair value gain	—	25,000	—	—	25,000
Additions	380,380	—	—	7,270	387,650
Disposals	(29,324)	—	—	—	(29,324)
Depreciation and amortisation	(82,180)	—	(158)	(1,456)	(83,794)
At 30th June 2007	3,047,070	225,000	5,338	35,178	3,312,586

14. Debtors and Prepayments

US$'000	30th June 2008	31st December 2007
Trade receivables	**384,563**	355,567
Less: Provision for impairment	**(4,928)**	(5,474)
Trade receivables – net	**379,635**	350,093
Other debtors	**75,476**	85,006
Prepayments of purchase of property	**175,896**	165,021
Other prepayments	**63,253**	51,698
Utility and other deposits	**7,943**	6,224
Tax recoverable	**29,630**	36,560
	731,833	694,602

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Trade receivables 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 date of invoices, is as follows:

US$'000	30th June 2008	31st December 2007
Below one month	**330,817**	318,834
Two to three months	**39,106**	28,099
Four to six months	**5,960**	3,160
Over six months	**3,752**	—
	379,635	350,093

15. Derivative Financial Instruments

US$'000	30th June 2008	31st December 2007
Foreign exchange forward contracts	**3,139**	4,172
Interest rate swap contracts	**188**	2,927
	3,327	7,099

16. Share Capital

US$'000	30th June 2008	31st December 2007
Authorised:		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000
Issued and fully paid:		
625,793,297 (2007: 625,793,297) ordinary shares of US$0.10 each	**62,579**	62,579

17. Reserves

				Asset revaluation reserve				
US$'000	Share premium	Contributed surplus	Capital redemption reserve	Vessels	Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	Total
At 31st December 2007	172,457	88,547	4,696	9,948	19,063	10,238	3,808,840	4,113,789
Currency translation adjustments								
Group	—	—	—	—	—	36,950	—	36,950
Jointly controlled entities	—	—	—	—	—	532	—	532
Associated companies	—	—	—	—	—	3,300	—	3,300
Deferred taxation	—	—	—	—	—	(1,802)	—	(1,802)
Change in fair value	—	—	—	—	14,291	—	—	14,291
Profit for the period	—	—	—	—	—	—	158,250	158,250
2007 final dividend	—	—	—	—	—	—	(84,433)	(84,433)
At 30th June 2008	**172,457**	**88,547**	**4,696**	**9,948**	**33,354**	**49,218**	**3,882,657**	**4,240,877**
At 31st December 2006	172,457	88,547	4,696	9,948	12,711	(21,097)	2,397,365	2,664,627
Currency translation adjustments								
Group	—	—	—	—	—	9,605	—	9,605
Jointly controlled entities	—	—	—	—	—	1,783	—	1,783
Change in fair value	—	—	—	—	2,349	—	—	2,349
Asset revaluation reserve realised	—	—	—	—	(2,250)	—	—	(2,250)
Profit for the period	—	—	—	—	—	—	2,216,310	2,216,310
2006 final dividend	—	—	—	—	—	—	(75,049)	(75,049)
2006 special dividend	—	—	—	—	—	—	(500,324)	(500,324)
At 30th June 2007	172,457	88,547	4,696	9,948	12,810	(9,709)	4,038,302	4,317,051
Currency translation adjustments								
Group	—	—	—	—	—	22,076	—	22,076
Jointly controlled entities	—	—	—	—	—	(1,202)	—	(1,202)
Associated companies	—	—	—	—	—	3,084	—	3,084
Deferred taxation	—	—	—	—	—	(4,011)	—	(4,011)
Change in fair value	—	—	—	—	6,914	—	—	6,914
Asset revaluation reserve realised	—	—	—	—	(661)	—	—	(661)
Profit for the period	—	—	—	—	—	—	330,669	330,669
2007 interim dividend	—	—	—	—	—	—	(59,455)	(59,455)
2007 special dividend	—	—	—	—	—	—	(500,676)	(500,676)
At 31st December 2007	172,457	88,547	4,696	9,948	19,063	10,238	3,808,840	4,113,789

18. Creditors and Accruals

US$'000	30th June 2008	31st December 2007
Trade payables	**223,795**	169,536
Other creditors	**82,112**	71,464
Accrued expenses	**399,356**	470,621
Deferred revenue	**54,984**	40,722
	760,247	752,343

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

US$'000	30th June 2008	31st December 2007
Below one month	**191,934**	150,254
Two to three months	**27,570**	17,015
Four to six months	**3,992**	1,791
Over six months	**299**	476
	223,795	169,536

19. Borrowings

US$'000	30th June 2008	31st December 2007
Non-current		
Bank loans, secured	**484,873**	390,252
Other loans, secured	**—**	6
Loans from minority interests, secured	**156,875**	64,156
Redeemable preference shares and premium	**35,057**	45,689
Finance lease obligations	**1,327,239**	1,364,333
	2,004,044	1,864,436
Current		
Bank overdrafts, unsecured	**194**	181
Bank loans		
– secured	**121,427**	127,854
– unsecured	**30,616**	135,668
Other loans, secured	**206**	430
Loans from minority interests		
– secured	**4,963**	4,963
– unsecured	**6,434**	6,041
Redeemable preference shares and premium	**10,632**	10,145
Finance lease obligations	**66,791**	56,466
	241,263	341,748
Total borrowings	**2,245,307**	2,206,184

20. Commitments

(a) Capital commitments

US$'000	30th June 2008	31st December 2007
Contracted but not provided for	**1,175,394**	1,342,902
Authorised but not contracted for	**50,804**	229,197
	1,226,198	1,572,099

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2008			
2008/09	**347,630**	**25,807**	**373,437**
2009/10	**168,872**	**19,540**	**188,412**
2010/11	**112,186**	**13,967**	**126,153**
2011/12	**73,792**	**6,101**	**79,893**
2012/13	**73,783**	**3,052**	**76,835**
2013/14 onwards	**569,105**	**2,025**	**571,130**
	1,345,368	**70,492**	**1,415,860**
As at 31st December 2007			
2008	368,164	22,882	391,046
2009	210,635	14,285	224,920
2010	113,683	9,193	122,876
2011	87,095	5,080	92,175
2012	73,824	3,575	77,399
2013 onwards	605,310	4,834	610,144
	1,458,711	59,849	1,518,560

21. Financial Guarantees

As at 31st December 2007, the Group had given corporate guarantee of approximately US$43.1 million in respect of bank loan facilities extended to an investee company. The amount utilised by the investee company as at 31st December 2007 was US$26.5 million. The corporate guarantee was released by the bank during the six months ended 30th June 2008.

22. Segment Information

The principal activities of the Group are container transport and logistics and property investment and development. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Transatlantic, 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 and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

For the geographical segment reporting, freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the container transport and logistics activities, which cover the world's major shipping lanes, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for container transport and logistics business are not presented.

Unallocated assets under business segment reporting primarily include portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances. While unallocated segment liabilities include borrowings, current and deferred taxation liabilities.

22. Segment Information (Continued)

Business segments

The segment results for the six months ended 30th June 2008 are as follows:

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Property investment and development	Unallocated	Elimination	Group
Revenue	3,175,693	28,493	—	(463)	**3,203,723**
Operating profit/(loss)	208,895	(5,705)	14,430	—	**217,620**
Finance costs					**(45,931)**
Share of profits of jointly controlled entities					**1,591**
Share of profits of associated companies					**2,311**
Profit before taxation					**175,591**
Taxation					**(15,626)**
Profit for the period					**159,965**
Capital expenditure	411,769	17,799	—	—	**429,568**
Depreciation	95,679	122	—	—	**95,801**
Amortisation	3,592	721	—	—	**4,313**

22. Segment Information (Continued)

Business segments (Continued)

The segment results for the six months ended 30th June 2007 are as follows :

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Property investment and development	Continuing operations: Unallocated	Continuing operations: Elimination	Continuing operations: Sub-total	Discontinued operation: Terminal	Elimination	Group
Revenue	2,501,266	13,448	—	(464)	2,514,250	53,387	(5,773)	2,561,864
Operating profit	205,389	32,595	60,431	—	298,415	9,864	—	308,279
Finance costs					(43,849)	(748)		(44,597)
Share of profits less losses of jointly controlled entities					1,633	—		1,633
Share of losses of associated companies					(2,166)	—		(2,166)
Profit before taxation					254,033	9,116		263,149
Taxation					(24,263)	(4,577)		(28,840)
Profit after taxation					229,770	4,539		234,309
Gain on disposal of subsidiaries					—	1,982,434		1,982,434
Profit for the period					229,770	1,986,973		2,216,743
Capital expenditure	387,623	27	—	—	387,650	4,400	—	392,050
Depreciation	82,135	45	—	—	82,180	1,867	—	84,047
Amortisation	1,614	698	—	—	2,312	—	—	2,312

22. Segment Information (Continued)

Business segments (Continued)

The segment assets and liabilities as at 30th June 2008 are as follows:

US$'000	Container transport and logistics	Property investment and development	Unallocated	Group
As at 30th June 2008				
Segment assets				
Property, plant and equipment	3,595,397	70,620	—	**3,666,017**
Jointly controlled entities	5,185	6,731	—	**11,916**
Associated companies	55,593	—	—	**55,593**
Other assets	739,006	904,369	2,015,868	**3,659,243**
Total assets	4,395,181	981,720	2,015,868	**7,392,769**
Segment liabilities				
Creditors and accruals	(733,231)	(26,286)	(730)	**(760,247)**
Other liabilities	(11,552)	—	(2,297,912)	**(2,309,464)**
Total liabilities	(744,783)	(26,286)	(2,298,642)	**(3,069,711)**
As at 31st December 2007				
Segment assets				
Property, plant and equipment	3,301,117	49,727	—	3,350,844
Jointly controlled entities	4,136	5,778	—	9,914
Associated companies	49,982	—	—	49,982
Other assets	635,438	875,796	2,291,670	3,802,904
Total assets	3,990,673	931,301	2,291,670	7,213,644
Segment liabilities				
Creditors and accruals	(650,828)	(100,779)	(736)	(752,343)
Other liabilities	(11,505)	—	(2,258,491)	(2,269,996)
Total liabilities	(662,333)	(100,779)	(2,259,227)	(3,022,339)

22. Segment Information (Continued)

Geographical segments

The Group's two business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

US$'000	Revenue	Operating profit/(loss)	Capital expenditure
Six months ended 30th June 2008			
Asia	2,144,356	(3,128)	33,363
North America	563,827	(2,577)	7,929
Europe	436,419	—	585
Australia	59,121	—	49
Unallocated*	—	223,325	387,642
	3,203,723	**217,620**	**429,568**
Six months ended 30th June 2007			
Asia	1,721,949	3,674	5,738
North America	388,822	30,868	10,837
Europe	356,874	322	439
Australia	46,605	(217)	12
Unallocated*	—	263,768	370,624
	2,514,250	298,415	387,650
Discontinued operation	53,387	9,864	4,400
Elimination	(5,773)	—	—
	2,561,864	308,279	392,050

22. Segment Information (Continued)

Geographical segments (Continued)

US$'000	30th June 2008	31st December 2007
Total assets		
Asia	**998,179**	912,548
North America	**312,721**	325,454
Europe	**73,426**	38,288
Australia	**580**	1,862
Unallocated*	**6,007,863**	5,935,492
	7,392,769	7,213,644

* Unallocated operating profit comprises results from container transport and logistics and investment activities; unallocated total assets mainly comprise vessels, containers, intangible assets, portfolio investments, derivative financial instruments, inventories, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances; unallocated capital expenditure comprises additions to vessels, containers and intangible assets.

23. Disposal of Subsidiaries

US$'000	2007
Net assets disposed	
Property, plant and equipment	246,427
Other non-current assets	14,860
Debtors and prepayments	74,749
Amounts receivable from group companies	9,895
Cash and bank balances	62,699
Borrowings	(97,599)
Other non-current liabilities	(22,927)
Creditors and accruals	(45,044)
Amounts payable to group companies	(2,207)
Current taxation	(9,074)
	231,779
Profit on disposal, net of tax	1,982,434
Taxation	84,053
Cash consideration, net	2,298,266

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