



2011
Interim Report
Orient Overseas (International) Limited
(Incorporated in Bermuda with Limited Liability)



Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

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Statement to Shareholders from the Chairman

Following the record result for our container transportation and logistics business in 2010, trading conditions in the first half of the year have been difficult and the outlook for the full year is disappointing. Demand levels remain reasonable as reflected in an overall year-on-year increase in liftings, but, with the rate of new capacity introduction having outpaced demand growth, freight rates on many east-west trades have steadily deteriorated since last year. This is particularly noticeable on the Asia-Europe trades. The deterioration in freight rates has occurred despite the need for improved revenues to offset the significant increases in the price of bunker and other energy related costs that have occurred this year.

The container shipping industry remains extremely competitive with a fine balance between supply and demand that sees rates fall rapidly when new capacity is introduced in an injudicious manner. Improving services for customers so as to attract additional volume and to avoid profitability being unduly sacrificed, is essential given the ongoing cost pressures that all operators face.

For OOIL, operating through its OOCL brand, 2011 is a year for re-emphasising the fundamentals. Operationally, this means focusing on fleet deployment flexibility, on tight cost control, and on continuous IT development to drive productivity gains and deliver ever better service to customers. Financially, it means maintaining a strong balance sheet with adequate liquidity and optimal leverage to retain access to the debt and equity capital needed to maintain and grow the business.

INTERIM RESULTS

Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit after tax and non-controlling interests attributable to equity holders of US\$175.0 million for the six month period ended 30th June 2011. The profit for the same period in 2010 was US\$1,284.6 million which included US\$1,004.4 million profit on the sale of the Group's PRC property development business. Excluding that profit element, the 2011 interim result represents a US\$105.3 million or a 38% decrease in earnings from comparable activities.

The profit after tax and non-controlling interests attributable to equity holders for the first six months of 2011 includes a revaluation US\$5 million of Wall Street Plaza to reflect an independent assessed market value for that property of US\$160 million as at 30th June 2011. There was no revaluation gain or loss for Wall Street Plaza in the equivalent 2010 interim period.

Earnings per ordinary share for the first half of 2011 were US28.0 cents, whereas earnings per ordinary share for the first half of 2010 were US205.3 cents of which US44.8 cents per share were from comparable continuing operations.

DIVIDEND

The Board of Directors is pleased to announce an interim dividend for 2011 of US7.0 cents (HK\$0.546) per ordinary share. The dividend will be paid on 7th October 2011 to those ordinary shareholders whose names appear on the register on 7th September 2011.

The Board of Directors will consider a final dividend for the full year 2011 as performance and future business prospects dictate.

Statement to Shareholders from the Chairman

CONTAINER TRANSPORT AND LOGISTICS

The international container transport and logistics business of the Group, trading under the “OOCL” name, reported an operating profit of US\$161.8 million for the first six months of the year, a US\$136.1 million decrease from the profit of US\$297.9 million reported for the first half of 2010.

The first and second quarters of the year have seen a return to the normalised seasonal pattern for demand as expected. Despite slow economic growth in North America and Europe, demand volumes on the east-west trades have increased in line with our expectations, and demand in the Intra-Asian markets has been firm. Load factors across most trade routes have generally been at acceptable levels, making the fall in market rates for sea-freight disappointing.

Increased demand saw total liftings for the first half of 2011 up 9.4% compared to the corresponding period last year. Average freight revenue per TEU for the period was US\$1,123, a decrease of 0.9% over the 2010 first-half average of US\$1,133 per TEU.

Even with the strong rebound last year, world container traffic volumes in 2010 were up only 2.4% compared to 2008. Having essentially lost nearly two years of growth, there remains an oversupply of containerships, with liner companies re-activating laid up capacity during 2010 and continuing to receive further new-build vessels. The current excess capacity should, however, be absorbed by higher levels of demand over time as the global economic recovery continues.

The first half of this year has seen many container lines placing new-build orders – not only to meet capacity needs from 2013 onwards, but also to drive further reductions in operating costs. The ordering of these mega-container vessels reflects the fundamental change in liner business dynamics, being that the sustained increase in fuel prices has seen operating cost out-weigh capital cost per TEU. The cost of bunker fuel is a significant factor in decisions about fleet configuration and deployment, as well as driving operational decisions such as vessel speed and cargo selection.

OOCL is progressing well with its own fleet expansion plan to meet demand growth and the new business dynamics over the next five-year period and beyond. In the first half of the year, we ordered ten 13,200 TEU vessels from Samsung Heavy Industries for delivery starting in 2013. Of the eight 8,888 TEU new-build vessels on order with Hudong-Zhonghua Shipbuilding, we have now taken delivery of the first two, being the OOCL Beijing and OOCL Canada. We expect that the charter market will be able to meet our additional capacity needs ahead of our next new-build vessel delivery in 2013.

Our order of ten 13,200 TEU vessels marks the first new-building order we have ever placed for mega-container vessels of this size. Notwithstanding the uncertain economic outlook, we have ordered these vessels to meet our longer term growth needs and to further enhance our vessel operating cost competitiveness.

The lower bunker consumption per slot of these new vessels, and their enhanced environmentally-friendly design elements, will also help us reduce emissions – consistent with efforts to minimize our carbon footprint as part of our proactive role in caring for the environment.

OTHER ACTIVITIES

In April this year, Beijing Oriental Plaza was successfully floated publicly via a Real Estate Investment Trust (“REIT”); the first RMB-denominated REIT listed in Hong Kong. Our interest in Beijing Oriental Plaza is indirect, via investment in its ultimate parent, Hui Xian Holdings. The listing of the Hui Xian REIT is a welcome development for a project that OOIL has been involved with since inception, enhancing the future marketability of our investment in Hui Xian Holdings.

Statement to Shareholders from the Chairman

CORPORATE SOCIAL RESPONSIBILITY

The OOIL Group places the utmost importance on environmental care and community support. Despite the current difficult economic environment, we must continue to address the long-term threat of climate change. We strive to play our part in tackling this global problem through membership of organizations such as the Business Environment Council, the Clean Cargo Working Group and the World Wildlife Fund. Over the first six months of the year, the Group has won awards and accolades for its environmental performance, and OOIL Group employees around the world have been actively supporting their local communities through various environmental initiatives.

We are fully committed to reducing sulphur oxide, nitrous oxide, carbon dioxide and other air emissions from our vessels through various programs and initiatives including retrofitting our fleet with emission reducing equipment.

OOIL has been included as a founding constituent member of the Hang Seng Corporate Sustainability Index Series since July 2010, recognizing our high standard of performance in environmental, social and corporate governance. Building upon this recognition, we have further enhanced our efforts to promote sustainability throughout the whole organization so as to elevate our corporate social responsibility profile to a higher level.

OUTLOOK

The late introduction of peak season surcharges on the Trans-Pacific trade, despite reasonable levels of demand, is an indicator of the difficult trading conditions expected for the remainder of the year.

Capacity deployment issues in the industry are likely to continue in the near term, and the traditional peak season lift in demand may give only limited improvement, at best, in average freight rates over the remainder of the year. There is uncertainty as to how strong consumer demand in the United States will be over the Thanksgiving and Christmas retail selling seasons this year following the recent termination of the US Government's fiscal and monetary stimulus programs.

While the economies of northern European countries are performing well, the support needed for those members of the Euro-zone with excessive levels of sovereign debt may constrain consumer demand. Most Asian and commodity-based economies continue to show strength, with Japan rebuilding following the earthquakes and tsunami this year.

Overall, this will make for continued difficult trading conditions in the second half of the year with relief from high oil prices and increased energy-related costs not expected.

Despite the disappointing trend in freight rates during the first half of the year, the Group has remained profitable. OOIL's results in the first half, particularly its operating margin, remain at an acceptable level despite the high price of oil – reflecting our success in meeting and exceeding customer expectations while keeping a tight control on its cost base. But with the industry still to absorb further new capacity in the second half of the year, and given the uncertain economic outlook in the United States and Europe, together with the ongoing pressure from energy costs, we expect that trading conditions for the second half of this year will be difficult. Despite the poor short-term outlook, the Group remains in good financial health and is on a clear path of sustainable competitive growth.

C C Tung
Chairman

Hong Kong, 5th August 2011

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2011 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit attributable to equity holders of US\$175.0 million. This is a US\$105.3 million decrease from the profit attributable to equity holders of US\$280.3 million for the corresponding period of 2010, excluding, for comparative purposes only, the net profit of US\$1,004.4 million from the sale of the Group PRC property development business recorded in 2010.

OOIL Interim Results Analysis

US\$'000	2011	2010
Profit before tax from continuing activities	176,364	299,801
Revaluation of Wall Street Plaza	5,000	–
Profit Before Tax for the Period Ended 30th June	181,364	299,801
Taxation on continuing activities	(6,025)	(12,462)
Net profit from sale of OODL	–	1,004,354
Non-controlling interests	(369)	(7,065)
Profit Attributable to Equity Holders	174,970	1,284,628

The profit attributable to equity holders for the first half of 2011 includes a US\$5 million positive revaluation of Wall Street Plaza. There was no revaluation adjustment of Wall Street Plaza in the corresponding period last year.

Profit from continuing operations for the first half of the year was US\$176.4 million, as compared to a profit of US\$299.8 million in the first six months of 2010. Earnings from the Group’s continuing operations arise from its business of container transportation and logistics conducted through the “OOCL” brand, augmented by earnings from the Group’s liquidity management and investment activities at the holding company.

ORIENT OVERSEAS CONTAINER LINE

Total lifting and revenue increased compared to the corresponding period last year. However, performance of the Container and Logistics operations declined as freight rates, particularly in the Asia-Europe sector, came under pressure, against a backdrop of operating cost increases driven by higher fuel prices.

OOCL’s turnover, which represents over 99% of the Group turnover, was US\$2,908.2 million for the six months ended 30th June 2011 – an increase of US\$187.5 million over the result for the corresponding period of 2010.

Slot capacity was 17.6% higher compared to the corresponding period last year, predominantly due to the full period operation of the five “P” class 4,578 TEU Panamax size and four “SX” Class 8,063 TEU vessels that were progressively delivered over the course of the first half of last year. OOCL’s total liftings for the half year were 9.4% higher than in the first six months of 2010, while freight revenue per TEU was 0.9% lower, primarily reflecting the impact of the decline in freight rates on the Asia-Europe trade.

Trans-Pacific Trade

Revenue from our Trans-Pacific services increased by 6.9% in the first half of this year compared to the corresponding period last year. This was due to a 2.5% increase in liftings and a 4.3% increase in revenue per TEU compared to the first half of 2010. We expect a moderate improvement in eastbound revenue in the third quarter of this year with the introduction of the Peak Season Surcharge and the usual seasonal pick-up in exports to the United States for the back-to-school, Thanksgiving, and Christmas retail periods. Westbound freight rates remained relatively stable for first half of the year and we expect them to improve in the fourth quarter.

Management Discussion and Analysis

Asia-Europe Trade

Lifting increased by 13.3% on our Asia-Europe services compared to the corresponding period last year. However, the trade has suffered from a decline in freight rates in the first half of 2011 against the highs in 2010 due to the influx of additional capacity. Total revenue decreased by 7.0%, while average revenue per TEU dropped by 17.8% compared with the first half of 2010. We expect there will be some revenue improvement in the third quarter, though current economic conditions in Europe and the effect of additional new-build capacity to be delivered into that market in the second half of the year will continue to add uncertainty and rate pressure.

Intra-Asia & Australasia Trade

Cargo volume increased by 14.0% on our Intra-Asia services compared with the first half of 2010, due to strong ongoing economic growth in most of the major Asian economies. Revenue grew by 24.2% in the first six months of this year compared to last year, with average revenue per TEU increasing by 8.9%. However, the increase in revenue was more than offset by cost increases.

Lifting on our Australasia service increased by 1.8% compared with last year. However, trade conditions deteriorated with a widening gap of supply versus demand that saw southbound rates drop by more than 30%. The northbound trade volume was adversely affected by flooding in Australia, and by the strong Australia and New Zealand currencies.

Trans-Atlantic Trade

Lifting increased by 6.3% against same period last year and total revenue increased by 18.4%. Average revenue per TEU was up 11.3% compared to the first half of 2010, with demand growth steady against moderate capacity increases during the period.

Logistics

OOCL Logistics achieved improved results in the first half of 2011. Total revenue grew by 9.7% as compared to the corresponding period last year, with our continued building of scale in major markets. The revenue of our domestic logistics activities grew by 12.6%, while the overall gross profit margin was 0.4% higher than in the first six months of 2010. Even with growth of our international logistics business likely to be constrained by the general market environment, we expect similar growth in the second half of this year with the domestic Chinese economy remaining solid. We will continue allocating appropriate resource to expand our logistics business, including the commissioning of Lingang Warehouse and Depot in Shanghai in the third quarter of this year.

Bunker Price

The average price of bunker that we paid in the first half of 2011 was US\$593 per ton, trending up over the period from US\$500 per ton in January to US\$642 in June. The switching to low sulphur fuels for operations in the Sulphur Emission Control Areas (SECAs) and voluntary participation in environment-protection programs also resulted in additional fuel costs.

VESSELS

OOCL took delivery of just one new-build vessel, the OOCL Beijing, during the first half of 2011 – being the first 8,888 TEU vessel from Hudong-Zhonghua Shipbuilding. We took delivery of a second unit of the same series, the OOCL Canada, in July. The delivery of remaining six 8,888 TEU vessels on order from Hudong-Zhonghua Shipbuilding will be completed by 2014. Currently all vessels in our fleet, including these new additions, are fully deployed in our services.

During the first half of 2011, OOCL placed orders for ten 13,208 TEU vessels from Samsung Heavy Industries for delivery in 2013 and 2014. Though it is not yet a regulatory necessity, the design of these vessels has already taken into account impending IMO energy efficiency requirements.

Management Discussion and Analysis

NEWBUILDING DELIVERY SCHEDULE

Delivery	Shipyard	Hull No.	TEU	Date of Order
Dec 2012	Hudong-Zhonghua Shipbuilding	1564A	8,888	2007
Jan 2013	Samsung Heavy Industries	2002	13,208	2011
Jan 2013	Samsung Heavy Industries	2003	13,208	2011
Feb 2013	Samsung Heavy Industries	2004	13,208	2011
Mar 2013	Hudong-Zhonghua Shipbuilding	1584A	8,888	2007
Mar 2013	Samsung Heavy Industries	2005	13,208	2011
Apr 2013	Samsung Heavy Industries	2006	13,208	2011
May 2013	Samsung Heavy Industries	2007	13,208	2011
July 2013	Samsung Heavy Industries	2008	13,208	2011
Aug 2013	Hudong-Zhonghua Shipbuilding	1565A	8,888	2007
Aug 2013	Samsung Heavy Industries	2009	13,208	2011
Nov 2013	Hudong-Zhonghua Shipbuilding	1585A	8,888	2007
Jan 2014	Hudong-Zhonghua Shipbuilding	1667A	8,888	2010
Jan 2014	Samsung Heavy Industries	2010	13,208	2011
Mar 2014	Samsung Heavy Industries	2011	13,208	2011
Apr 2014	Hudong-Zhonghua Shipbuilding	1668A	8,888	2010
Total			185,408	

OTHER ACTIVITIES

The other activities of the Group consist of support functions, including a centralised treasury and management of the Group's liquidity and investments. The Group's investments include its long-standing ownership of Wall Street Plaza and a minority indirect investment in Beijing Oriental Plaza.

Wall Street Plaza continues to perform in line with expectations, and based on an independent valuation, it has been re-valued upwards by US\$5 million as at 30th June 2011 to reflect an assessed market value of US\$160 million. As at 30th June last year, Wall Street Plaza was valued at US\$150 million and there was no revaluation gain or loss in the corresponding period last year.

In April this year, Beijing Oriental Plaza was successfully floated publicly via a Real Estate Investment Trust ("REIT"). The Group's interest in Beijing Oriental Plaza is indirect, via investment in its ultimate parent, Hui Xian Holdings Ltd. Our shareholder loan to Hui Xian Holdings was fully repaid out of proceeds of the REIT, and we retain only the existing 7.9% equity investment in Hui Xian Holdings. The value of our equity investment is now largely dependent on the market value of the REIT units owned by Hui Xian Holdings. The Group's investment in Hui Xian Holdings has been revalued as at 30th June 2011 to US\$173.6 million.

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2011, the Group had total liquid assets amounting US\$2,507.6 million and a total indebtedness of US\$2,629.2 million. Net debt as at 30th June 2011 was therefore US\$121.6 million versus net cash of US\$1,468.8 million as at the 2010 year-end. The change from a net-cash to a net-debt position in the first half of 2011 was mainly due to the decrease in liquid assets after payment of the 2010 dividends, and as a result of deposits made for newbuilding orders.

The Group continues to have sufficient 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 six months. We review the list of approved banks and exposure limits on each bank on a regular basis.

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\$282.9 million as at 30th June 2011 is predominantly comprised of 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 62% 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 98% 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 2011, the Group had 7,859 full-time 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 for each different level of employee are arranged. Social and recreational activities are arranged for our employees around the world.

Management Discussion and Analysis

SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION

Safety and security are a top priority in our business operations onshore and at sea, for our people, cargo, ships and facilities. Our company maintains the highest safety and security standards.

The Group's Corporate Security Policy, standards and procedures guide our company in the prevention and suppression of security threats against international supply chain operations. We are committed not only to complying with rules and regulations such as the ISPS Code, but also to exceeding them by embracing industry best practices and voluntary initiatives. We participate in various national security programs, including the US Customs-Trade Partnership Against Terrorism (C-TPAT) and EU Authorized Economic Operator (AEO) initiatives.

We also collaborate actively with various governments and authorities worldwide in their efforts against acts that might impinge upon maritime or cargo security. In addition, our Global Data Centre maintains BS7799 certification in order to provide our customers and partners with quality and secure information in accordance with international standards on information security management.

To combat the increasing threat of maritime piracy, OOCL is applying anti-piracy measures by adopting best practice guidelines and establishing close communication with staff onboard.

The OOIL Group further recognizes that businesses must take responsibility for their industry's effects on the environment. OOIL proactively promotes and adopts green practices at every level of our organization.

OOCL's online Carbon Calculator is designed for our customers to measure carbon dioxide emissions of their supply chain. It is the first emissions calculator of its kind to offer full intermodal data using actual emissions data from OOCL ships. It is a convenient tool for our customers to achieve lower carbon footprint by selecting alternative routes and to keep record of the total emission of their supply chains.

Apart from our intense focus on ship emissions, we also implemented Sustainability Performance Reporting for all regional operations to meet high Corporate Social Responsibility Standards.

During the first half of 2011, OOCL won the Green Innovative Award 2011 and the 2011 Best Ship Management Company in Port State Control Inspection Award from the Hong Kong Marine Department. We were pleased to be recognized for our consistent and sustained efforts in striving for onboard safety, environmental care and engagement of our staff at sea and onshore with the highest levels of training.

We continue to achieve one of the best records for the Green Flag Program organised by the Port of Long Beach and Port of Los Angeles in the USA, achieving full voluntary compliance in vessel speed reduction for our vessels. OOCL is also one of the leading carriers to have adopted the Fair Winds Charter voluntarily. Under this Charter, our vessels switch to a more environmental friendly fuel with a sulphur content of only 0.5% or less, while berthed in Hong Kong.

Through membership of organizations such as the Clean Cargo Working Group, the Business Environment Council and the World Wildlife Fund, the OOIL Group has demonstrated its commitment to tackling the issue of climate change and environmental protection in Hong Kong and the regions in which we operate.

Other Information

INTERIM DIVIDEND

The Board of Directors (the “Board”) of the Company is pleased to announce an interim dividend of US7.0 cents (HK\$0.546 at the exchange rate of US\$1: HK\$7.8) per ordinary share for the six months ended 30th June 2011 to be paid on 7th October 2011 to the shareholders of the Company whose names appear on the register of members of the Company on 7th September 2011. Shareholders should complete the Dividend Election Form (if applicable) and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited (the “Branch Share Registrar”), not later than 4:30 p.m. on 29th September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5th September 2011 to 7th September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2nd September 2011.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS

As at 30th June 2011, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the “Shares”). 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
Tung Chee Chen	–	426,416,088 <i>(Notes 1 and 2)</i>	426,416,088	68.14%
Chang Tsann Rong Ernest	612,731	–	612,731	0.09%
Chow Yiu Wah Philip	133,100	7,000 <i>(Note 3)</i>	140,100	0.02%
Simon Murray	64,000	–	64,000	0.01%
Professor Wong Yue Chim Richard	–	500 <i>(Note 4)</i>	500	0.00008%

Other Information

Notes:

1. Mr. Tung Chee Chen has an interest in a trust which, through Artson Global Limited (“Artson”) as trustee, holds shares of Thelma Holdings Limited (“Thelma”), which has an indirect interest in 426,416,088 Shares, in which Fortune Crest Inc. (“Fortune Crest”) and Gala Way Company Inc. (“Gala Way”), wholly owned subsidiaries of Thelma, have direct interests in 347,188,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 426,416,088 Shares are held by Mr. Tung Chee Chen through Tung Holdings (Trustee) Inc. (“THTI”).
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. Chow Yiu Wah Philip.
4. 500 Shares are held by the spouse of Professor Wong Yue Chim Richard.

Save as disclosed above, as at 30th June 2011, none of the Directors or the Chief Executive of the Company had any interest or short position 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.

Save as disclosed in below section “Substantial Shareholders’ Share Interest”, as at 30th June 2011, none of the Directors or the Chief Executive of the Company is a director or an 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.

Other Information

SUBSTANTIAL SHAREHOLDERS' SHARE INTEREST

As at 30th June 2011, the following persons (other than a Director or the 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 by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested (Long position)	Percentage
Artson Global Limited*	Trustee	426,416,088 (Note 1)	68.14%
Hanberry Global Limited*	Trustee	426,416,088 (Note 2)	68.14%
Thelma Holdings Limited*	Indirect	426,416,088 (Note 3)	68.14%
Tung Chee Hwa	Indirect	426,441,319 (Note 4)	68.14%
Archmore Investment Limited*	Beneficiary of a trust	426,416,088 (Note 5)	68.14%
Edgemont Holdings Limited*	Indirect	426,416,088 (Note 6)	68.14%
Javier Global Limited*	Indirect	426,416,088 (Note 7)	68.14%
Bartlock Assets Ltd.*	Beneficiary of a trust	426,416,088 (Note 8)	68.14%
Flowell Development Inc.	Beneficiary of a trust	426,416,088 (Note 9)	68.14%
Izone Capital Limited*	Beneficiary of a trust	426,416,088 (Note 10)	68.14%
Jeference Capital Inc.*	Beneficiary of a trust	426,416,088 (Note 11)	68.14%
Tung Holdings (Trustee) Inc.*	Voting	426,416,088 (Note 12)	68.14%
Fortune Crest Inc.*	Direct	347,188,656 (Note 13)	55.47%
Gala Way Company Inc.*	Direct	79,227,432 (Note 14)	12.66%

Other Information

Notes:

1. Artson, a company which is wholly owned by Mr. Tung Chee Chen, 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 Global Limited (“Hanberry”), a company which is wholly owned by Mr. Tung Chee Hwa (brother of Mr. Tung Chee Chen, brother-in-law of Professor Roger King and father of Mr. Tung Lieh Sing Alan), 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. Tung Chee Hwa has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares. Mrs. Tung Chiu Hung Ping Betty (spouse of Mr. Tung Chee Hwa) 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 426,416,088 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 Global Limited (“Javier”), a company which is wholly owned by Mr. Tung Chee Chen, 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. Tung Chee Hwa, has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.
9. Flowell Development Inc., a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.
10. Izone Capital Limited, a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.
11. Jeference Capital Inc., a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.
12. THTI is a company wholly owned by Mr. Tung Chee Chen.
13. Fortune Crest has a direct interest in 347,188,656 Shares.
14. Gala Way has a direct interest in 79,227,432 Shares.
15. For those companies marked with an asterisk, Mr. Tung Chee Chen is either a director of these companies or a director of a company which is a corporate director of these companies.

Save as disclosed herein, as at 30th June 2011, the Company has not been notified by any person (other than the Directors or the 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.

Other Information

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

As at 30th June 2011, 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 2011, 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 laws of Bermuda in relation to the issue of new shares by the Company.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Below are the changes of Directors' information since the date of the 2010 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. TUNG Chee Chen, the Chairman, President and Chief Executive Officer of the Company, retired as an Independent Non-Executive Director of PetroChina Company Limited with effect from 18th May 2011.

Professor Roger KING, a Non-Executive Director of the Company, did not offer himself for re-election as an Independent Non-Executive Director of Arrow Electronics, Inc. (listed on the New York Stock Exchange) upon the expiration of his term at the annual general meeting of Arrow Electronics, Inc. held on 2nd May 2011. Following demerger of TNT N.V.; post demerger, Professor King has been appointed a member of the Supervisory Board of TNT Express N.V. (listed on the Amsterdam Stock Exchange) with effect from 25th May 2011. He was the 2011 recipient of Honorary Fellowship from The Hong Kong University of Science and Technology on 24th June 2011.

Mr. Simon MURRAY, an Independent Non-Executive Director of the Company, is the Non-Executive Chairman of Glencore International Plc, a company listed on the Hong Kong Stock Exchange on 25th May 2011. With effect from the end of 24th March 2011, Mr. Murray resigned as an Independent Non-Executive Director of Arnhold Holdings Limited, a company listed in Hong Kong and was subsequently renamed to Summit Ascent Holdings Limited after his resignation.

Mr. CHENG Wai Sun Edward, an Independent Non-Executive Director of the Company, has been appointed as a member of the board of The Airport Authority Hong Kong with effect from 1st June 2011.

Other Information

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

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 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 this interim report, 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. TUNG Chee Chen 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 the principal divisions of the Group 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 Practices

- 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

Other Information

Audit Committee

The Audit Committee was established in 1992 and currently comprises four members who are Independent Non-Executive Directors of the Company, namely, Professor WONG Yue Chim Richard (chairman), Mr. Simon MURRAY, Mr. CHANG Tsann Rong Ernest and Mr. CHENG Wai Sun Edward, with Mr. FUNG Yee Chung Vincent, the Head of Internal Audit Department, 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;
- review the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;
- 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 to
- 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 2011.

Remuneration Committee

The Remuneration Committee was established in 2005 and currently comprises Mr. TUNG Chee Chen (Chairman) and two Independent Non-Executive Directors of the Company, namely, Professor WONG Yue Chim Richard and Mr. CHANG Tsann Rong Ernest, 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 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 Company's own code and the Model Code throughout the period from 1st January 2011 to 30th June 2011.

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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 36, which comprises the condensed consolidated balance sheet of Orient Overseas (International) Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2011 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, 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 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 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, 5th August 2011

Condensed Consolidated Profit and Loss Account (unaudited)

For the six months ended 30th June 2011

US\$'000	Note	2011	2010
Revenue	5	2,920,803	2,732,616
Operating costs		(2,554,174)	(2,192,265)
Gross profit		366,629	540,351
Fair value gain from an investment property		5,000	–
Other operating income		35,128	11,279
Other operating expenses		(218,351)	(241,710)
Operating profit	6	188,406	309,920
Finance costs	8	(13,267)	(13,425)
Share of profits of jointly controlled entities		954	653
Share of profits of associated companies		5,271	2,653
Profit before taxation		181,364	299,801
Taxation	9	(6,025)	(12,462)
Profit for the period from continuing operations		175,339	287,339
Discontinued operation:			
Profit for the period from discontinued operation	10	–	1,004,354
Profit for the period		175,339	1,291,693
Profit attributable to:			
Equity holders of the Company		174,970	1,284,628
Non-controlling interests		369	7,065
		175,339	1,291,693
Earnings per ordinary share (US cents)	12		
– from continuing operations		28.0	44.8
– from discontinued operation		–	160.5
Basic and diluted		28.0	205.3
Interim and special dividends	11	43,806	322,283

Condensed Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30th June 2011

US\$'000	2011	2010
Profit for the period	175,339	1,291,693
Other comprehensive income:		
Vessels		
– Assets revaluation reserve realised	–	(1,915)
Available-for-sale financial assets		
– Change in fair value	59,261	8,218
– Assets revaluation reserve realised	(696)	–
Currency translation adjustments	3,101	(956)
Other comprehensive income for the period	61,666	5,347
Total comprehensive income for the period	237,005	1,297,040
Total comprehensive income attributable to:		
Equity holders of the Company	236,599	1,289,981
Non-controlling interests	406	7,059
	237,005	1,297,040

Condensed Consolidated Balance Sheet (unaudited)

As at 30th June 2011

US\$'000	Note	30th June 2011	31st December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,219,847	3,860,367
Investment property	13	160,000	155,000
Prepayments of lease premiums	13	10,071	10,122
Jointly controlled entities		2,002	3,256
Associated companies		66,937	66,222
Intangible assets	13	43,011	46,648
Deferred taxation assets		2,230	1,778
Pension and retirement assets		40,005	29,692
Derivative financial instruments	15	7,176	5,672
Restricted bank balances		7,747	4,648
Other non-current assets		366,786	333,001
		4,925,812	4,516,406
Current assets			
Inventories		161,849	96,265
Debtors and prepayments	14	466,843	454,997
Portfolio investments		113,779	151,448
Derivative financial instruments	15	–	155
Restricted bank balances		3,263	1,206
Cash and bank balances		2,213,654	3,851,902
		2,959,388	4,555,973
Total assets		7,885,200	9,072,379
EQUITY			
Equity holders			
Share capital	16	62,579	62,579
Reserves	17	4,291,637	5,510,153
		4,354,216	5,572,732
Non-controlling interests		6,489	6,799
Total equity		4,360,705	5,579,531

Condensed Consolidated Balance Sheet (unaudited)

As at 30th June 2011

US\$'000	Note	30th June 2011	31st December 2010
LIABILITIES			
Non-current liabilities			
Borrowings	19	2,279,824	2,416,367
Deferred taxation liabilities		35,373	39,914
Pension and retirement liabilities		2,199	2,493
Derivative financial instruments	15	9,183	10,157
		2,326,579	2,468,931
Current liabilities			
Creditors and accruals	18	837,911	758,212
Borrowings	19	349,336	247,755
Current taxation		10,669	17,950
		1,197,916	1,023,917
Total liabilities		3,524,495	3,492,848
Total equity and liabilities		7,885,200	9,072,379
Net current assets		1,761,472	3,532,056
Total assets less current liabilities		6,687,284	8,048,462

C C Tung
Kenneth G Cambie
Directors

Condensed Consolidated Cash Flow Statement (unaudited)

For the six months ended 30th June 2011

US\$'000	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations		280,719	475,244
Interest paid		(6,841)	(7,814)
Interest element of finance lease rental payments		(9,660)	(9,207)
Hong Kong profits tax (paid)/refunded		(6)	2,473
Overseas taxes paid		(17,043)	(2,069)
Net cash from operating activities		247,169	458,627
Cash flows from investing activities			
Sale of property, plant and equipment		6,427	13,114
Sale of available-for-sale financial assets		1,560	228
Sale of held-to-maturity investments		-	15,290
Purchase of property, plant and equipment		(484,617)	(63,754)
Purchase of available-for-sale financial assets		-	(52)
Purchase of held-to-maturity investments		(46,582)	(17,781)
Repayment of loan advanced to an investee company		71,100	-
Decrease/(increase) in portfolio investments		37,669	(22,847)
Disposal of subsidiaries	22	-	2,130,202
Acquisition of additional interests in subsidiaries		-	(14,123)
Increase in amounts due to jointly controlled entities		1,809	2,304
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months from the date of placement		1,982,334	(1,522,412)
Increase in intangible assets		(2,811)	(1,960)
Increase in other non-current assets		(590)	(1,228)
Interest received		19,105	4,477
Income from available-for-sale financial assets		-	7
Dividends received from portfolio investments		334	287
Dividend received from associated companies		6,078	2,599
Dividend received from a jointly controlled entity		688	524
Net cash from investing activities		1,592,504	524,875
Cash flows from financing activities			
New loans		60,350	559,840
Repayment of loans		(70,067)	(441,223)
Capital element of finance lease rental payments		(26,809)	(26,342)
Dividends paid to equity holders of the Company		(1,455,115)	-
Dividend paid to non-controlling interests		(716)	(2,017)
Net cash (used in)/from financing activities		(1,492,357)	90,258
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,213,283	1,088,254
Currency translation adjustments		1,844	(4,286)
Cash and cash equivalents at end of period		1,562,443	2,157,728
Analysis of cash and cash equivalents			
Bank balances and deposits maturing within three months from the date of placement		1,562,603	2,157,842
Bank overdrafts		(160)	(114)
		1,562,443	2,157,728

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th June 2011

US\$'000	Equity holders			Non-controlling interests	Total
	Share capital	Reserves	Sub-total		
Balance at 31st December 2010	62,579	5,510,153	5,572,732	6,799	5,579,531
Total comprehensive income for the period	-	236,599	236,599	406	237,005
Transactions with owners					
2010 final dividend	-	(144,071)	(144,071)	-	(144,071)
2010 special dividend	-	(1,311,044)	(1,311,044)	-	(1,311,044)
Dividend paid to non-controlling interests	-	-	-	(716)	(716)
Balance at 30th June 2011	62,579	4,291,637	4,354,216	6,489	4,360,705
Balance at 31st December 2009	62,579	3,882,105	3,944,684	23,723	3,968,407
Total comprehensive income for the period	-	1,289,981	1,289,981	7,059	1,297,040
Transactions with owners					
Acquisition of additional interests in subsidiaries	-	8,205	8,205	(22,328)	(14,123)
Dividend paid to non-controlling interests	-	-	-	(2,017)	(2,017)
Balance at 30th June 2010	62,579	5,180,291	5,242,870	6,437	5,249,307

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.

On 18th January 2010, the Board announced that the Company had entered into the Sale and Purchase Agreement with CapitaLand China (RE) Holdings Co., Ltd. to sell its entire interest in Orient Overseas Developments Limited and its subsidiaries and jointly controlled entities (collectively referred to as the “Disposal Group”) and the assignment and transfer of the shareholder’s loan for an aggregate consideration of US\$2.2 billion, receivable in cash. The transaction was completed on 10th February 2010. After transaction costs, the profit arising on the disposal was approximately US\$1.0 billion which had been recognised in the consolidated profit and loss account in 2010.

Analysis of the results, cash flows, assets and liabilities of the Disposal Group is presented in notes 10 and 22.

This interim financial information was approved by the Board of Directors on 5th August 2011.

2. Basis of Preparation

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

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 2010.

The adoption of revised HKFRS

In 2011, the Group adopted the revised standard, amendments and interpretations of HKFRS below, which are relevant to its operations.

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Annual improvements to HKFRS published in May 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 3 Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these revised standard, amendments and interpretations 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.

Notes to the Interim Financial Information

2. Basis of Preparation (Continued)

Standards and amendments to existing standards that are relevant but not yet effective to the Group

New standards and amendments		Effective for accounting periods beginning on or after
HKFRS 7 Amendment	Financial Instruments: Disclosures – Transfer of Financial Assets	1st July 2011
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 19 Amendment	Employee Benefits	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HKFRS 9	Financial Instruments	1st January 2015*

* Tentative

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

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31st December 2010.

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 2010.

5. Revenue

US\$'000	2011	2010
Container transport and logistics	2,908,241	2,720,717
Others	12,562	11,899
	2,920,803	2,732,616

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

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

Notes to the Interim Financial Information

6. Operating Profit

US\$'000	2011	2010
Operating profit is arrived at after crediting:		
Interest income from banks	10,540	5,944
Interest income from held-to-maturity investments	4,203	2,723
Gross rental income from an investment property	12,562	11,899
Profit on disposal of property, plant and equipment	2,424	232
Profit on disposal of held-to-maturity investments	–	492
Profit on disposal of available-for-sale financial assets	696	–
Gain on interest rate swap contracts	289	712
Gain on foreign exchange forward contracts	2,803	–
Portfolio investment income	3,336	155
Exchange gain	10,542	–
and after charging:		
Depreciation		
Owned assets	79,759	84,963
Leased assets	42,544	42,899
Operating lease rental expense		
Vessels and equipment	204,762	151,146
Land and buildings	13,110	11,046
Rental outgoings in respect of an investment property	6,014	5,591
Loss on foreign exchange forward contracts	–	2,086
Amortisation of intangible assets	6,448	4,937
Amortisation of prepayments of lease premiums	241	229
Exchange loss	–	7,518

7. Key Management Compensation (Including Executive Directors)

US\$'000	2011	2010
Salaries and other short-term employee benefits	18,816	3,893
Pension costs – defined contribution plans	1,639	171
	20,455	4,064

The Group usually determines and pays discretionary bonuses to employees (including Executive Directors) around April/ May each year based on the actual financial results of the Group for the preceding year. Save for the discretionary bonuses paid in relation to the disposal of Orient Overseas Developments Limited group in last period, the discretionary bonuses shown above represent actual payments to the Directors and individuals during the current financial period in relation to the performance of the preceding year.

8. Finance Costs

US\$'000	2011	2010
Interest expense	(13,491)	(13,932)
Amount capitalised under assets	224	507
Net interest expense	(13,267)	(13,425)

Notes to the Interim Financial Information

9. Taxation

US\$'000	2011	2010
Current taxation		
Hong Kong profits tax	(306)	(9)
Overseas taxation	(10,919)	(6,862)
	(11,225)	(6,871)
Deferred taxation		
Overseas taxation	5,200	(5,591)
	(6,025)	(12,462)

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 12% to 47% (2010: 12% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2010: 16.5%).

10. Discontinued Operation

US\$'000	2011	2010
(i) Results		
Profit on disposal of subsidiaries (note 22)	–	1,004,354
Profit from discontinued operation	–	1,004,354
(ii) Cash flows		
Investing cash flows	–	1,004,354

11. Interim and Special Dividends

US\$'000	2011	2010
Interim dividend of US7.0 cents (2010: US11.5 cents) per ordinary share	43,806	71,966
Special dividend of US cents nil (2010: US40.0 cents) per ordinary share	–	250,317
	43,806	322,283

The Board of Directors proposes an interim dividend in respect of 2011 of US7.0 cents (2010: US11.5 cents) per ordinary share. This proposed dividend will be accounted for as an appropriation of retained profit for the year ending 31st December 2011.

Notes to the Interim Financial Information

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 of the Company divided by the number of ordinary shares in issue during the period.

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

US\$'000	2011	2010
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to:		
Equity holders of the Company	174,970	280,274
Non-controlling interests	369	7,065
	175,339	287,339
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	28.0	44.8
Group's profit from discontinued operation attributable to:		
Equity holders of the Company	-	1,004,354
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	-	160.5

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 2010	3,860,367	155,000	10,122	46,648	4,072,137
Currency translation adjustments	945	-	190	-	1,135
Fair value gain	-	5,000	-	-	5,000
Additions	484,841	-	-	2,811	487,652
Disposals	(4,003)	-	-	-	(4,003)
Depreciation and amortisation	(122,303)	-	(241)	(6,448)	(128,992)
Balance at 30th June 2011	4,219,847	160,000	10,071	43,011	4,432,929
Balance at 31st December 2009	3,798,048	150,000	10,175	53,104	4,011,327
Currency translation adjustments	81	-	207	(1)	287
Additions	190,282	-	-	1,960	192,242
Disposals	(14,797)	-	-	-	(14,797)
Depreciation and amortisation	(127,862)	-	(229)	(4,937)	(133,028)
Balance at 30th June 2010	3,845,752	150,000	10,153	50,126	4,056,031

Notes to the Interim Financial Information

14. Debtors and Prepayments

US\$'000	30th June 2011	31st December 2010
Trade receivables	306,891	302,159
Less: Provision for impairment	(4,460)	(4,597)
Trade receivables – net	302,431	297,562
Other debtors	58,806	60,146
Other prepayments	87,262	77,467
Utility and other deposits	7,118	7,139
Tax recoverable	11,226	12,683
	466,843	454,997

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 dates of invoices, is as follows:

US\$'000	30th June 2011	31st December 2010
Below one month	285,142	283,418
Two to three months	15,569	13,539
Four to six months	1,720	605
	302,431	297,562

15. Derivative Financial Instruments

US\$'000	30th June 2011	31st December 2010
Assets		
Non-current assets		
Interest rate swap contracts	7,176	5,672
Current assets		
Interest rate swap contracts	–	155
Liabilities		
Non-current liabilities		
Interest rate swap contract	(4,156)	(3,353)
Foreign exchange forward contract	(5,027)	(6,804)
	(9,183)	(10,157)

Notes to the Interim Financial Information

16. Share Capital

US\$'000	30th June 2011	31st December 2010
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 (2010: 625,793,297) ordinary shares of US\$0.10 each	62,579	62,579

17. Reserves

US\$'000	Share premium	Contributed surplus	Capital redemption reserve	Asset revaluation reserve		Foreign exchange translation reserve	Retained profit	Total
				Vessels	Available-for- sale financial assets			
Balance at 31st December 2010	172,457	88,547	4,696	-	115,018	51,414	5,078,021	5,510,153
Total comprehensive income for the period	-	-	-	-	58,565	3,064	174,970	236,599
2010 final dividend	-	-	-	-	-	-	(144,071)	(144,071)
2010 special dividend	-	-	-	-	-	-	(1,311,044)	(1,311,044)
Balance at 30th June 2011	172,457	88,547	4,696	-	173,583	54,478	3,797,876	4,291,637
Balance at 31st December 2009	172,457	88,547	4,696	1,915	44,398	44,563	3,525,529	3,882,105
Total comprehensive income/(loss) for the period	-	-	-	(1,915)	8,218	(950)	1,284,628	1,289,981
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	8,205	8,205
Balance at 30th June 2010	172,457	88,547	4,696	-	52,616	43,613	4,818,362	5,180,291
Total comprehensive income for the period	-	-	-	-	62,402	7,801	582,152	652,355
2010 interim dividend	-	-	-	-	-	-	(72,013)	(72,013)
2010 special dividend	-	-	-	-	-	-	(250,480)	(250,480)
Balance at 31st December 2010	172,457	88,547	4,696	-	115,018	51,414	5,078,021	5,510,153

Notes to the Interim Financial Information

18. Creditors and Accruals

US\$'000	30th June 2011	31st December 2010
Trade payables	258,359	198,514
Other creditors	123,125	62,532
Accrued expenses	416,426	461,620
Deferred revenue	40,001	35,546
	837,911	758,212

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

US\$'000	30th June 2011	31st December 2010
Below one month	201,646	131,765
Two to three months	56,558	61,882
Four to six months	155	4,697
Over six months	-	170
	258,359	198,514

19. Borrowings

US\$'000	30th June 2011	31st December 2010
Non-current		
Bank loans		
– secured	821,907	851,177
– unsecured	58,304	74,459
Finance lease obligations	1,399,613	1,490,731
	2,279,824	2,416,367
Current		
Bank overdrafts, unsecured	160	78
Bank loans		
– secured	153,328	117,621
– unsecured	32,311	32,310
Finance lease obligations	163,537	97,746
	349,336	247,755
Total borrowings	2,629,160	2,664,122

Notes to the Interim Financial Information

20. Commitments

(a) Capital commitments – Property, plant and equipment

US\$'000	30th June 2011	31st December 2010
Contracted but not provided for	1,672,487	690,422
Authorised but not contracted for	75,321	229,735
	1,747,808	920,157

(b) Operating lease commitments

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

US\$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2011			
2011/12	227,988	22,642	250,630
2012/13	113,495	13,109	126,604
2013/14	98,256	6,678	104,934
2014/15	96,108	3,150	99,258
2015/16	76,775	1,881	78,656
2016/17 onwards	391,828	1,037	392,865
	1,004,450	48,497	1,052,947
As at 31st December 2010			
2011	186,026	26,446	212,472
2012	108,044	15,692	123,736
2013	98,461	7,580	106,041
2014	96,415	4,098	100,513
2015	86,859	615	87,474
2016 onwards	426,136	158	426,294
	1,001,941	54,589	1,056,530

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.

Notes to the Interim Financial Information

21. Segment Information (Continued)

Operating segments

The segment results for the six months ended 30th June 2011 are as follows:

US\$'000	Continuing operations			Group
	Container transport and logistics	Others	Elimination	
Revenue	2,908,241	13,044	(482)	2,920,803
Operating profit	161,816	26,590	-	188,406
Finance costs	(13,267)	-	-	(13,267)
Share of profits of jointly controlled entities	954	-	-	954
Share of profits of associated companies	5,271	-	-	5,271
Profit before taxation	154,774	26,590	-	181,364
Taxation	(11,348)	5,323	-	(6,025)
Profit for the period	143,426	31,913	-	175,339
Capital expenditure	487,652	-	-	487,652
Depreciation	122,303	-	-	122,303
Amortisation	6,689	-	-	6,689

The segment results for the six months ended 30th June 2010 are as follows:

US\$'000	Continuing operations			Sub-total	Discontinued operation	Group
	Container transport and logistics	Others	Elimination		Property development	
Revenue	2,720,717	12,375	(476)	2,732,616	-	2,732,616
Operating profit	297,948	11,972	-	309,920	-	309,920
Finance costs	(13,079)	(346)	-	(13,425)	-	(13,425)
Share of profits of jointly controlled entities	653	-	-	653	-	653
Share of profits of associated companies	2,653	-	-	2,653	-	2,653
Profit before taxation	288,175	11,626	-	299,801	-	299,801
Taxation	(7,812)	(4,650)	-	(12,462)	-	(12,462)
Profit after taxation	280,363	6,976	-	287,339	-	287,339
Profit on disposal of subsidiaries	-	-	-	-	1,004,354	1,004,354
Profit for the period	280,363	6,976	-	287,339	1,004,354	1,291,693
Capital expenditure	192,242	-	-	192,242	-	192,242
Depreciation	127,862	-	-	127,862	-	127,862
Amortisation	5,166	-	-	5,166	-	5,166

Notes to the Interim Financial Information

21. Segment Information (Continued)

Operating segments (Continued)

Others mainly represent corporate level activities including central treasury management and property investment.

Inter-segment transfers or transactions are conducted at prices and terms mutually agreed amongst those business segments.

* In prior years, others mainly represented corporate level activities including central treasury management, property investment and administrative function. Net expenses of US\$5,438,000 in relation to administrative function are reclassified from others to container transport and logistics segment so as to conform with the current period presentation.

The segment assets and liabilities as at 30th June 2011 are as follows:

US\$'000	Container transport and logistics	Others	Group
As at 30th June 2011			
Segment assets	5,389,781	2,426,480	7,816,261
Jointly controlled entities	2,002	–	2,002
Associated companies	66,937	–	66,937
Total assets	5,458,720	2,426,480	7,885,200
Segment liabilities	(3,450,298)	(74,197)	(3,524,495)
As at 31st December 2010			
Segment assets	4,656,195	4,346,706	9,002,901
Jointly controlled entities	3,256	–	3,256
Associated companies	66,222	–	66,222
Total assets	4,725,673	4,346,706	9,072,379
Segment liabilities	(3,413,034)	(79,814)	(3,492,848)

Others primarily include assets and liabilities of property and corporate level activities. Other assets consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments, loan to an investee company and portfolio investments together with cash and bank balances that are managed at corporate level. Other liabilities primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

* In prior years, container transport and logistics segment included certain segment assets and liabilities of US\$29,692,000 and US\$4,211,000 respectively in relation to administrative function which are reclassified to others so as to conform with the current period presentation.

Notes to the Interim Financial Information

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
Six months ended 30th June 2011		
Asia	1,922,047	9,053
North America	525,195	718
Europe	400,765	192
Australia	72,796	10
Unallocated*	-	477,679
	2,920,803	487,652
Six months ended 30th June 2010		
Asia	1,816,014	3,356
North America	500,678	849
Europe	349,151	156
Australia	66,773	47
Unallocated*	-	187,834
	2,732,616	192,242

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

22. Disposal of Subsidiaries

US\$'000	2011	2010
Net assets disposed		
Property, plant and equipment	-	104,010
Prepayments of lease premiums	-	3,467
Goodwill	-	23,599
Jointly controlled entities	-	9,804
Deferred taxation assets	-	592
Inventories	-	218
Properties under development and for sale	-	855,886
Debtors and prepayments	-	8,554
Cash and bank balances	-	262,124
Total assets	-	1,268,254
Borrowings, secured	-	(87,565)
Deferred taxation liabilities	-	(11,377)
Creditors and accruals	-	(39,639)
Amount due to a jointly controlled entity	-	(1,800)
Current taxation	-	(2,025)
Total liabilities	-	(142,406)
Net assets	-	1,125,848
Profit on disposal of subsidiaries	-	1,004,354
Cash consideration, net	-	2,130,202