Orient Overseas (International) Limited

2016
Interim Report

Incorporated in Bermuda with Limited Liability
Stock code: 316

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Statement to Shareholders from the Chairman

Market conditions in the first six months of 2016 have been difficult for the industry. Weak economic growth in many key economies has constrained consumer demand, and global uncertainty seems to have given rise to some level of slowdown in corporate and government investment. Consumer demand and investment are the key drivers of demand in our industry, and in this context it is no great surprise that cargo volume growth has been uninspiring.

The recent UK referendum might also lead to some further delay in investment processes in the short term, at least in Europe, especially if negotiations between the UK and EU on their future trading relationship prove to be protracted. In addition, violence in Europe and geopolitical conditions in the Middle East and South China sea have injected another layer of cautiousness to sustained corporate activities and investment.

In addition to global economic uncertainty, the industry continues to face a supply and demand imbalance. A combination of weak global growth on the demand side and excessive shipping capacity growth, exasperated by the industry's relentless pursuit for scale and efficiency in recent years, has compounded the over capacity. The result is a weak freight market where rates fell to levels that at times failed to cover voyage costs in selected trade lanes.

Looking ahead, notwithstanding the fact that there have been some tonnage withdrawals and pockets of volume growth in selected trade lanes, if deployed capacity continues to be substantially in excess of demand, the second half of 2016 will be challenging and difficult.

INTERIM RESULT

Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a loss after tax and minority interests attributable to shareholders of US$56.7 million for the six-month period ended 30th June 2016.

Loss per ordinary share for the first half of 2016 was US9.1 cents, whereas earnings per ordinary share for the first half of 2015 were US38.1 cents.

DIVIDEND

The Board of Directors has decided not to propose any interim dividend for 2016. The suspension of the interim dividend reflects the lack of profitability for the first half of the year and is consistent with the Group's longstanding practice of preserving capital and minimising cash out flows during periods of poor trading.

CONTAINER TRANSPORT AND LOGISTICS

During the first quarter of 2016, we announced the formation of Ocean Alliance, a new alliance consisting of OOCL, CMA CGM, COSCO Container Lines, and Evergreen Line. Ocean Alliance will cover the Asia-Europe, Asia-Mediterranean, Asia-Red Sea, Asia-Middle East, Trans-Pacific, Asia-North America East Coast, and Trans-Atlantic trades. We believe the new alliance, effective from the second quarter of 2017, will enable OOCL, in cooperation with like-minded partners, to reap the benefits of scale economy, offer a more comprehensive network of services and products to our customers, and provide a stable platform for OOCL to maintain its competitive advantage in the industry.

Consolidation has indeed taken place in the industry over the past three years in the form of alliance realignment and strategic transactions. While competition remain fierce, as evidenced by the operating results over the past year, consolidation as a trend may continue. This is not surprising given the high capital intensity, low margin and high volatility of the container transportation industry. Ultimately, consolidation in whatever shape or form will bring about longer term stability to the industry.

The core international container transport and logistics business of the Group, "OOCL" reported an operating loss of US$76.3 million for the first six months of the year, a US$286.8 million decrease on the result reported for the first half of 2015.

Extremely difficult market conditions, with too much new market capacity in service at a time of low demand growth, created intense pressure on freight rates, which saw OOCL's freight revenue decline year-on-year for the first half of 2016. OOCL's total liftings, however, increased by 5% over the same period compared to last year.

Although fuel costs have risen considerably since the remarkable lows of the first few months of 2016, they remain far lower than in recent years, and provide some element of cushion against the unsustainably low freight rates that have been seen in some trades.

In this challenging environment, our trademark attention to costs and to operational efficiency are more important than ever. This consistent approach over many years, implemented by our experienced staff, coupled with ongoing investment in IT to deliver superior customer service, yield management and cost control, will help ensure that OOCL is well placed to face up to the challenges of the current market and to be ready for the market upturn when it comes.

OOCL Logistics is a business focus for the Group. The combination of a soft market environment, intense competition, and changing trade patterns brought about both lower margins and service challenges for the industry. OOCL logistics continues to focus on building the underlying business, remaining profitable, and working towards becoming a steady and meaningful contributor to the Group's bottom line in the future.

Looking forward, the Group will take delivery of six 20,000 TEU class newbuilding vessels in 2017. These vessels will form part of our core fleet and allow us to deliver superior services at competitive cost structure.

OTHER ACTIVITIES

The Group's property investments include its long standing ownership of Wall Street Plaza located in New York. The property continues to have an occupancy rate of over 97.8%, and produces a satisfactory yield for the Group. The New York real estate market improved in the first half of 2016, and Wall Street Plaza has been re-valued upwards by US$10.0 million to US$210.0 million as at 30th June 2016.

The Group continues its investment in Beijing Oriental Plaza directly through holdings in the Hui Xian REIT and indirectly through Hui Xian Holdings Limited, which holds units in the Hui Xian REIT. The Group's direct and indirect holdings total 4.4% of Hui Xian REIT. During the first half of 2016, Hui Xian Holdings Limited paid a dividend in specie of 29.63 million units of the Hui Xian REIT to the Group, resulting in US$14.3 million income to the Group for the first half of 2016. Total dividends in specie received in 2012, 2014, 2015 and 2016 represent 75% of the Group's interest in the Hui Xian REITs originally held by Hui Xian Holdings Limited upon the REIT's listing in 2011. Together with the cash dividends from Hui Xian Holdings Limited and the cash distributions from Hui Xian REIT, the Group posted a profit of US$25.2 million in relation to our investment in Hui Xian in the first half of 2016.

CORPORATE SOCIAL RESPONSIBILITY

Environmental care and the safety of our operations continue to be a core part of our corporate responsibility. We remain committed to strengthening our sustainability profile and aim to provide greener global supply chains that have the least possible environmental impact on our communities.

As in previous years, we actively contribute to reducing our footprint in global warming, air pollution and marine environment degradation through internal initiatives as well as through engagement with organisations such as the Business Environment Council, the Clean Cargo Working Group and the World Wildlife Fund.

In addition, as one of the leading carriers that initiated the Fair Winds Charter in Hong Kong, we are working with other carriers and the Hong Kong Government to improve shipboard emissions during port calls and on arriving at and leaving the terminal. Through better shoreside and shipboard management procedures, retro fitting of existing vessels and the adoption of ever-improving technology in our newbuilding vessels, our efforts towards reducing bunker consumption and thereby the emission of sulphur oxides, nitrogen oxides and carbon dioxide from our fleet will continue going forward.

Our new terminal at Long Beach meets the highest standards for environmental friendliness, with zero emission technology and on-shore power for vessels being a key part of the project's planning. In the Los Angeles/Long Beach area more generally, OOCL is among the best performers in the two ports' Green Flag program, voluntarily reducing vessel speed in order to limit environmental impact.

I am also pleased to note that OOCL is a signatory of the Shenzhen Port Green Convention, under the terms of which we agree to use low-sulphur fuel when berthing at the participating ports in Shenzhen.

Our dedication to the cause has been recognised by port bodies, environmental lobby groups and the press alike. I am delighted to report that we have been the recipient of multiple awards in this respect during the period, both in Hong Kong and elsewhere.

We view this area as a key element of our corporate citizenship, and fully intend to maintain our efforts.

Around the world, OOCL staff contribute to the communities in which they live and work through various charitable fundraising events. At the corporate level, we are pleased to support the work of charities with a particular connection to our industry, and amongst these this year we have supported both the Mission to Seafarers and the Sailors' Society, both of which provide vital support to those who work at sea.

OUTLOOK

The industry continues to face a supply and demand imbalance. While the orderbook as a percentage of existing fleet is anticipated to drop to 6.7% and 5.5% respectively in 2017 and 2018, the challenge for the next half decade is on the demand side. The world economy seems uninspiring at best. The US may have passed its most difficult period in this cycle, and China will likely avoid a hard landing. Even if Europe finds its footing in the aftermath of Brexit, the world may very well need to adjust to a "new normal" where unexciting growth and a low interest environment become the norm, at least for a half decade. In the mean time, the polarisation of domestic politics, the rise of populism, and the tendency towards "turning inwards" for many nations may also translate into a slow down in the velocity of globalization.

In this difficult environment, it is critical for carriers to focus on ensuring the ability to deliver superior service and the most cost effective way possible. Our new alliance platform with like-minded partners, our newbuilding vessels which will be deployed in 2017, our investment in information technology as a tool to transform decision making, and our port facility redevelopment project in Long Beach, California are all critical parts of our effort to further our efficiency gains, enhance our overall competitiveness, and protect our ability to deliver industry-leading operating margins. The Group balance sheet remains one of the strongest in the industry, and is an important element in our ability to retain flexibility and initiative. We continue to be deliberate in our efforts to balance the need for a strong and liquid balance sheet, necessary in a capital intensive business, with an industry-competitive shareholder return.

The first half of 2016 was disappointing for OOIL. We expect continued challenges given the global landscape. However, we remain confident that our prudent and deliberate management approach will lead the Group through the challenging times. Our customer base remains solid, and our business operations continue to benefit from our focus on cost and on efficiency, helped enormously by our ongoing investment in information technology. My colleagues and I remain committed to ensuring that the Group is well positioned for the future and continues to be one of the highest performing in the industry.

C C Tung
Chairman

Hong Kong, 5th August 2016

GROUP RESULTS

For the first six months of 2016 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a loss attributable to equity holders of US$56.7 million compared to US$238.6 million profit for the corresponding period of 2015.

OOIL INTERIM RESULTS ANALYSIS

US$'000	2016	2015
(Loss)/profit before tax from operating activities	(82,377)	215,710
Investment income from Hui Xian	25,191	27,249
Revaluation of Wall Street Plaza	9,724	9,830
(Loss)/Profit Before Tax for the Period Ended 30th June	(47,462)	252,789
Taxation	(9,197)	(14,146)
Non-controlling interests	–	(11)
(Loss)/Profit Attributable to Equity Holders	(56,659)	238,632

The loss attributable to equity holders for the first half of 2016 included investment income of US$25.2 million from Hui Xian, and a net fair value gain of US$9.7 million on Wall Street Plaza.

Loss from operating activities for the first half of the year was US$82.4 million, as compared to US$215.7 million profit for the first six months of 2015. Results of the Group's 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 holding company level.

ORIENT OVERSEAS CONTAINER LINE

The challenging market conditions seen at the end of 2015 continued for the first half of 2016. A combination of weak global growth and the continued delivery of significant numbers of large vessels generated an unfavourable supply and demand balance for the industry. While there was some improvement in volumes as the period progressed and although freight rates appear to have recovered from their lows, the outcome was disappointing.

Compared to the first half of 2015, OOCL liner liftings increased by 5% and load factor by 1%, but revenue dropped by 17%. Average revenue levels in some trade lanes reached new post-Global Financial Crisis lows, with an average revenue per TEU drop of 21% in the first half.

Cargo growth to Europe started to turn positive once again during the period, but this followed almost a year of low and indeed sometimes negative growth. The Trans-Pacific trade continued to grow, but not at a spectacular rate, and so with the introduction of new supply, the rate environment became rather tough at some points in the period.

While bunker costs increased noticeably during the period, due to the rise in the price of oil, nevertheless they remain very low compared to recent years. This provided some degree of cushion against the poor freight rate environment, but even in combination with OOCL's consistent cost efficiency, it was not enough to provide total shelter.

Trans-Pacific Trade

In operational terms, the period benefited from a lack of port congestion and disruption, which had impacted 2014 and 2015 significantly.

For the first part of the period, introduction of increased capacity (whether through additional services or through upsizing of vessels) in combination with moderate demand growth caused some pressure in the rate environment. Dynamic management of our business portfolio between contract and spot, and between port-to-port and inland intermodal cargo, helped us to make the best of market conditions. The situation appears to have improved to some extent, but the environment remains challenging and we continue to monitor events closely.

Recognising the importance of this trade to the group, and the coming on line of the first phase of our terminal at Long Beach, OOCL managed to achieve an increase in liftings in the Trans-Pacific trade. Trans-Pacific liftings increased by 14% year-on-year, whereas the average revenue per TEU decreased by 26%.

Asia-Europe Trade

Asia-Europe westbound lifting dropped 1% when compared to the same period last year, and revenue per TEU fell by 32%, due to the unfavourable supply/demand balance. Slow growth in Europe, in combination with the time necessary for the market to absorb the number of large new vessels being introduced to service, kept the market context difficult for most of the period. With some improvement on the demand side and in freight rates, it is hoped that the Asia-Europe may now be exiting its extended period of being under such pressure. However, many uncertainties remain, not least the outcome of Brexit negotiations.

The relative strength of the USD against the EUR provided some support to exports from Europe, such that rates payable for eastbound backhaul journeys were, at times, the same as or higher than rates payable on westbound headhaul journeys. This unusual phenomenon provided some respite for liner companies when headhaul rates were at their most challenged. If the USD continues to maintain its strength against the EUR (and now also against the GBP), we may see a continuing helpful trend in eastbound cargo.

Intra-Asia & Australasia Trade

Liftings increased by 4% compared to the first half of last year, and average revenue per TEU was 19% lower.

Low (or at least lower) growth in certain parts of the region was a key contributor to this, even if certain areas, notably South East Asia, continued to perform well. The relative weakness of the major East-West trades also drove the downward trend in this market. If the East-West trades have indeed started to recover, then we would anticipate that regional sub assembly of goods ultimately for export to the US or Europe will begin to generate improvement within Asia but the speed of any such recovery is unknown.

Trans-Atlantic Trade

Liftings increased by 8%, with average revenue per TEU 15% lower.

The trade performed well compared to the rest of the industry, not least driven by the strong USD and the gradual improvement in the US economy improving westbound cargo.

Logistics

OOCL Logistics revenue for the first half of 2016 dropped by 14% compared with the same period last year. Due to challenging global market conditions, revenue from Supply Chain Management Service and Import/Export Services each dropped by 19%. Competition in the transportation sector in China remains fierce, but we were able to counter the revenue drop in transportation with the new long-term leased warehouses in China, resulting in a relatively flat revenue position in the Domestic Logistics business.

Moving forward, we will be focusing our effort and resources to improve productivity, business and administration cost control, sales activity monitoring, air freight forwarding network set up, sales of our logistics software, and expand our logistics capability in the ASEAN region to raise profitability.

Bunker Price

The average price of bunker recorded by OOCL in the first half of 2016 was US$186 per ton compared with US$352 per ton for the corresponding period in 2015. In the first half of 2016, fuel costs decreased by 41% when compared to the corresponding period in 2015.

VESSELS

In the first half of 2016, no new-build vessels were delivered, and no new orders were placed by the Group. For 20,000 TEU class new-build vessels contracted with Samsung Heavy Industries Co. Ltd. in South Korea, they are expected to be completed by the end of year 2017.

Among the four 13,200 TEU M-Class vessels time-chartered to our G6 Alliance partner NYK Line in the year 2013, three of them have been redelivered back to OOCL in January, April and June of 2016, and renamed as 'OOCL Poland', 'OOCL France' and 'OOCL Egypt' respectively. The remaining vessel is expected to be redelivered back to OOCL in October 2016.

NEWBUILDING DELIVERY SCHEDULE

Shipyard	Hull No.	TEU	Date of Order	Status
Samsung Heavy Industries	HN2172	21,000	2015	To be delivered
Samsung Heavy Industries	HN2173	21,000	2015	To be delivered
Samsung Heavy Industries	HN2174	21,000	2015	To be delivered
Samsung Heavy Industries	HN2175	21,000	2015	To be delivered
Samsung Heavy Industries	HN2176	21,000	2015	To be delivered
Samsung Heavy Industries	HN2177	21,000	2015	To be delivered

OTHER ACTIVITIES

The other activities of the Group consist of support functions, including 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 4.4% direct and indirect holdings in Hui Xian REIT, the first RMB – denominated REIT listed in Hong Kong.

Wall Street Plaza continues to record steady results and based on an independent valuation, has been re-valued upwards by US$10 million as at 30th June 2016 to reflect an assessed market value of US$210 million. After offsetting a total of US$0.3 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2016 was US$9.7 million.

In the first half of 2016, Hui Xian Holdings Limited, the original developer company of Hui Xian REIT, declared a cash dividend and dividend in specie to its shareholders, of which the Group's shares amounted to US$22.2 million. In addition, the Group also received a distribution of US$3.0 million from its direct holding of Hui Xian REIT. As at 30th June 2016, the Group's total investment in Hui Xian was valued at US$116.6 million.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2016, the Group had total liquid assets amounting US$2.3 billion and total indebtedness of US$4.0 billion. Net debt as at 30th June 2016 was therefore US$1.7 billion versus US$1.6 billion as at the 2015 year-end.

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 all 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 18 to the Financial Information.

The liquid assets of the Group are predominantly cash deposits placed with a variety of banks and with tenors ranging 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$544.0 million as at 30th June 2016 is predominantly comprised of investment grade bonds.

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. About 59% 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, where appropriate, the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

The Group's total liabilities are all denominated in US dollars, which effectively eliminates the risk of currency fluctuations on the Group's debt profile.

EMPLOYEE INFORMATION

As at 30th June 2016, the Group had 9,942 full-time equivalent employees. Salary and benefit levels are maintained at competitive levels and employees are rewarded on a performance-related basis within the general policy and framework of the Group's salary and discretionary bonus schemes. These schemes, based on the performance of the Company and individual employees, are regularly reviewed. Other benefits are also provided including medical insurance and retirement funds. In support of the continuous development of individual employees, training and development programmes are offered for different levels of employee. Social and recreational activities are arranged for our employees around the world.

SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION

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

The Group's Corporate Security Policy guides 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 Customs-Trade Partnership Against Terrorism (C-TPAT) and the Authorised Economic Operator (AEO) initiatives.

We also actively collaborate with various governments and authorities worldwide in our efforts against acts that might impinge upon maritime or cargo security. In addition, our Global Data Centre maintains ISO 27001 certification in order to provide our customers and partners with quality and secure information in accordance with international standards on information security management.

To ensure everyone takes part in protecting our assets and become more resilient against cyber attacks, we have developed new programs and initiatives such as, annual cyber security training and mandatory tests for all employees, monthly knowledge and trend updates, and sophisticated monitoring and protective systems.

OOIL Group also recognises 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 in their supply chains, and it has been verified by a third party auditor for data accuracy and transparency. It is one of the first emissions calculators of its kind to offer multiple shipment searches and full intermodal emissions data. OOCL is dedicated to environmental protection and committed to data integrity standards. Each year, OOCL ensures that such standards are consistent and upheld by certifying our environmental data through independent business assurance service providers. Accredited by Lloyd's Register (LR), this is the third consecutive year that OOCL has achieved dual reporting standards through the use of Clean Cargo Working Group (CCWG) and ISO 14064-1:2006 verification tools. The initiative this year not only ensures that OOCL's data disclosure in 2015 is transparent, accurate, complete, consistent and relevant for the carbon dioxide, sulphur oxides and GHG Scope 1 emission data of OOCL vessels and GHG Scope 2 records associated to the electricity consumption of OOCL's head office in Hong Kong, but also verifying that GHG Scope 1 and Scope 2 data from our terminals are meeting standards. Our Group Sustainability Report is published on an annual basis. This report covers the significant environmental, economic and social aspects of the business arising from the principal activities of OOIL and its subsidiaries.

We are very pleased to have been recognised for our consistent and sustained efforts in environmental protection initiatives and safety management. In recognition of our achievements, we have been the honoured recipients of:

- Five Hong Kong Voluntary Observing Ship Awards from the Hong Kong Observatory;
- "Hong Kong Green Organisation Certification" (HKGOC) by the Environmental Campaign Committee (ECC);
- "Asia's Best CSR Communication within Annual Report" by the CSRWorks International at the Asia Sustainability Reporting Awards Ceremony;
- "Best Green Organization of Year" by the World CSR Congress at the Global Green Future Summit and Leadership Awards;
- "Environmental Best Practices Awards" for Green Management & Future Leadership by the World CSR Congress at the Golden Globe Tigers Summit and Awards 2016; and
- "Golden Vessel Awards" by the Taiwan International Ports Corporation (TIPC) for the contributions in environmental protection and pollution prevention made by Kaohsiung Container Terminal (KAOCT) and OOCL Taiwan.

OOCL continues 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 United States, achieving full voluntary compliance in vessel speed reduction for our vessels. In addition, OOCL signed the Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT) to voluntarily use fuel with a sulphur content of less than 0.5% when our vessels berth at the participating ports in Shenzhen. Through membership with organizations such as the Clean Cargo Working Group, the Business Environment Council and the World Wildlife Fund, OOIL Group is committed to playing its part in addressing climate change and environmental protection in Hong Kong and the regions in which we operate.

Other Information

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has resolved not to declare the payment of an interim dividend for the six months ended 30th June 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2016, 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	–	429,950,088 *(Notes 1 and 2)*	429,950,088	68.70%
Chow Philip Yiu Wah	133,100	20,000 *(Note 3)*	153,100	0.024%
Simon Murray	10,000	–	10,000	0.002%
Professor Wong Yue Chim Richard	–	500 *(Note 4)*	500	0.00008%

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 429,950,088 Shares, in which Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), wholly-owned subsidiaries of Thelma, have direct interests in 350,722,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 429,950,088 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. 20,000 Shares are held by the spouse of Mr. Chow Philip Yiu Wah.

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

Save as disclosed above, as at 30th June 2016, 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 Interests", as at 30th June 2016, 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.

SUBSTANTIAL SHAREHOLDERS' SHARE INTERESTS

As at 30th June 2016, the following persons (other than the Directors 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 interests	Number of Shares interested (Long position)	Percentage
Artson Global Limited*	Trustee	429,950,088 *(Note 1)*	68.70%
Hanberry Global Limited#	Trustee	429,950,088 *(Note 2)*	68.70%
Thelma Holdings Limited*	Indirect	429,950,088 *(Note 3)*	68.70%
Tung Chee Hwa	Indirect	429,975,319 *(Note 4)*	68.70%
Archmore Investment Limited*	Beneficiary of a trust	429,950,088 *(Note 5)*	68.70%
Edgemont Holdings Limited*	Indirect	429,950,088 *(Note 6)*	68.70%
Javier Global Limited*	Indirect	429,950,088 *(Note 7)*	68.70%
Bartlock Assets Ltd.#	Beneficiary of a trust	429,950,088 *(Note 8)*	68.70%
Flowell Development Inc.	Beneficiary of a trust	429,950,088 *(Note 9)*	68.70%
Izone Capital Limited*	Beneficiary of a trust	429,950,088 *(Note 10)*	68.70%
Jeference Capital Inc.*	Beneficiary of a trust	429,950,088 *(Note 11)*	68.70%
Tung Holdings (Trustee) Inc.*	Voting	429,950,088 *(Note 12)*	68.70%
Fortune Crest Inc.*	Direct	350,722,656 *(Note 13)*	56.04%
Gala Way Company Inc.*	Direct	79,227,432 *(Note 14)*	12.66%
Silchester International Investors LLP	Investment manager	43,808,500	7.00%

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 Cheung Andrew and 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 429,950,088 Shares. Mrs. Tung Chiu Hung Ping Betty (spouse of Mr. Tung Chee Hwa, sister-in-law of Mr. Tung Chee Chen and Professor Roger King, and mother of Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan) 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 429,950,088 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 429,950,088 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 429,950,088 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 429,950,088 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 429,950,088 Shares.

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

13. Fortune Crest has a direct interest in 350,722,656 Shares.

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

* For those companies marked with "*", 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.

\# For those companies marked with "#", Mr. Tung Lieh Cheung Andrew is a director of these companies.

Save as disclosed herein, as at 30th June 2016, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30th June 2016, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under Bermudan law in relation to the issue of new shares by the Company.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value.

The Company has adopted its own corporate governance code (the "CG Code"), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "SEHK Code") contained in Appendix 14 to the 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 period from 1st January 2016 to 30th June 2016, the Company complied with the SEHK Code, save for the following:

- **Code Provision**

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

- **Recommended Best Practices**

  - the remuneration of senior management is disclosed in bands
  - operational results are announced and published quarterly instead of financial results

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 2016 to 30th June 2016.

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 2015 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. TUNG Lieh Cheung Andrew, an Executive Director of the Company, was appointed as a member of the Hong Kong Maritime and Port Board and Chairman of the Maritime and Port Development Committee, both with effect from 1st April 2016.

Professor Roger KING, a Non-Executive Director of the Company, resigned as a member of the Supervisory Board of TNT Express N.V., a company listed on the Amsterdam Stock Exchange, on 25th May 2016.

Mr. Simon MURRAY, an Independent Non-Executive Director of the Company, was re-designated from a Non-Executive Director to an Independent Non-Executive Director of IRC Limited, a company listed in Hong Kong, on 16th March 2016.

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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 17 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 2016 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 2016

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2016

US$'000	Note	2016	2015
Revenue	5	2,560,503	3,044,178
Operating costs		(2,411,668)	(2,613,174)
Gross profit		148,835	431,004
Fair value gain from an investment property		9,724	9,830
Other operating income		56,968	51,918
Other operating expenses		(234,186)	(221,768)
Operating (loss)/profit	6	(18,659)	270,984
Finance costs	8	(39,594)	(30,097)
Share of profits of joint ventures		3,405	2,677
Share of profits of associated companies		7,386	9,225
(Loss)/profit before taxation		(47,462)	252,789
Taxation	9	(9,197)	(14,146)
(Loss)/profit for the period		(56,659)	238,643
(Loss)/profit attributable to:			
Equity holders of the Company		(56,659)	238,632
Non-controlling interests		–	11
		(56,659)	238,643
(Loss)/earnings per ordinary share (US cents)			
Basic and diluted	11	(9.1)	38.1

The notes on pages 23 to 36 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June 2016

US$'000	2016	2015
(Loss)/profit for the period	(56,659)	238,643
Other comprehensive income:		
Item that will not be subsequently reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit schemes	(11,313)	5,896
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	(24,956)	(18,300)
Currency translation adjustments		
– Foreign subsidiaries	(1,426)	(1,153)
– Associated companies	(2,973)	153
– Joint ventures	(215)	5
Total items that may be reclassified subsequently to profit or loss	(29,570)	(19,295)
Other comprehensive loss for the period, net of tax	(40,883)	(13,399)
Total comprehensive (loss)/income for the period	(97,542)	225,244
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(97,542)	225,233
Non-controlling interests	–	11
	(97,542)	225,244

The notes on pages 23 to 36 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2016

US$'000	Note	30th June 2016	31st December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,970,260	6,020,744
Investment property	12	210,000	200,000
Prepayments of lease premiums	12	8,212	8,462
Joint ventures		10,447	8,887
Associated companies		138,298	145,249
Intangible assets	12	55,951	55,646
Deferred taxation assets		3,948	3,765
Pension and retirement assets		–	7,855
Derivative financial instruments	14	–	1,507
Restricted bank balances		213	980
Available-for-sale financial assets		117,544	127,998
Held-to-maturity investments		200,232	217,004
Other non-current assets		13,216	16,635
		6,728,321	6,814,732
Current assets			
Inventories		75,348	72,481
Debtors and prepayments	13	494,808	499,409
Amounts due from joint ventures		–	2,871
Amounts due from associated companies		6,489	–
Held-to-maturity investments		34,488	19,074
Portfolio investments		309,247	295,894
Derivative financial instruments	14	935	147
Tax recoverable		11,380	10,942
Restricted bank balances		1,208	443
Cash and bank balances		1,757,229	2,015,581
		2,691,132	2,916,842
Total assets		9,419,453	9,731,574
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	4,625,785	4,734,931
Total equity		4,688,364	4,797,510

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2016

US$'000	Note	30th June 2016	31st December 2015
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,434,390	3,663,100
Deferred taxation liabilities		65,674	62,041
Pension and retirement liabilities		2,077	109
		3,502,141	3,725,250
Current liabilities			
Creditors and accruals	17	652,961	750,378
Amounts due to joint ventures		8,459	11,037
Borrowings	18	563,341	438,619
Derivative financial instruments	14	–	5,316
Current taxation		4,187	3,464
		1,228,948	1,208,814
Total liabilities		4,731,089	4,934,064
Total equity and liabilities		9,419,453	9,731,574

C C Tung
Alan Tung
Directors

The notes on pages 23 to 36 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2016

US$'000	2016	2015
Cash flows from operating activities		
Cash generated from operations	17,959	316,771
Interest and financing charges paid	(36,190)	(29,393)
Hong Kong profits tax paid	(23)	–
Overseas taxes paid	(4,933)	(8,864)
Net cash (used in)/from operating activities	(23,187)	278,514
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	7,800	76,847
Purchase of property, plant and equipment	(144,544)	(246,936)
Purchase of other non-current assets	(11,263)	(7,274)
Increase in portfolio investments	(5,964)	(69,632)
Net change in amounts due to joint ventures	293	1,704
Increase in restricted bank balances and bank deposits maturing more than three months	(377,405)	(353,489)
Interest received	18,383	17,892
Dividends and distribution received from investments	11,255	10,639
Dividends received from a joint venture and associated companies	6,505	6,786
Net cash used in investing activities	(494,940)	(563,463)
Cash flows from financing activities		
Drawdown of loans	264,688	325,800
Repayment of loans	(310,070)	(208,464)
Capital element of finance lease rental payments	(65,267)	(125,982)
Dividends paid to equity holders of the Company	(11,604)	(21,400)
Net cash used in financing activities	(122,253)	(30,046)
Net decrease in cash and cash equivalents	(640,380)	(314,995)
Cash and cash equivalents at beginning of period	1,737,511	1,942,822
Currency translation adjustments	4,295	(1,440)
Cash and cash equivalents at end of period	1,101,426	1,626,387
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	1,101,766	1,626,387
Bank overdrafts	(340)	–
	1,101,426	1,626,387

The notes on pages 23 to 36 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2016

US$'000	Equity holders: Share capital	Equity holders: Reserves	Equity holders: Sub-total	Non-controlling interests	Total
Balance at 31st December 2015	**62,579**	**4,734,931**	**4,797,510**	**–**	**4,797,510**
Total comprehensive loss for the period	**–**	**(97,542)**	**(97,542)**	**–**	**(97,542)**
Transaction with owners					
2015 final dividend	**–**	**(11,604)**	**(11,604)**	**–**	**(11,604)**
Balance at 30th June 2016	**62,579**	**4,625,785**	**4,688,364**	**–**	**4,688,364**
Balance at 31st December 2014	62,579	4,572,173	4,634,752	–	4,634,752
Total comprehensive income for the period	–	225,233	225,233	11	225,244
Transaction with owners					
2014 final dividend	–	(21,400)	(21,400)	–	(21,400)
Balance at 30th June 2015	62,579	4,776,006	4,838,585	11	4,838,596

The notes on pages 23 to 36 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1. General Information

Orient Overseas (International) Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

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

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

This interim financial information was approved by the Board of Directors on 5th August 2016.

2. Basis of Preparation

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

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2015 except for the adoption of amendments to HKFRSs effective for the financial year ending 31st December 2016.

The adoption of revised HKFRSs

In 2016, the Group adopted the following amendments and improvements to existing HKFRSs below, which are relevant to its operations.

Amendments and improvements to existing standards	
HKFRSs	Annual Improvements 2012 – 2014 Reporting Cycle
HKAS 1 Amendments	Disclosure Initiative
HKAS 16 and HKAS 38 Amendments	Classification of Acceptable Methods of Depreciation and Amortisation

The adoption of the above amendments and improvements to existing HKFRSs do not have a material impact on the Group.

New standards that are relevant but not yet effective to the Group

New standards		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The Group has not early adopted the above standards and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements 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 consolidated financial statements for the year ended 31st December 2015.

3.1 Fair value estimation

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liability that are measured at fair value at 30th June 2016:

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	42,568	–	–	42,568
– Debt securities	258,355	–	–	258,355
– Funds and other investments	–	8,324	–	8,324
Derivative financial instruments	–	935	–	935
Available-for-sale financial assets				
– Listed equity securities	84,972	–	–	84,972
– Other investments	–	–	32,572	32,572
Total assets	385,895	9,259	32,572	427,726

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2015:

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	51,865	–	–	51,865
– Debt securities	234,172	–	–	234,172
– Funds and other investments	–	9,857	–	9,857
Derivative financial instruments	–	1,654	–	1,654
Available-for-sale financial assets				
– Listed equity securities	75,962	–	–	75,962
– Other investments	–	–	52,036	52,036
Total assets	361,999	11,511	52,036	425,546
Liability				
Derivative financial instruments	–	5,316	–	5,316
Total liability	–	5,316	–	5,316

There were no transfers among levels 1, 2 and 3 during the period.

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

Specific valuation techniques used to value levels 2 and 3 financial instruments include:

- Dealer quotes.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Marketability discount rate derived from management's judgment is applied to estimate the fair value of unlisted equity security classified as available-for-sale financial asset.

There were no changes in valuation techniques during the period.

Instruments included in level 3 mainly comprise unlisted equity securities classified as available-for-sale financial assets.

The following table presents the changes in level 3 instruments:

	US$'000
Opening balance at 31st December 2015	52,036
Additions	229
Currency translation adjustments	7
Fair value change recognised in other comprehensive income	(19,700)
Closing balance at 30th June 2016	**32,572**

	US$'000
Opening balance at 31st December 2014	72,232
Currency translation adjustments	(4)
Fair value change recognised in other comprehensive income	(18,300)
Closing balance at 30th June 2015	53,928

For level 3 instruments, the discount rate used to compute the fair value is 15%. The higher the discount rate, the lower the fair value.

3. Financial Risk Management (Continued)

3.2 Fair value of financial assets and liabilities measured at amortised cost

	Carrying amount		Fair value	
US$'000	30th June 2016	31st December 2015	30th June 2016	31st December 2015
Non-current bank loans	1,949,012	1,981,561	1,948,666	1,981,774
Non-current finance lease obligations	1,485,378	1,681,539	1,517,309	1,691,993
Held-to-maturity investments	234,720	236,078	249,712	245,101

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

- Debtors and prepayments
- Prepayments of lease premiums
- Cash and bank balances
- Restricted bank balances
- Other current financial assets
- Creditors and accruals
- Borrowings except for those disclosed above
- Other current financial liabilities

4. Critical Accounting Estimates and Judgements

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

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2015.

5. Revenue

US$'000	2016	2015
Container transport and logistics	2,547,306	3,031,916
Rental income	13,197	12,262
	2,560,503	3,044,178

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

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

6. Operating (Loss)/Profit

US$'000	2016	2015
Operating (loss)/profit is arrived at after crediting:		
Interest income from banks	7,992	9,059
Interest income from held-to-maturity investments	5,881	5,796
Gross rental income from an investment property	13,197	12,262
Profit on disposal of property, plant and equipment	–	292
Income from available-for-sale financial assets		
– Distribution	3,026	2,502
– Dividend income	22,168	24,749
Net gain on interest rate swap contracts	56	489
Fair value gain on foreign exchange forward contract	1,547	1,818
Gain on bunker price derivative contracts	2,180	–
Portfolio investment income		
– Fair value gain (realised and unrealised)	7,389	1,502
– Interest income	5,304	4,594
– Dividend income	394	458
and after charging:		
Depreciation		
Owned assets	148,655	112,795
Leased assets	48,837	42,663
Operating lease rental expense		
Vessels and equipment	140,517	165,739
Terminals and berths	18,511	15,039
Land and buildings	17,636	15,410
Rental outgoings in respect of an investment property	7,515	7,295
Loss on disposal of property, plant and equipment	1,394	–
Loss on disposal of held-to-maturity investments	74	–
Amortisation of intangible assets	2,584	2,078
Amortisation of prepayments of lease premiums	112	118
Exchange loss	7,666	1,631

7. Key Management Compensation

US$'000	2016	2015
Salaries and other short-term employee benefits	2,819	2,325
Estimated money value of other benefits	54	–
Pension costs – defined contribution plans	261	216
	3,134	2,541

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses represent actual payments to the Directors and individuals during the current financial period in relation to performance for the preceding year.

8. Finance Costs

US$'000	2016	2015
Interest expense	(42,598)	(33,454)
Amount capitalised under assets	3,004	3,357
Net interest expense	(39,594)	(30,097)

9. Taxation

US$'000	2016	2015
Current taxation		
Hong Kong profits tax	(109)	(127)
Overseas taxation	(5,365)	(11,089)
	(5,474)	(11,216)
Deferred taxation		
Hong Kong profits tax	(24)	–
Overseas taxation	(3,699)	(2,930)
	(3,723)	(2,930)
	(9,197)	(14,146)

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 10% to 47% (2015: 10% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2015: 16.5%).

10. Interim Dividend

US$'000	2016	2015
Interim dividend of US cents nil (2015: US9.6 cents) per ordinary share	–	60,076

The Board of Directors does not recommend the payment of an interim dividend for 2016 (2015: US9.6 cents per ordinary share).

11. (Loss)/Earnings Per Ordinary Share

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

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

US$'000	2016	2015
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's (loss)/profit attributable to:		
Equity holders of the Company	(56,659)	238,632
Non-controlling interests	–	11
	(56,659)	238,643
(Loss)/earnings per share attributable to equity holders of the Company (US cents)	(9.1)	38.1

12. Capital Expenditure

US$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts:					
Balance at 31st December 2015	6,020,744	200,000	8,462	55,646	6,284,852
Currency translation adjustments	(743)	–	(138)	–	(881)
Fair value gain	–	9,724	–	–	9,724
Additions	149,478	276	–	2,889	152,643
Disposals	(1,727)	–	–	–	(1,727)
Depreciation and amortisation	(197,492)	–	(112)	(2,584)	(200,188)
Balance at 30th June 2016	**5,970,260**	**210,000**	**8,212**	**55,951**	**6,244,423**
Balance at 31st December 2014	5,608,929	180,000	9,109	48,578	5,846,616
Currency translation adjustments	(176)	–	7	–	(169)
Fair value gain	–	9,830	–	–	9,830
Additions	492,751	170	–	6,098	499,019
Disposals	(2,536)	–	–	–	(2,536)
Depreciation and amortisation	(155,458)	–	(118)	(2,078)	(157,654)
Classified as asset held for sale	(51,719)	–	–	–	(51,719)
Balance at 30th June 2015	5,891,791	190,000	8,998	52,598	6,143,387

13. Debtors and Prepayments

US$'000	30th June 2016	31st December 2015
Trade receivables	291,588	318,731
Less: provision for impairment	(11,610)	(9,548)
Trade receivables – net	279,978	309,183
Other debtors	80,212	80,850
Other prepayments	122,835	97,002
Utility and other deposits	11,783	12,374
	494,808	499,409

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due dates of invoices, is as follows:

US$'000	30th June 2016	31st December 2015
Below one month	249,074	276,684
Two to three months	22,554	25,900
Four to six months	5,659	4,673
Over six months	2,691	1,926
	279,978	309,183

14. Derivative Financial Instruments

US$'000	30th June 2016	31st December 2015
Assets		
Non-current assets		
Interest rate swap contracts	–	1,507
Current assets		
Bunker price derivative contracts	935	–
Interest rate swap contract	–	147
	935	147
	935	1,654
Liabilities		
Current liabilities		
Foreign exchange forward contract	–	(3,157)
Bunker price derivative contracts	–	(2,159)
	–	(5,316)

15. Share Capital

US$'000	30th June 2016	31st December 2015
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 (2015: 625,793,297) ordinary shares of US$0.10 each	62,579	62,579

16. Reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Available-for-sale financial assets revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2015	172,457	88,547	4,696	40,910	44,302	4,384,019	4,734,931
Total comprehensive loss for the period	–	–	–	(24,956)	(4,614)	(67,972)	(97,542)
Transaction with owners							
2015 final dividend	–	–	–	–	–	(11,604)	(11,604)
Balance at 30th June 2016	172,457	88,547	4,696	15,954	39,688	4,304,443	4,625,785
Balance at 31st December 2014	172,457	88,547	4,696	69,374	61,400	4,175,699	4,572,173
Total comprehensive income/(loss) for the period	–	–	–	(18,300)	(995)	244,528	225,233
Transaction with owners							
2014 final dividend	–	–	–	–	–	(21,400)	(21,400)
Balance at 30th June 2015	172,457	88,547	4,696	51,074	60,405	4,398,827	4,776,006
Total comprehensive income/(loss) for the period	–	–	–	(10,164)	(16,103)	45,371	19,104
Transaction with owners							
2015 interim dividend	–	–	–	–	–	(60,179)	(60,179)
Balance at 31st December 2015	172,457	88,547	4,696	40,910	44,302	4,384,019	4,734,931

17. Creditors and Accruals

US$'000	30th June 2016	31st December 2015
Trade payables	161,620	193,401
Other creditors	75,159	108,928
Accrued expenses	357,825	377,630
Deferred revenue	58,357	70,419
	652,961	750,378

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

US$'000	30th June 2016	31st December 2015
Below one month	126,036	129,801
Two to three months	30,392	50,395
Four to six months	2,521	7,799
Over six months	2,671	5,406
	161,620	193,401

18. Borrowings

US$'000	30th June 2016	31st December 2015
Non-current		
Bank loans		
– Secured	1,724,224	1,748,392
– Unsecured	224,788	233,169
Finance lease obligations	1,485,378	1,681,539
	3,434,390	3,663,100
Current		
Bank overdrafts, unsecured	340	14
Bank loans		
– Secured	286,970	297,808
– Unsecured	14,471	14,559
Finance lease obligations	261,560	126,238
	563,341	438,619
Total borrowings	3,997,731	4,101,719

19. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2016	31st December 2015
Contracted but not provided for	658,407	778,885

(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 2016			
2016/17	178,863	31,506	210,369
2017/18	106,502	19,308	125,810
2018/19	74,935	14,347	89,282
2019/20	66,164	12,080	78,244
2020/21	59,715	11,086	70,801
2021/22 onwards	42,341	30,871	73,212
	528,520	119,198	647,718
As at 31st December 2015			
2016	194,705	34,708	229,413
2017	126,409	26,150	152,559
2018	89,334	15,441	104,775
2019	67,212	12,955	80,167
2020	64,755	11,089	75,844
2021 onwards	69,759	36,548	106,307
	612,174	136,891	749,065

The Group entered into the Preferential Assignment Agreement (the "Agreement") with the City of Long Beach ("COLB") for the use of the Middle Harbor Terminal (the "Terminal") in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st July 2011. As of 30th June 2016, the Group signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US$180,000 to US$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by 2020 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 30th June 2016, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2015: 98.8 acreages). The Group and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

20. Segment Information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others.

Operating segments

The segment results for the six months ended 30th June 2016 are as follows:

US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	**2,547,306**	**13,524**	**(327)**	**2,560,503**
Operating (loss)/profit	(76,320)	57,661	–	(18,659)
Finance costs	(39,594)	–	–	(39,594)
Share of profits of joint ventures	3,405	–	–	3,405
Share of profits of associated companies	7,386	–	–	7,386
(Loss)/profit before taxation	(105,123)	57,661	–	(47,462)
Taxation	(3,981)	(5,216)	–	(9,197)
(Loss)/profit for the period	(109,104)	52,445	–	(56,659)
Capital expenditure	152,367	276	–	152,643
Depreciation	197,492	–	–	197,492
Amortisation	2,696	–	–	2,696

The segment results for the six months ended 30th June 2015 are as follows:

US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	3,031,916	12,739	(477)	3,044,178
Operating profit	210,466	60,518	–	270,984
Finance costs	(30,097)	–	–	(30,097)
Share of profits of joint ventures	2,677	–	–	2,677
Share of profits of associated companies	9,225	–	–	9,225
Profit before taxation	192,271	60,518	–	252,789
Taxation	(8,696)	(5,450)	–	(14,146)
Profit for the period	183,575	55,068	–	238,643
Capital expenditure	498,849	170	–	499,019
Depreciation	155,457	1	–	155,458
Amortisation	2,196	–	–	2,196

20. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities as at 30th June 2016 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	6,841,738	2,422,481	9,264,219
Joint ventures	10,447	–	10,447
Associated companies	144,787	–	144,787
Total assets	6,996,972	2,422,481	9,419,453
Segment liabilities	(4,659,338)	(71,751)	(4,731,089)

The segment assets and liabilities as at 31st December 2015 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	6,947,634	2,626,933	9,574,567
Joint ventures	11,758	–	11,758
Associated companies	145,249	–	145,249
Total assets	7,104,641	2,626,933	9,731,574
Segment liabilities	(4,865,720)	(68,344)	(4,934,064)

The segment of "Others" primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of "Others" consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments and portfolio investments together with cash and bank balances that are managed at corporate level. Liabilities under the segment of "Others" primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

20. Segment Information (Continued)

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US$'000	Revenue	Capital expenditure
Six months ended 30th June 2016		
Asia	**1,737,132**	**13,589**
North America	**375,330**	**26,626**
Europe	**365,534**	**55**
Australia	**82,507**	**4**
Unallocated*	**–**	**112,369**
	2,560,503	**152,643**
Six months ended 30th June 2015		
Asia	2,014,797	7,608
North America	434,351	22,655
Europe	506,067	119
Australia	88,963	14
Unallocated*	–	468,623
	3,044,178	499,019

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