Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)
Stock code: 316

2017
INTERIM REPORT

Contents

Chairman’s Statement

In the first half of 2017, we have begun to see a slow and steady recovery from the tough market conditions that characterised 2016. The results for the period reflect this.

Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit attributable to shareholders of US$53.6 million for the six-month period ended 30th June 2017 (2016: loss of US$56.7 million).

Profit per ordinary share for the first half of 2017 was US8.6 cents, whereas the loss per ordinary share for the first half of 2016 was US9.1 cents.

The Board of Directors has decided to propose that there will be an interim dividend of US2.14 cents for 2017.

It seems that healthier demand growth has reappeared, at least to some extent. While we must wait to see how enduring this will be, this is a very welcome change from recent years. Improving data, and moreover improving sentiment, in many of the large economies gives us some comfort as to the sustainability of this better environment.

In tandem with this gradual improvement in demand, we note the slowdown in supply side growth. Scrapping occurred at a record rate in 2016, continuing at approximately the same pace in 2017 year to date. Orders of newbuildings have been notably absent this year so far.

This steady improvement in the supply demand balance is not a sign of a booming market – we are far from that. However, it does mean that for the first time since the onset of the Global Financial Crisis, the supply demand balance is not worsening year on year. This is a significant shift, and if it holds, then the industry will at least have the chance to start to absorb some of the excess capacity that exists.

Driven in part by the unsustainable markets of last year, but also being the continuation of a relentless trend towards scale and consolidation, the shape of the industry has changed dramatically. Following a wave of M&A, corporate reorganisations, a corporate collapse, and the change in alliance groupings implemented in April 2017, the industry continues to evolve. Over time, this may help to provide a more stable context for the industry, which is ultimately to the benefit of liner companies as well as of their customers.

In this context, on the 9th of July 2017, it was jointly announced by Orient Overseas (International) Limited (“OOIL”; HKEx: 0316), COSCO SHIPPING Holdings Co., Ltd. (“COSCO SHIPPING Holdings”; SHA: 601919; HKEx: 1919), and Shanghai International Port (Group) Co., Ltd (“SIPG”; SHA: 600018) that COSCO SHIPPING Holdings and SIPG have made a pre-conditional voluntary general offer (“Offer”) to all shareholders of OOIL to acquire all issued shares at an offer price of HK$78.67 in cash. The Offer is dependent upon the satisfaction of pre-conditions, which include the necessary regulatory approvals as well as approval from COSCO SHIPPING Holdings shareholders. The controlling shareholder, who currently holds 68.7% of OOIL has irrevocably undertaken to accept the Offer. On completion, COSCO SHIPPING Holdings will hold 90.1%, while SIPG will hold 9.9% of the total amount of OOIL shares tendered.

Subject to pre-conditions, the Joint Offerors intend to maintain OOIL’s listed status following close of the Offer, and are committed to retaining the existing compensation and benefit system at OOIL and will not terminate the employment of any employee at OOIL as a result of this transaction for at least 24 months after the close of the offer. Besides that, the Joint Offerors intend to maintain OOIL’s global headquarter functions and presence in Hong Kong, and to utilise the advantage of both companies’ global network to contribute to the economic prosperity of the territory and development of Hong Kong as an international shipping centre.

For years, we have achieved scale benefits by means of alliance membership and the deployment of the right, often the largest, vessels in each trade lane. These techniques, alongside our highly skilled employees, our customer base, our IT system, our focus on cost efficiency and our robust balance sheet, go together to drive the success of our group. However, as the industry consolidates at speed, with the largest players now having millions of TEU in carrying capacity, the capital base necessary to operate successfully, and to establish a place among the leading industry participants, is becoming increasingly sizeable.

My view is that the Offer provides an opportunity for OOIL to continue to operate the OOCL brand, but as part of the China COSCO Shipping Group, and to bring together our operating model and our corporate culture with the competitive advantages of COSCO, including its size and scale, capital base, growing fleet and extensive port investments, to name but a few. This would create a combined group that would have a very strong chance of maintaining and building a status as one of the very best performers in an industry now entering a new phase.

C C Tung
Chairman

Hong Kong, 4th August 2017

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2017 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to equity holders of US$53.6 million compared to US$56.7 million loss for the corresponding period of 2016.

OOIL INTERIM RESULTS ANALYSIS

US$'000	2017	2016
Profit/(loss) before tax from operating activities	25,297	(82,377)
Investment income from Hui Xian	21,180	25,191
Revaluation of Wall Street Plaza	27,689	9,724
Profit/(loss) Before Tax for the Period Ended 30th June	74,166	(47,462)
Taxation	(20,560)	(9,197)
Profit/(loss) Attributable to Equity Holders	53,606	(56,659)

The profit attributable to equity holders for the first half of 2017 included investment income of US$21.2 million from Hui Xian, and a net fair value gain of US$27.7 million on Wall Street Plaza.

Profit from operating activities for the first half of the year was US$25.3 million, as compared to US$82.4 million loss for the first six months of 2016. 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.

CONTAINER TRANSPORT

The first half of 2017 saw the market continue its gradual recovery from the extremely poor trading conditions of 2016. An increase in the amount of vessel scrapping, the continued high level of the industry idle fleet, and a slight slowdown in the rate of delivery of new capacity went together with an improvement in demand to drive a marked increase in freight rates (both spot and contract) over the extraordinary lows of last year. While the improvements in rates and volumes are encouraging, and even though the recovery appears to be continuing, rates for most of the period were still below what we might consider to be long-term normal levels.

Compared to the first half of 2016, OOCL liner liftings increased by 7% and load factor by 1%. Revenue levels per TEU increased by 8%.

Cargo volume growth on the two main East-West trades, Trans-Pacific and Asia-Europe, continued on a positive trend. In both cases, year-to-date data for 2017 displays very clear improvement over 2016. Intra-Asia volume growth remained much more muted, with this market, although stabilising, not quite yet at the same stage of recovery as the East-West trades.

Bunker costs were materially higher than in the first half of 2016. However, they remain low in comparison to the levels typically seen in recent years.

Trans-Pacific Trade

While the trade lane remains highly competitive, the combination of a healthier US economy with supply growth that was low to negative in all but one month of the period contributed to the continued improvement of this trade from its 2016 nadir. The relative strength of the US dollars against most currencies may also be a driver of improving imports into the US.

The material level of volume growth achieved by OOCL is in part due simply to additional capacity (both through our own expansion and through the increased scale of the Ocean Alliance). We also appear to be benefiting from a focus on financial robustness coming from our customers, many of whom are seeking to manage their risk by allocating higher volumes to carriers with stronger balance sheets. While some of the increase is also due to a basis effect, comparing the weaker period of 1H 2016 against the clearly healthier 1H 2017, there can be no doubt that much of this growth is simply connected to the stronger US economic environment. Customer sentiment indicates expectations of continued encouraging levels of volume growth.

Trans-Pacific liftings increased by 23% compared to the same period last year, with revenue decreasing by 2% per TEU.

Notwithstanding the vastly improved spot rates, in terms of reporting for the period, this trade continued to suffer from the very low annual contract rates that applied from 1st May 2016 to 30th April 2017. Contract rates agreed in the first months of 2017, which apply for a year as from 1st May 2017, were materially better than those agreed a year before, even if they have not yet fully recovered from the low points of 2016.

Asia-Europe Trade

Similar to what was seen on the Trans-Pacific trade, volumes and rates on the Asia-Europe trade have both started to recover from the historic lows suffered in 2016.

Liftings increased by 22%, with revenue per TEU improving by 21%. The significant volume improvement will also be driven partly by the basis effect (comparing to a weak 1H 2016), but also from the new importance of financial robustness to our customers.

In terms of economic drivers for volume improvement, while there is a risk that better volumes could be created in part by inventory restocking, it does seem to be the case that some level of real growth has now returned to most of the European economies, and as such a meaningful proportion at least of the growth must have arisen through true new economic activity. European economic data and sentiment is much more positive than has been seen for several years.

We appear to have moved far from the trading environment of the past two years, wherein there was often at best anaemic and more frequently negative cargo volume growth in the Asia-Europe trade.

One particularly rare phenomenon to note is that the backhaul, the trade from Europe to Asia, has at times been performing particularly strongly during the reporting period. Whereas in 2016 the backhaul rates sometimes outperformed the headhaul because the headhaul rate was so weak, in 2017 this same rare occurrence was seen again, this time on account of improved volumes on the backhaul.

Intra-Asia and Australasia Trade

Industry-wide data for the Intra-Asia trade shows markedly negative volume growth for the IADA area as a whole. For IADA, it appears that trade between North China, Japan and Korea has suffered in particular, whereas Taiwan and certain parts of South East Asia are doing better.

For our Intra-Asia and Australasia business, which covers a broader area than just IADA, volumes were down 5% although revenue per TEU improved by 8%.

In order to respond to challenging market conditions, over the last six to nine months we have analysed in detail our network structure within these trade lanes, and have made a number of changes in routes and capacity. This resulted in some loss of liftings, as we extracted ourselves from less economically interesting services, but resulted in better revenue per TEU.

It would seem that the Intra-Asia routes in particular are stabilising in terms of volumes and rates. This would appear to be driven by some more encouraging PMI numbers in the larger North Asian economies, as well as by the improvement in East-West trades giving a boost to Intra-Asia trades, where components may be manufactured in one country before being shipped to another for assembly.

Trans-Atlantic Trade

An important but relatively smaller trade, the Trans-Atlantic trade saw good volume growth, with liftings up by 8% as against the same period last year. Just as for the Trans-Pacific trade, the improving US economy and the relatively strong US dollars will have driven better demand. The trade continues to be less balanced than in the past, with more volume heading west than east, although if European economic data continues to improve, this trend towards increasing imbalance may change.

Notwithstanding the better demand side growth, in a competitive environment, revenue per TEU fell by 14%.

Bunker Price

The average price of bunker recorded by OOCL in the first half of 2017 was US$306 per ton compared with US$186 per ton for the corresponding period in 2016. Both the fuel oil and the diesel oil price have rebounded from their lowest levels, leading to the increase in bunker costs by 64% in the first half of 2017 compared with the corresponding period of 2016.

LOGISTICS

OOCL Logistics revenue and contribution for the first half of 2017 increased by 5% and 6% respectively compared with the same period last year.

Due to improving global market conditions, the contribution from International Supply Chain Management Service increased by 13% and the contribution from Import/Export Services increased by 1%. Competition in the transportation sector in China remains very challenging, but we were able to counter the contribution drop in transportation with great business improvement in the long-term leased warehouses sector in China, resulting in only a 3% contribution drop of overall 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 upgrading our logistics capability in the ASEAN regions to raise profitability.

VESSELS

During the first half of 2017, the Group took delivery of the first of its 21,413 TEU series of newbuildings from Samsung Heavy Industries in South Korea, namely the 'OOCL Hong Kong', marking an important milestone for the Group. With her carrying capacity of 21,413 TEU, she is the largest container vessel in the world. The delivery of the remaining five newbuildings of the same series is expected to be completed by the end of the first quarter of 2018.

No orders for newbuildings were placed in the first half of 2017.

NEWBUILDING DELIVERY SCHEDULE

Shipyard	Hull No.	TEU	Date of Order	Status
Samsung Heavy Industries	HN2173	21,413	2015	To be delivered
Samsung Heavy Industries	HN2174	21,413	2015	To be delivered
Samsung Heavy Industries	HN2175	21,413	2015	To be delivered
Samsung Heavy Industries	HN2176	21,413	2015	To be delivered
Samsung Heavy Industries	HN2177	21,413	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 1.1% direct and indirect holdings in Hui Xian REIT, the first RMB – denominated REIT listed in Hong Kong. During the first half of 2017, the Group has disposed 133,131,000 units of Hui Xian REIT.

Wall Street Plaza continues to record steady results and has an occupancy rate over 98%. Based on an independent valuation, it has been re-valued upwards by US$30 million as at 30th June 2017 to reflect an assessed market value of US$250 million. After offsetting a total of US$2.3 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2017 was US$27.7 million.

The Group invests 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. In the first half of 2017, 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$21.2 million. As at 30th June 2017, the Group's total investment in Hui Xian was valued at US$49.9 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 2017, the Group had total liquid assets amounting US$2.3 billion and total indebtedness of US$4.2 billion. Net debt as at 30th June 2017 was therefore US$1.9 billion, which remains at the same level as in 2016 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$567.4 million as at 30th June 2017 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 60% 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 2017, the Group had 10,123 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 Authorized 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, monthly knowledge and trend updates, annual cyber security training and mandatory tests for all employees, sophisticated monitoring and protective systems, as well as conducting awareness exercises focusing on phishing emails.

OOIL Group also recognises that businesses must take responsibility for their industry's effects on the environment. In our commitment to further build on our Environmental, Social and Governance (ESG) profile, we will be formulating Sustainable Development Goals (SDG) set out by the United Nation at every level of our organisation to contribute to tackling global environmental challenges we face across industries.

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 fourth 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. In order to reach higher standards and transparency in OOCL's Greenhouse Gas (GHG) reporting, we not only meet the verification requirements of the GHG Scopes 1 and 2 inventory, but also took a further step forward to meet that for Scope 3 which focuses on indirect emissions associated to air travel by employees of our Hong Kong office and as defined in the "Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard". 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. This year, the scope of our report has been adjusted to prepare for the commencement of the Environmental, Social and Governance (ESG) Reporting Guide set out in Appendix 27 of the Main Board Listing Rules from The Stock Exchange of Hong Kong Limited.

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

- Three "Hong Kong Voluntary Observing Ship Awards" from the Hong Kong Observatory (HKO) for our efforts in supporting various HKO's initiatives;

- "Social Capital Builder Logo Award" by the Community Investment and Inclusion Fund (CIIF) of the Labour and Welfare Bureau, Hong Kong Special Administrative Region (HKSAR), in recognition of our contributions to building social capital in Hong Kong;

- "Best Green Practice Award" for "Green Management & Future Leadership" and the "Best Overall Sustainable Performance" for "Sustainability Leadership" by the World CSR Congress at the Golden Globe Tigers Summit and Awards 2017;

- "Golden Vessel Awards" from the Taiwan International Ports Corporation for operationally efficient and environmentally friendly initiatives in reducing emissions;

- "Road Safety Quality Assessment System (RSQAS) Certification" by SGS to recognise OLL's excellent performance in nine areas, including quality, safety, security and environment; and

- "Authorized Economic Operator (AEO)" from Ministry of Finance, ROC (Taiwan) for our embedded safety processes within the business to promote a safe and secure supply chain.

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. 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. OOCL Taipei became the first vessel to utilise shore power at the DaChan Bay terminal in Shenzhen, China, as soon as the Alternate Maritime Power (AMP) facility there became available. By switching to shore power when at berth, OOCL was proud to lead the way in helping to improve the air quality at the DaChan Bay port community. Through membership with organisations 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") is pleased to announce an interim dividend of US2.14 cents (HK$0.167 at the exchange rate of US$1: HK$7.8) per ordinary share for the six months ended 30th June 2017 to be paid on 11th October 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 7th September 2017. 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"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28th September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st September 2017 to 7th September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31st August 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2017, 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 2017, 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 2017, 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 2017, 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	37,183,000	5.94%

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 2017, 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

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 at any time during the six-month period ended 30th June 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

The Company has adopted its own corporate governance code (the "CG Code"), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "SEHK Code") contained in Appendix 14 to the 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 2017 to 30th June 2017, 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, instead of financial results, are announced and published quarterly

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the "Code") on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Code and the Model Code throughout the period from 1st January 2017 to 30th June 2017.

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 2016 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. TUNG Lieh Sing Alan, an Executive Director of the Company, was re-designated from a Director to a Non-Executive Director of The Steamship Mutual Underwriting Association Limited and ceased as a Non-Executive Director of The Steamship Mutual Underwriting Association (Reinsurance) Limited.

Mr. Simon MURRAY, an Independent Non-Executive Director of the Company, retired as an Independent Non-Executive Director of Cheung Kong Property Holdings Limited, a company listed in Hong Kong, on 11th May 2017.

Mr. CHENG Wai Sun Edward, an Independent Non-Executive Director of the Company, ceased as a member of the board of The Airport Authority Hong Kong on 31st May 2017 and as a member of The Commission on Strategic Development of the Government of the HKSAR on 30th June 2017.

Index – Interim Financial Information

Content | Page no.

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 2017 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, 4th August 2017

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2017

US$'000	Note	2017	2016
Revenue	5	2,898,133	2,560,503
Operating costs		(2,642,382)	(2,411,668)
Gross profit		255,751	148,835
Fair value gain from an investment property		27,689	9,724
Other operating income		44,060	45,796
Business and administrative expenses		(234,291)	(225,052)
Other gains, net		16,387	2,038
Operating profit/(loss)	6	109,596	(18,659)
Finance costs	8	(45,031)	(39,594)
Share of profits of joint ventures		2,046	3,405
Share of profits of associated companies		7,555	7,386
Profit/(loss) before taxation		74,166	(47,462)
Taxation	9	(20,560)	(9,197)
Profit/(loss) for the period		53,606	(56,659)
Profit/(loss) attributable to:			
Equity holders of the Company		53,606	(56,659)
Earnings/(loss) per ordinary share (US cents)			
Basic and diluted	11	8.6	(9.1)

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 2017

US$'000	2017	2016
Profit/(loss) for the period	**53,606**	(56,659)
Other comprehensive income:		
Item that will not be subsequently reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit schemes	**9,028**	(11,313)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	**4,400**	(24,956)
Currency translation adjustments		
– Foreign subsidiaries	**2,462**	(1,426)
– Associated companies	**3,273**	(2,973)
– Joint ventures	**(10)**	(215)
Total items that have been reclassified or may be reclassified subsequently to profit or loss	**10,125**	(29,570)
Other comprehensive income/(loss) for the period, net of tax	**19,153**	(40,883)
Total comprehensive income/(loss) for the period	**72,759**	(97,542)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**72,759**	(97,542)

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 2017

US$'000	Note	30th June 2017	31st December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,175,676	6,076,673
Investment property	12	250,000	220,000
Prepayments of lease premiums	12	7,856	7,818
Joint ventures		7,059	11,225
Associated companies		141,751	137,527
Intangible assets	12	57,138	60,143
Deferred taxation assets		1,875	4,227
Restricted bank balances		897	403
Available-for-sale financial assets		37,289	93,148
Held-to-maturity investments		213,494	195,296
Other non-current assets		16,620	32,091
		6,909,655	6,838,551
Current assets			
Inventories		111,197	84,472
Debtors and prepayments	13	547,614	474,158
Amount due from an associated company		2,967	2,854
Amounts due from joint ventures		4,978	431
Held-to-maturity investments		34,435	41,621
Portfolio investments		319,445	322,927
Derivative financial instruments	14	243	2,097
Tax recoverable		9,216	10,780
Restricted bank balances		608	1,023
Cash and bank balances		1,752,326	1,625,676
		2,783,029	2,566,039
Total assets		9,692,684	9,404,590
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	4,529,466	4,456,707
Total equity		4,592,045	4,519,286

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2017

US$'000	Note	30th June 2017	31st December 2016
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,579,622	3,489,272
Deferred taxation liabilities		82,817	71,337
Pension and retirement liabilities		1,582	11,857
		3,664,021	3,572,466
Current liabilities			
Creditors and accruals	17	788,512	695,897
Amounts due to joint ventures		8,916	10,712
Borrowings	18	634,596	601,465
Current taxation		4,594	4,764
		1,436,618	1,312,838
Total liabilities		5,100,639	4,885,304
Total equity and liabilities		9,692,684	9,404,590

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 2017

US$'000	2017	2016
Cash flows from operating activities		
Cash generated from operations	238,340	17,959
Interest and financing charges paid	(41,739)	(36,190)
Hong Kong profits tax paid	–	(23)
Overseas taxes paid	(5,018)	(4,933)
Net cash from/(used in) operating activities	191,583	(23,187)
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	80,711	7,800
Purchase of property, plant and equipment	(29,927)	(144,544)
Purchase of other non-current assets	(34,293)	(11,263)
Decrease/(increase) in portfolio investments	23,150	(5,964)
Net change in amounts due to joint ventures	(6,343)	293
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months	378	(377,405)
Interest received	21,058	18,383
Dividends and distribution received from investments	8,175	11,255
Dividend received from a joint venture and associated companies	12,693	6,505
Net cash from/(used in) investing activities	75,602	(494,940)
Cash flows from financing activities		
Drawdown of loans	234,330	264,688
Repayment of loans	(311,142)	(310,070)
Capital element of finance lease rental payments	(61,601)	(65,267)
Dividends paid to equity holders of the Company	–	(11,604)
Net cash used in financing activities	(138,413)	(122,253)
Net increase/(decrease) in cash and cash equivalents	128,772	(640,380)
Cash and cash equivalents at beginning of period	1,625,219	1,737,511
Currency translation adjustments	(1,665)	4,295
Cash and cash equivalents at end of period	1,752,326	1,101,426
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	1,752,326	1,101,766
Bank overdrafts	–	(340)
	1,752,326	1,101,426

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 2017

	Equity holders		
US$'000	**Share capital**	**Reserves**	**Total**
Balance at 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the period	–	72,759	72,759
Balance at 30th June 2017	**62,579**	**4,529,466**	**4,592,045**
Balance at 31st December 2015	62,579	4,734,931	4,797,510
Total comprehensive loss for the period	–	(97,542)	(97,542)
Transaction with owners			
2015 final dividend	–	(11,604)	(11,604)
Balance at 30th June 2016	62,579	4,625,785	4,688,364

The notes on pages 23 to 36 form an integral part of this 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 4th August 2017.

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 2016 except for the adoption of amendments to HKFRSs effective for the financial year ending 31st December 2017.

The adoption of revised HKFRSs

In 2017, the Group adopted the following amendments to existing HKFRSs below, which are relevant to its operations.

Amendments to existing standards	
HKAS 7 Amendments	Statement of Cash Flows
HKAS 12 Amendments	Income Taxes
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The adoption of the above amendments to existing HKFRSs do not have a material impact on the Group and some additional disclosures will be made on the consolidated financial statements.

2. Basis of Preparation (Continued)

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

New standards, amendment and improvements to existing standards		Effective for accounting periods beginning on or after
HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKAS 40 Amendment	Transfer of Investment Property	1st January 2018
HKFRS 16	Leases	1st January 2019

The adoption of the above amendment and improvements is not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on the above new standards have been carried out:

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management is in the process of assessing the impact on the Group's consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11 which covers construction contracts and HKAS 18 which covers contracts for goods and services for revenue recognition. It introduces the concept of recognising revenue over time if the performance obligation is satisfied over time. That is, the customer simultaneously receives and consumes the benefits provided. Management has performed a preliminary assessment on HKFRS 15 and considers there is no significant impact on the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management is in the process of assessing to what extent the operating lease commitments as disclosed in note 19(b) will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2016.

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 that are measured at fair value at 30th June 2017.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	63,561	–	–	63,561
– Debt securities	249,895	–	–	249,895
– Funds and other investments	–	5,989	–	5,989
Derivative financial instruments	–	243	–	243
Available-for-sale financial assets				
– Other investments	–	–	37,289	37,289
Total assets	313,456	6,232	37,289	356,977

The following table presents the Group's financial assets that are measured at fair value at 31st December 2016.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	36,720	–	–	36,720
– Debt securities	280,445	–	–	280,445
– Funds and other investments	–	5,762	–	5,762
Derivative financial instruments	–	2,097	–	2,097
Available-for-sale financial assets				
– Listed equity securities	60,259	–	–	60,259
– Other investments	–	–	32,889	32,889
Total assets	377,424	7,859	32,889	418,172

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 bunker price derivative contracts is determined using future commodity price 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 2016	32,889
Fair value change recognised in other comprehensive income	4,400
Closing balance at 30th June 2017	**37,289**

	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

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.

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

	Carrying amount		Fair value	
US$'000	30th June 2017	31st December 2016	30th June 2017	31st December 2016
Non-current bank loans	1,869,356	1,934,061	1,868,263	1,932,904
Non-current finance lease obligations	1,710,266	1,555,211	1,706,478	1,550,622
Held-to-maturity investments	247,929	236,917	263,006	249,984

3. Financial Risk Management (Continued)

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

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

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

4. Critical Accounting Estimates and Judgements

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

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2016.

5. Revenue

US$'000	2017	2016
Container transport and logistics	2,883,527	2,547,306
Rental income	14,606	13,197
	2,898,133	2,560,503

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

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

6. Operating Profit/(Loss)

US$'000	2017	2016
Operating profit/(loss) is arrived at after crediting:		
Interest income from banks	10,411	7,992
Interest income from held-to-maturity investments	5,688	5,881
Gross rental income from an investment property	14,606	13,197
Income from available-for-sale financial assets		
– Distribution	–	3,026
– Dividend income	21,180	22,168
Net gain on interest rate swap contracts	–	56
Fair value gain on foreign exchange forward contract	895	1,547
Gain on bunker price derivative contracts	–	2,180
Portfolio investment income		
– Fair value gain (realised and unrealised)	6,388	7,389
– Interest income	5,696	5,304
– Dividend income	349	394
Exchange gain	11,926	–
and after charging:		
Depreciation		
Owned assets	149,297	148,655
Leased assets	58,334	48,837
Operating lease rental expense		
Vessels and equipment	120,399	140,517
Terminals and berths	29,198	18,511
Land and buildings	16,446	17,636
Rental outgoings in respect of an investment property	7,439	7,515
Loss on bunker price derivative contracts	1,847	–
Loss on disposal of property, plant and equipment	783	1,394
Loss on disposal of held-to-maturity investments	–	74
Loss on disposal of available-for-sale financial assets	192	–
Amortisation of intangible assets	5,491	2,584
Amortisation of prepayments of lease premiums	108	112
Exchange loss	–	7,666

7. Key Management Compensation

US$'000	2017	2016
Salaries and other short-term employee benefits	2,174	2,819
Estimated money value of other benefits	76	54
Pension costs – defined contribution plans	200	261
	2,450	3,134

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	2017	2016
Interest expense	(51,296)	(42,598)
Amount capitalised under assets	6,265	3,004
Net interest expense	(45,031)	(39,594)

9. Taxation

US$'000	2017	2016
Current taxation		
Hong Kong profits tax	(64)	(109)
Overseas taxation	(6,609)	(5,365)
	(6,673)	(5,474)
Deferred taxation		
Hong Kong profits tax	(262)	(24)
Overseas taxation	(13,625)	(3,699)
	(13,887)	(3,723)
	(20,560)	(9,197)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. These rates range from 11% to 46% (2016: 10% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2016: 16.5%).

10. Interim Dividend

US$'000	2017	2016
Interim dividend of US2.14 cents (2016: nil) per ordinary share	13,392	–

The Board of Directors declares the payment of an interim dividend of US2.14 cents per ordinary share for 2017 (2016: nil).

11. Earnings/(Loss) Per Ordinary Share

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

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

US$'000	2017	2016
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit/(loss) attributable to:		
Equity holders of the Company	53,606	(56,659)
Earnings/(loss) per share attributable to equity holders of the Company (US cents)	8.6	(9.1)

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 2016	6,076,673	220,000	7,818	60,143	6,364,634
Currency translation adjustments	1,044	–	146	–	1,190
Fair value gain	–	27,689	–	–	27,689
Additions	307,516	2,311	–	2,486	312,313
Disposals	(1,926)	–	–	–	(1,926)
Depreciation and amortisation	(207,631)	–	(108)	(5,491)	(213,230)
Balance at 30th June 2017	6,175,676	250,000	7,856	57,138	6,490,670
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

13. Debtors and Prepayments

US$'000	30th June 2017	31st December 2016
Trade receivables	367,648	310,742
Less: provision for impairment	(16,480)	(16,313)
Trade receivables – net	351,168	294,429
Other debtors	85,538	72,806
Other prepayments	96,836	93,996
Utility and other deposits	14,072	12,927
	547,614	474,158

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 2017	31st December 2016
Below one month	324,404	271,913
Two to three months	20,418	16,598
Four to six months	2,899	4,839
Over six months	3,447	1,079
	351,168	294,429

14. Derivative Financial Instruments

US$'000	30th June 2017	31st December 2016
Assets		
Current assets		
Bunker price derivative contracts	243	2,097

15. Share Capital

US$'000	30th June 2017	31st December 2016
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 (2016: 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 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707
Total comprehensive income for the period	–	–	–	4,400	5,725	62,634	72,759
Balance at 30th June 2017	172,457	88,547	4,696	35,252	32,804	4,195,710	4,529,466
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
Total comprehensive income/(loss) for the period	–	–	–	14,898	(12,609)	(171,367)	(169,078)
Balance at 31st December 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707

17. Creditors and Accruals

US$'000	30th June 2017	31st December 2016
Trade payables	195,058	198,819
Other creditors	124,216	102,116
Accrued expenses	423,066	354,239
Deferred revenue	46,172	40,723
	788,512	695,897

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

US$'000	30th June 2017	31st December 2016
Below one month	161,429	142,754
Two to three months	21,078	44,932
Four to six months	4,921	656
Over six months	7,630	10,477
	195,058	198,819

18. Borrowings

US$'000	30th June 2017	31st December 2016
Non-current		
Bank loans		
– Secured	1,570,133	1,624,089
– Unsecured	299,223	309,972
Finance lease obligations	1,710,266	1,555,211
	3,579,622	3,489,272
Current		
Bank loans		
– Secured	232,935	242,848
– Unsecured	21,498	21,498
Finance lease obligations	380,163	337,119
	634,596	601,465
Total borrowings	4,214,218	4,090,737

19. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2017	31st December 2016
Contracted but not provided for	428,762	663,951

(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 2017			
2017/18	197,910	32,701	230,611
2018/19	78,853	27,672	106,525
2019/20	69,564	22,680	92,244
2020/21	62,362	13,093	75,455
2021/22	32,374	8,663	41,037
2022/23 onwards	13,125	22,689	35,814
	454,188	127,498	581,686
As at 31st December 2016			
2017	145,136	28,954	174,090
2018	89,135	18,679	107,814
2019	67,095	15,750	82,845
2020	64,770	12,015	76,785
2021	44,043	10,729	54,772
2022 onwards	26,167	24,885	51,052
	436,346	111,012	547,358

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 2017, 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 2017, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2016: 193.0 acreages). The Group and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

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 2017 are as follows:

US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	2,883,527	14,835	(229)	2,898,133
Operating profit	21,776	87,820	–	109,596
Finance costs	(45,031)	–	–	(45,031)
Share of profits of joint ventures	2,046	–	–	2,046
Share of profits of associated companies	7,555	–	–	7,555
Profit/(loss) before taxation	(13,654)	87,820	–	74,166
Taxation	(7,286)	(13,274)	–	(20,560)
Profit/(loss) for the period	(20,940)	74,546	–	53,606
Capital expenditure	310,002	2,311	–	312,313
Depreciation	207,631	–	–	207,631
Amortisation	5,599	–	–	5,599

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

20. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities as at 30th June 2017 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	7,217,893	2,318,036	9,535,929
Joint ventures	12,037	–	12,037
Associated companies	144,718	–	144,718
Total assets	7,374,648	2,318,036	9,692,684
Segment liabilities	(5,002,266)	(98,373)	(5,100,639)

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

US$'000	Container transport and logistics	Others	Group
Segment assets	6,961,231	2,291,322	9,252,553
Joint ventures	11,656	–	11,656
Associated companies	140,381	–	140,381
Total assets	7,113,268	2,291,322	9,404,590
Segment liabilities	(4,809,327)	(75,977)	(4,885,304)

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 property and 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 2017		
Asia	**2,014,511**	**2,707**
North America	**407,322**	**43,944**
Europe	**395,545**	**162**
Australia	**80,755**	**–**
Unallocated*	**–**	**265,500**
	2,898,133	**312,313**
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

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