Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)
Stock code: 0316.HK

ANNUAL REPORT 2017

Corporate Profile

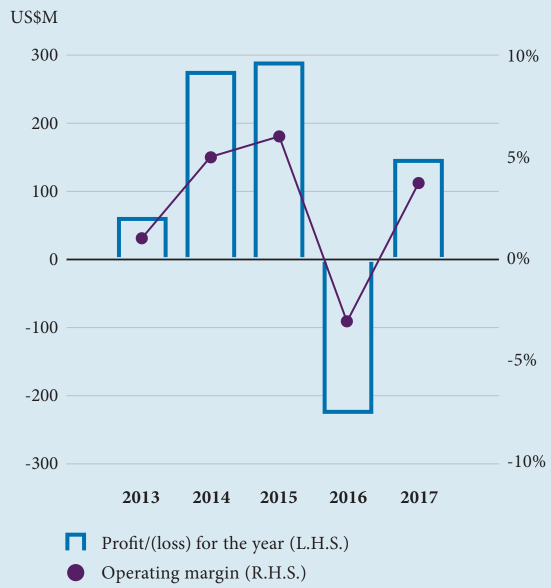
Orient Overseas (International) Limited ("OOIL"), a company with US$6.1 billion in total revenues, has principal business activities in container transport and logistics services. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 360 offices in over 70 countries/regions.

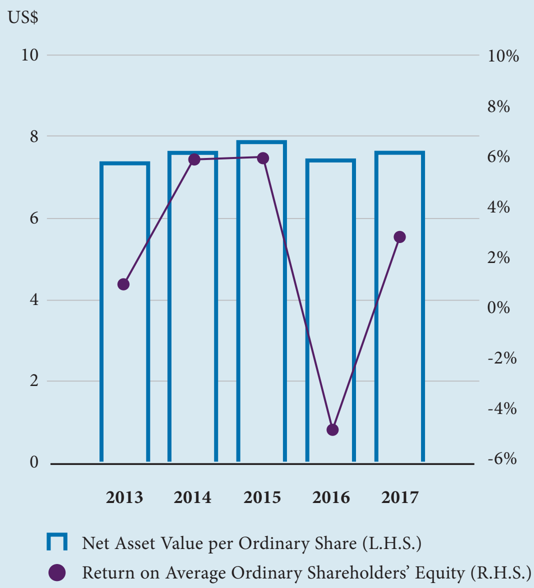
Orient Overseas Container Line and OOCL are trade names for transportation provided separately by Orient Overseas Container Line Limited ("OOCLL") and OOCL (Europe) Limited respectively and both are wholly-owned subsidiaries of OOIL. OOCL is one of the world's largest integrated international transportation, logistics and terminal companies, and is an industry leader in the use of information technology and e-commerce to manage the entire cargo transport process. OOCL's modern fleet today includes some of the youngest, largest, fuel efficient, and environmentally friendly vessels carrying cargo on hundreds of trade routes around the world, providing a vital link in Global Trade.

Contents

Financial Highlights

US$M	2017	2016	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	**6,108**	5,298	15%
Operating profit/(loss)	**232**	(138)	N/M
Revaluation of Wall Street Plaza	**43**	19	135%
Finance costs	**(101)**	(79)	27%
Profit/(loss) for the year	**138**	(219)	N/M
Consolidated Balance Sheet			
Liquid assets	**2,534**	2,187	16%
Property, plant and equipment	**6,251**	6,077	3%
Total assets	**10,069**	9,405	7%
Borrowings	**4,554**	4,091	11%
Total liabilities	**5,387**	4,886	10%
Ordinary shareholders' equity	**4,683**	4,519	4%
Consolidated Net Cash Flow			
Operating activities	**370**	68	444%
Investing activities	**(361)**	53	N/M
Financing activities	**305**	(240)	N/M
Net increase/(decrease) in cash and cash equivalents	**314**	(119)	N/M
Key Ratios			
Operating margin	**4%**	(3%)	N/M
Gross debt to equity	**0.97**	0.91	6%
Net debt to equity	**0.43**	0.42	1%
Return on average ordinary shareholders' equity	**3%**	(5%)	N/M
Earnings/(loss) per ordinary share (US cents)	**22.0**	(35.0)	N/M
Net asset value per ordinary share (US dollar)	**7.48**	7.22	4%





Significant Events – 2017

JANUARY 1 2 3 4

OOCL Logistics (China) Ltd. was among the few enterprises in China to have successfully obtained credentials as an Advanced Certificate Enterprise (ACE) in December 2016, following a rigorous auditing process by the General Administration of China Customs. This top accreditation as an Authorised Economic Operator (AEO) can offer customers speedy and simplified customs clearance for a more efficient supply chain flow.

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OOCL was bestowed the Social Capital Builder Logo Award 2016 organised by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau of the Hong Kong SAR Government on 6th January. Since 2012, this biennial award recognises organisations that contribute to building strong network and relationships among the people who live and work in Hong Kong, and OOCL was recognised for our proactive role in this aspect of our corporate social responsibility initiative.

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On 22nd January, *OOCL Taipei* became the first vessel to utilise shore power at the Da Chan 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 improve the air quality at the Da Chan Bay port community.

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FEBRUARY 5

OOCL announced the combining of its AAA1 and AAA2 service loops in its Southeast Asia–Australia service into one upsized product called the New AAA to provide a more comprehensive service network in the market served by six post Panamax containerships. The upgraded service commenced from Laem Chabang in April.

MARCH 6 7 8 9

Effective 1st April, OOCL expanded service coverage to markets in the Red Sea by introducing the Asia-Red Sea 1 (RS1) and Asia-Red Sea 2 (RS2) products that includes port calls to various strategic locations in the region, such as Jeddah, Aqaba, Sokhna, Port Sudan, and Djibouti.

On 1st March, OOCL and Kaohsiung Container Terminal received the "Golden Vessel Awards" from the Taiwan International Ports Corporation for operationally efficient and environmentally friendly initiatives in reducing emissions.

CargoSmart announced the launch of Route Master, the first tool of its kind that offers shippers and logistics service providers greater visibility over carriers' services and performance by leveraging big data analytics. Based on customised parameters including transit time, reliability, cost and carriers, shippers can make more informed decisions in choosing the best options for their supply chains.

APRIL 10 11

OOCL announced the introduction of a new service to our Intra-Europe Network, the North Europe–Turkey service (NET). The new service commenced from Felixstowe on 8th April, providing a fixed day, weekly direct service covering all the key markets with competitive transit times between North Europe and Istanbul, Izmit and Izmir.

MAY 12 13 14 15 16

OOCL announced the naming of our latest containership, the *OOCL Hong Kong*, at a christening ceremony held at the Samsung Heavy Industries (SHI) shipyard on Geoje Island, South Korea on 12th May. With a carrying capacity of 21,413 TEU, the *OOCL Hong Kong* was celebrated as one of the largest containerships in the world and the first vessel to cross the 21,000 TEU mark. We were very honoured to have Mrs. Mylene Seah as the Vessel Sponsor and her husband, Mr. Peter Seah, Chairman of DBS Bank, as our Guest of Honour.

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On 24th May, the 13,208 TEU *OOCL France* became the largest containership to transit the expanded Panama Canal during her northbound passage from the Pacific Ocean, serving OOCL's weekly East Coast Express 1 (ECX1) service.

OOCL Logistics in China successfully achieved the RSQAS (Road Safety Quality Assessment System) certification following a strict audit process to evaluate the quality, safety, security, and environmental performance of its road transportation services. The RSQAS is a certification program of the AICM (Association of International Chemical Manufacturers) and the success in achieving this certification will help OOCL Logistics improve its competitive position in the industry and secure business prospects with chemical giants looking for quality and reliable services.


14

OOCL enhanced our services in the United Kingdom by offering direct calls to the Port of Felixstowe, a strategic gateway where we can leverage the comprehensive transportation network and connections through rail and trucks to offer customers best-in-class products and services in the region.

Two new products, the Indonesia Thailand Straits Service (ITS) and Vietnam Johor Straits service (VJS) were introduced to our Intra-Asia service network to enhance our product portfolio in meeting the requirements of customers trading in Indonesia, Thailand, Vietnam, Malaysia and Singapore. The ITS commenced service on 3rd May while the VJS became effective on 11th June.

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JUNE 17 18 19 20

OOCL received a Level A rating in the BICEPS (Boosting Initiatives for Collaborative Emissions-reduction with the Power of Shippers) assessment for our sustainability efforts. The BICEPS rating system (from Levels A to F, where A is the highest possible rating) was launched in 2015 to boost initiatives and create momentum for the implementation of sustainability solutions in the shipping sector and helping shippers choose more sustainable ocean freight carriers.

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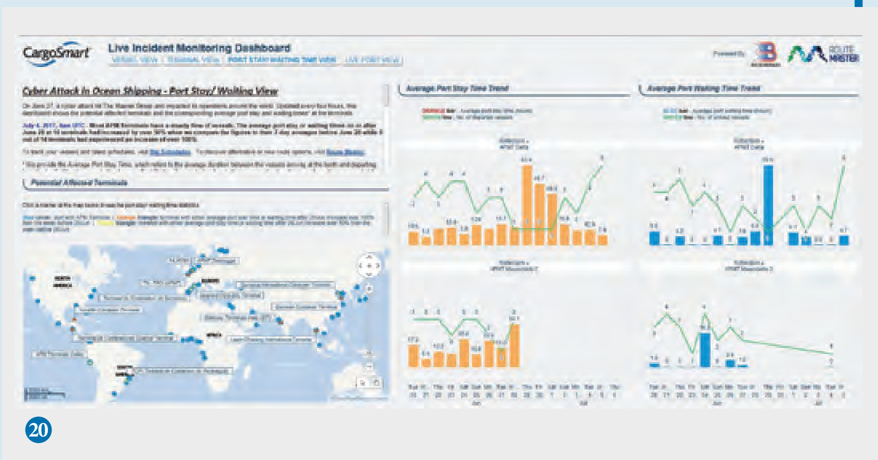
On 22nd June, the *OOCL Hong Kong* made history by being the largest containership in the world to serve the European market through her maiden call at the Port of Felixstowe in the United Kingdom.

In response to a cyber-attack that hit a major international carrier which significantly impacted its operations around the world, CargoSmart launched a new tool called the "Live Incident Monitoring Dashboard" to help the industry track the latest status of the impacted vessels and terminals. Through analysing a massive amount of data, the Dashboard is able to present it into different viewing formats, such as Vessel View, Terminal View, Port Stay/ Waiting Time View, and Live Port View. The Dashboard publishes its latest findings twice a day, seven days a week.



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JULY 21

On 9th July, COSCO SHIPPING Holdings Co., Ltd. (COSCO SHIPPING), Shanghai International Port (Group) Co., Ltd. (SIPG), and Orient Overseas (International) Ltd. (OOIL) jointly announced that COSCO SHIPPING and SIPG have made a pre-conditional voluntary general offer to all shareholders of OOIL to acquire all issued OOIL shares at an offer price of HK$78.67 for each OOIL share.

On 17th July, the 13,208 TEU containership *OOCL Berlin* became the largest containership ever to call at the Port of New York and New Jersey following the newly elevated Bayonne Bridge from 151 feet to 215 feet, allowing larger vessels such as the *OOCL Berlin* to transit underneath. This event also marks the beginning for international carriers to deploy larger vessels of up to 18,000 TEU size containerships to the Port of New York and New Jersey as cargo demand grows.

AUGUST 22

Orient Overseas (International) Limited and its subsidiaries (the "Group") announced a profit attributable to equity holders of US$53.6 million for the six-month period ended 30th June 2017, compared with loss of US$56.7 million for the same period in 2016 in its interim results announcement.

On 22nd August, OOCL celebrated the christening of *OOCL Germany*, the second 21,413 TEU newbuilding built at the Samsung Heavy Industries shipyard on Geoje Island. The vessel was named by Mrs. Akiyo Moue, wife of Mr. Nozomi Moue, Managing Executive Officer of Shinsei Bank.

OOCL announced its achievement in not only meeting the Greenhouse Gas (GHG) Scopes 1 and 2 inventory verification requirements that was announced last year, but also for Scope 3 by focusing on indirect emissions associated to air travel by employees of its Hong Kong office as defined in the "Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard".

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SEPTEMBER 23 24 25 26 27 28

On 1st September, OOCL commemorated the christening of *OOCL Japan* at the Samsung Heavy Industries shipyard on Geoje Island and also announced that her sister vessel, the *OOCL Hong Kong*, was officially confirmed to receive the Guinness World Records title as the world's largest containership by carry capacity at 21,413 TEU.

On 2nd September, CargoSmart organised its third successful public IT event with the theme "Digital Innovation – Being Competitive Now and in the Future" at the Hong Kong Science Park. The conference was able to showcase CargoSmart's visionary approach to IT and its innovative culture to the public and professional community.

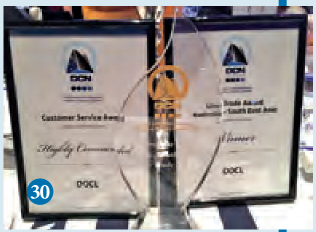
OOIL became a signatory of the United Nations Global Compact (UNGC), the largest corporate sustainability initiative in the world with more than 9,500 participating companies in over 160 countries. Being the first Hong Kong-based enterprise in the international and logistics industry to participate in this initiative, OOIL is committed to supporting the Ten Principles of the UNGC that sets out fundamental responsibilities in areas such as human rights, labour, environment and anti-corruption.

On 27th September, OOCL commemorated the christening of its fourth 21,413 TEU newbuilding in the line of six built by the Samsung Heavy Industries shipyard. The *OOCL United Kingdom* was named by our Sponsor, Mrs. Tamiko Onaka, wife of Mr. Koichi Onaka, Managing Executive Officer of Sumitomo Mitsui Trust Bank, who was our Guest of Honour at the ceremonial event.

OCTOBER 29

OOCL took top honours at the Singapore Environmental Achievement Awards (SEAA) ceremony held at the Singapore Environmental Council's (SEC) Conference Day event on 13th October. Presented with the "Outstanding Singapore Environmental Achievement Award", this recognition honours one top performer amongst all the SEAA categories demonstrating commitment to environmental excellence and protection of the natural environment. OOCL was also a winner in the SEAA Maritime sector category which recognises a maritime company that has strong management policies in place and also focuses on industry leading initiatives and continuous innovation in its sustainability work.

NOVEMBER 30 31

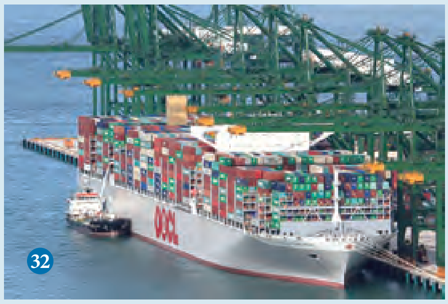


On 16th November, OOCL took home two trophies, namely the "Customer Service Award" and the "Liner Trade Award: Australia-South East Asia" at the 22nd Australian Shipping and Maritime Industry Awards hosted by the Daily Cargo News (*formerly Lloyd's List Australia*). Receiving these awards is a testament of our continuous innovation for industry leading products as well as our dedication and success in serving our customers.

OOCL was awarded with the "Certificate of Excellence" and the "Special Recognition for Creative Sustainability Idea" at the inaugural Hong Kong Sustainability Award 2016/17 ceremony organised by the Hong Kong Management Association on 16th November. OOCL stood out as the only one out of seven organisations receiving two awards which aimed at benchmarking organisations' sustainability practices in economic, social and environmental aspects while achieving good business and organisational performance.

On 21st November, OOCL introduced the *OOCL Scandinavia*, the fifth 21,413 TEU newbuilding of the six on order at the Samsung Heavy Industries shipyard, into our fleet of world trade ambassadors. We were very honoured to have Mr. Yue Yi, Vice Chairman, Executive Director and Chief Executive of the Bank of China (Hong Kong) Ltd, join us as our Guest of Honour and to witness the christening of the vessel.

DECEMBER 32 33 34 35



OOCL announced the launch of our new China Pakistan Express 2 (CPX2) and China Pakistan Express 3 (CPX3) products to enhance our Intra-Asia network. The first sailings for both services started on 12th December from Shanghai, where the CPX2 offers competitive and direct services from Xiamen to Karachi as well as Karachi to Shanghai, while the CPX3 provided additional sailing frequency from Central China to Mundra. Together with our China Pakistan Express (CPX) product, we are able to offer a very comprehensive network with three sailings per week from Asia to Pakistan.

Following the success of the Day One products introduced in April 2017, OOCL was pleased to announce the forthcoming launch of the second phase of the OCEAN Alliance products in April 2018, an improved suite of products providing industry-leading services to customers.

Chairman's Statement

"Against this gradually improving economic background, and in the context of a consolidating industry, the future for OOIL appears to me to be promising. We are well placed to continue to grow, and look forward to maintaining our track record of being amongst the most consistently highest performers in the industry."

Tung Chee Chen
Chairman and CEO

The economic backdrop for 2017 was more robust than forecasters had expected. Following a decade of low growth, we saw healthier performance in both GDP and trade volumes across most of the world's major economies. This was a welcome change after the industry's low point of 2016.

This synchronicity of growth, a rare phenomenon in recent memory, may bode well for the sustainability of the recovery.

However, growth on the supply side continues across the trade lanes. Even if the ordering of new vessels remains muted in relative terms, upsizing of capacity continues in certain key routes. Ultra-large vessels ordered in the past few years are now being delivered and brought into operation. Furthermore, as trade growth improves, the industry continues to introduce additional services using cascaded or previously idled capacity.

This combination of better economic growth and continuing (if moderated) growth in supply, along with higher bunker prices, means that for OOIL and our peers, the environment remains merely one of gradual recovery, not the boom that some analysts expected when improved economic data first started to appear.

Once the large new vessels scheduled to be delivered in 2018 have been brought into service, with a comparatively low order book for 2019 and 2020, and taking into account the improved economic data, we are hopeful that the industry may start to enjoy greater stability than it has done for many years. In the meantime, we maintain a positive, if somewhat cautious, stance.

I am pleased to report that OOIL generated a profit attributable to shareholders for 2017 of US$137.7 million (2016: loss of US$219.2 million), with earnings per ordinary share for 2017 of US22.0 cents (2016: loss per ordinary share of US35.0 cents).

After consultation with the Offerors, in accordance with the Joint Announcement dated 7th July 2017, the Board does not recommend the payment of a final dividend for the year.

2017 has been a year of considerable growth for the group. I am pleased to note that this growth has been achieved without a deleterious effect on the profit and loss account. We have now taken delivery of all six of our 21,413 TEU ships, with these titans of the sea providing us not only with additional capacity, but also with a more efficient cost base.

One of the cornerstone strategies for many years of the OOIL group has been to work in alliance. We are now almost into the second year of the Ocean Alliance with COSCO, CMA CGM and Evergreen. Alliance membership continues to deliver meaningful benefits in terms of network and scale, and very much remains part of delivering our growth strategy.

With 2018 benefitting from being the first full year of operation for our new mega vessels, and against the background of improved economic growth, we shall continue to grow throughout 2018.

The second phase of our Middle Harbor Redevelopment Project in California commenced operations towards the end of 2017. We are delighted with the progress made so far, and already feel the benefit of greater efficiency through welcome cost gains.

The liner industry has continued its path towards greater consolidation, a path that no doubt has further to run. No small part of that process is the joint offer (the "Offer") by COSCO SHIPPING Holdings Co., Ltd. and Shanghai International Port (Group) Co., Ltd. for the shares of OOIL. At the time of writing, work continues on satisfying the final pre-conditions relating to this voluntary general offer.

I continue to believe that the Offer provides OOIL and the China COSCO Shipping Group an opportunity to build upon the strengths of both sides, and thereby to create not only a global leader, but also one of the most efficient, effective and profitable liner services in the industry. Scale is important in container shipping, as it always has been, but it is arguably more important now than ever before. The Offer gives OOIL the chance to step up in scale at a most opportune time.

OOCL Logistics ("OLL") continues to develop steadily and profitably. The profitability of OLL's domestic logistics activities improved. OLL's core business of managing the international supply chains of large retailers in North America and Europe retained its role as the key profit driver. The goal is to build and grow the business, in what is unquestionably a highly competitive market.

Tying together the success of these three strands, our liner activities, our terminal activities and our logistics activities, are many things, not least the OOCL take it personally spirit, which applies to everything we do, from delivering quality service to handling customer relationships and managing costs. A key element of being able to deliver this total service is our approach to digital technology. In addition to enhancing supply chain visibility for customers, we are also embracing the use of data analytics to enhance yield management and internal operating efficiencies. The OOIL group remains fully committed to continuing its quest to invest in the development of digital technology.

The future of container shipping demands a seamless interface not only between the different steps on the journey of each box, but also between all parties involved. Our goal is to achieve total integration of supply chains, and of the communication between all the moving parts therein, thereby generating cost and efficiency gains for all stakeholders along the logistics supply chain.

Against this gradually improving economic background, and in the context of a consolidating industry, the future for OOIL appears to me to be promising. We are well placed to continue to grow, and look forward to maintaining our track record of being amongst the most consistently highest performers in the industry.

C C Tung
Chairman

Hong Kong, 9th March 2018

Operations Review

> " The container transportation industry enjoyed markedly better trading conditions in 2017 than it had in 2016."

CONTAINER TRANSPORT

The container transportation industry enjoyed markedly better trading conditions in 2017 than it had in 2016.

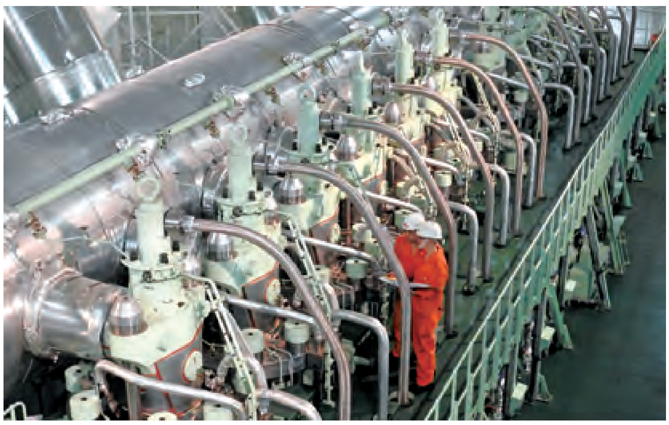
During the last few months of 2016, which had been a truly terrible year for container shipping, we had begun to see small signs of improvement. Load factors started to stabilise, and rates left their relentless downward trajectory. By this point, the pressure on market container shipping companies had become so great that not only had some of the more predatory pricing seen in the market ceased to appear (because it was unsustainable), but also the first collapse of a sizeable container line in recent times occurred.

Around the time of this same turning point, we witnessed a positive and extremely welcome change in the strength of global economic growth, both in terms of GDP and in terms of cargo volumes. For the first time in perhaps a decade, cargo volume growth returned to being a multiple of GDP.

This change in market direction, which began during some of the worst markets ever endured in container shipping, continued and strengthened throughout most of 2017.

Initial response to this improved situation was perhaps excessively exuberant. A number of analysts noticed strong statistics and forecast a return to some form of boom for container shipping. This reaction, coming after the travails of 2016, can easily be understood, especially when looking at growth levels on the major East-West trades that are much better than seen for a number of years.

However, the reality of the freight rate market in 2017 was one of a slow but relatively sustained recovery. It is likely true to say that rates would have been better if there had been fewer new vessels being delivered, but this conveys a pessimism that is probably not warranted. It is no less true, and rather more optimistic, to say that strong cargo volume growth during 2017 has helped the industry to absorb the introduction of new large vessels as well as the reintroduction of a lot of capacity that had previously been idled.



On the basis of the data that continues to be strong in almost all of the major economies, taking into account the relative lack of ordering of newbuildings, and bearing in mind that the industry has already advanced considerably from its previously extremely fragmented context, it would seem that this slow but steady recovery could continue throughout 2018.

In this much improved context, OOIL was able to generate a profit for the year, in a very significant turnaround of fortunes from 2016.

Despite our higher mix of volume in the US and European markets generated through our growth in East-West trade capacity, costs have remained largely under control. We look forward to continuing to achieve cost efficiencies, not least on account of our new larger vessels. Furthermore, our Long Beach Container Terminal is creating welcome and significant cargo cost reductions.

It is certainly true that bunker prices rose materially from their low point in early 2016 to where they finished 2017. However, while any increase in cost is not exactly welcome, the increase in revenue has outweighed this additional outlay. Furthermore, extremely low oil prices can cause market distortions in the freight rate, and are thus not an entirely unmitigated benefit. That is to say that, although low prices enable liner companies to tolerate unsustainably low rates for longer, they can equally lead to the kind of downward price spirals seen in 2016, where some companies feel emboldened to accept absurdly low market rates in order to win market share.

One of the major operational achievements of 2017 was the launching of services under the newly formed Ocean Alliance. This the most dramatic change of the industry's alliance structure in many years, indeed perhaps ever. Coming towards the end of the first year of operation, OOCL can clearly feel the benefits that alliance membership brings in terms of network planning, network scope, utilisation and the management of business risk. The network for our alliance's second year of operation has been planned, and we look forward to gaining ever increasing benefit through these new enhanced arrangements.

2017 was a year of tremendous growth for OOCL in both European and US bound trades. For the full year 2017, OOCL's liftings were up 3.6% overall, but 16.3% on Trans-Pacific and 19.7% on Asia-Europe. This growth outpaced the already strong volume growth seen in the market as a whole. Our Intra-Asia liftings fell by 11.2%, but this was a deliberate strategy imposed following a review of certain unprofitable routes – we are pleased with the turnaround in Intra-Asia trade performance seen since our network was restructured.

The second phases of our Long Beach Container Terminal in California came into operation in the fourth quarter of the year. We look forward to continued efficiency gains and cost savings, now on a much larger scale. Full completion of the project is scheduled for 2021.

		Growth in 2017	
OOCL Liner	**TEU**	**Revenue**	**Revenue/TEU**
1Q17 v 1Q16	**7.0%**	6.4%	(0.6%)
2Q17 v 2Q16	**6.6%**	23.8%	16.2%
3Q17 v 3Q16	**5.0%**	26.5%	20.6%
4Q17 v 4Q16	**(3.3%)**	6.0%	9.6%
Total	**3.6%**	15.4%	11.4%

	LIFTING ('000 TEU)			REVENUE (US$ million)		
Trade	**2017**	2016	Variance	**2017**	2016	Variance
Trans-Pacific	**1,812**	1,558	16.3%	**2,067**	1,723	19.9%
Asia-Europe	**1,138**	951	19.7%	**1,102**	766	43.9%
Trans-Atlantic	**430**	396	8.7%	**495**	517	(4.3%)
Intra-Asia/Australasia	**2,919**	3,176	(8.1%)	**1,761**	1,695	3.9%
Total	**6,299**	6,081	3.6%	**5,425**	4,701	15.4%

Trans-Pacific – The clearest example of the kind of slow and steady recovery that marks 2017 is the Trans-Pacific trade. The low contract rates agreed in early 2016 weighed on the P&L for the trade until April 2017. However, with the spot market improving from the fourth quarter of 2016, and continuing to improve (ignoring seasonal effects) through the third quarter of 2017, performance has improved. Contract rates agreed in early 2017 also brought further improvement from around the middle of the year, even if the improvement was small.

The real surprise has been the remarkably strong cargo volume growth. In this area, as with many other economic indicators, the US economy appears to be much stronger than most analysts had predicted. While the potential threat of new trade barriers, in one form or another, remains, the growth appears to be continuing, and may even be enhanced by tax reforms that could lead to greater consumer and corporate spending power.

OOCL's market share of Trans-Pacific cargo is now 6.5%, the highest it has ever been. This position follows a year of OOCL cargo volume growth being at 16.3% in Trans-Pacific trade. We anticipate that 2018 will also be a year of meaningful growth for OOCL on these tradelanes.

Asia-Europe – By the end of 2016, the European economy had started to show the first signs of generating some growth, after several years of weak performance with only occasional bursts of better results. However, 2017 surprised to the upside.

During 2017, cargo volume growth on the Asia-Europe trade reached over 4%, and remained consistently at or around that level. Economic performance in most European countries started to improve, with generally encouraging indicators. The UK's Brexit vote turned out not to have had the doomladen dramatic effect that some commentators had predicted. Consumer confidence, and even corporate confidence, started to return.

At the start of the year, the Europe to Asia "backhaul" cargo volumes were also very strong. In recent years, we had witnessed the backhaul rates sometimes being stronger than the headhaul rates, for the reason that the headhaul rates were just so weak – but at times in 2017, particularly in the early part of the year, we saw genuine strength in both the headhaul and the backhaul.

This much rosier situation has not led to record high rates, not by any measure. Large vessels ordered some years ago continued to be delivered during the year, leading to greater supply side growth that more or less matched demand side growth.

Trans-Atlantic – The trend of recent years, with this trade being more and more imbalanced between westbound and eastbound cargo continues. However, like other trades, very decent levels of cargo volume growth (7.3% on Trans-Atlantic, for the industry as a whole) have helped the industry to withstand the challenges brought about by the introduction of new capacity.

Intra-Asia and Australasia – The Intra-Asia trade suffered in 2016. As a result of this, we conducted an in-depth review of all our Intra-Asia tradelanes, looking at capacity, alliance or slot-sharing arrangements, routings and port calls, among other things. This review resulted in a reduction of the services we provide on some routes. At the same time, we have introduced a number of new or upscaled services in areas where performance is better. The outcome has been very positive, as our Intra-Asia Revenue per TEU data suggests. Moreover, during 2017, and despite a poor start, the Intra-Asia trade has gradually picked itself up, month by month. At the start of the year, year-to-date cargo volume growth was in negative double figures, but by the end of the year, growth had returned to positive. As the East-West trades continue to hold at decent levels, and as Asian growth in certain key economies appears to improve, we look forward to continuing improvement for our Intra-Asia Trade.

Another pleasing surprise has been the performance of the Australian trades. After a tough couple of years, perhaps driven by the commodity cycle, Australian economic performance has rebounded. Australia cargo volumes have improved commensurately.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 7.5% and 19.7% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.3% and 5.9% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

MARINE TERMINALS

During 2017, OOCL operated two container terminals: the Long Beach Container Terminal (LBCT) in California and the Kaohsiung Container Terminal in Taiwan, with a total combined throughput of 2.7 million TEU, representing a year over year increase of about 15%. Tianjin Port Alliance International Container Terminal Co., Ltd. and Ningbo Yuandong Terminal Ltd., where OOCL has a 20% interest in each, together handled about 5 million TEU, a 18% increase over 2016.

Middle Harbor Redevelopment Project

OOCL and its subsidiary LBCT continue to work with the Port of Long Beach (POLB) on the Middle Harbor Redevelopment Project (MHRP) in Long Beach, California. The project is to be developed in three phases. After extensive equipment testing, systems development and professional training through 2015 and early part of 2016, Phase I went live on 7th April 2016 and has been in full operation since.

In October of 2017 Phase II of the project went live with all operations being conducted at the new MHRP Pier E facility. The old berth and yard at Pier F is now closed. This is another major milestone for the Group as LBCT will become one of the most operationally efficient and environmentally friendly port terminals anywhere in the world.

Our expanded new terminal at Long Beach will, over time, drive more and more benefit for the Group. This will be achieved not only by cost-efficient handling of calls by our own vessels and those of our alliance partners, but by opening up the possibility of third party business and therefore additional revenue streams.

Long Beach Container Terminal, LLC. (LBCT LLC)

Location:

Long Beach, California, USA

Status of Terminal:

Currently at 198 acres, to be expanded into a 304-acre, three-berth container facility operated under a long-term preferential use agreement from the Port of Long Beach.

Equipment/Facilities:

On Pier E: currently two container-vessel berths; ten ship-to-shore gantry cranes, 51 automated stacking cranes, four rail yard cranes, 134 bombcarts, one reach stacker, one combi-lift straddle carrier, 61 yard tractors, four heavy lifts, one fuel truck, 56 pickup trucks, one tour bus, two shuttle buses and two tophandlers.

Building Facilities:

13,000 sq ft main office building; 3,200 sq ft marine operations building; 9,600 sq ft repair shop.

Principal Customers:

CMA CGM, COSCO, Evergreen and OOCL.

Kaohsiung Container Terminal (KAOCT)

Location:

Pier 65 and 66 Kaohsiung Harbour, Kaohsiung, Taiwan

Status of Terminal:

As one of the original container facilities in the Kaohsiung Harbour, the Kaohsiung Container Terminal has deep-water berths of 14.5 meters and the entire facility has been modernised since 2002 and then upgraded again in 2012 with the ability to handle two 10,000-TEU vessels or one 13,000-TEU and one 8,000-TEU vessels simultaneously.

Equipment/Facilities:

Two container-vessel berths (760 meters long) on a total of approximately 63.6 acres operating on a 24-hour, 7-day a week basis for vessel and gate activities: Seven quay cranes including four with 19 rows, two with 22 rows and one with 23 rows of twin 20 ft lifting capacity; 20 rail-mounted gantry cranes; five empty stackers and various shipside handling equipment.

To further enhance services and improve efficiency, two terminal upgrade projects have been carried out which include the completion of an expansion of the container storage area ZONE 6 by 1,500 TEU in January 2014 and an empty storage area ZONE 7 by 4,000 TEU in April 2015. After the completion of the first project, the rail-mounted gantry cranes are now able to handle 1.6 million TEU per annum and carbon emission will be further reduced as well.

Building Facilities (approximate area):

2,948 sqm office building, 7,000 sqm container freight station, 720 sqm maintenance building.

Principal Customers:

ANL, APL, COSCO, EMC, HPL, HYMM, IRISL, MOSK, NYK, OOCL, PIL, WHL, YML, ZIM and various feeder operators.

SHIP OPERATIONS

As at 31st December 2017, OOCL fleet composition was as follows:

Fleet	No. of Vessels	TEU Capacity
Owned/ Long Term Chartered/ Operating Lease	67	563,622
Short Term Chartered	35	134,779
Operating Capacity	102	698,401

During the year, the Group took delivery of five of a total of six "Giga" Class 21,413 TEU vessels ordered from the Samsung Heavy Industries shipyard. This series represents an important milestone for the Group, being the first in the industry to build a containership breaking the 21,000 TEU mark. The first vessel was named *OOCL Hong Kong* and had been recorded by the Guinness World Records as the world's biggest containership by carrying capacity. The last vessel in the series, named *OOCL Indonesia*, was scheduled for delivery in January 2018.

No orders for new buildings were placed during the year.

As of the end of 2017, OOCL owned vessels with an average age of 7.92 years and an average size of 8,707 TEU.

Bunker Saving

While bunker prices fluctuated during the first half of 2017, it began trending upwards in the second half with a sharp rise over the last four months of the year. We continued to intensify our focus and efforts on our bunker and lubricant oil savings program for improved cost and operational efficiency levels. Some of the areas include optimal routing, continual vessel speed optimisation to efficiently adjust for the latest port berthing schedules, and better power management on our vessels by minimising ballast and attaining optimal trim.

The close coordination, dedication and professionalism of our people both on-shore and onboard are key to the success of our cost saving achievements.

Environmental Protection

As a responsible global corporate citizen, we remain very supportive of international efforts to measure and control shipboard emissions. In 2017, we maintained an average sulphur content of 2.60% in our bunker consumption which compares favourably with the International Maritime Organization (IMO) prescribed standard of 3.5%. In addition to the installation of Alternative Maritime Power (AMP) systems for shore-based power alternatives, our new buildings have been equipped with Ballast Water Treatment systems to treat the water and protect sensitive maritime environments. When our vessels are being serviced during drydocking periods, copper-free SPC paints are used to minimise any impact to the environment as well as to improve vessel fuel efficiency. Some retrofit programs are also underway to allow some of our existing vessels to improve fuel efficiency as well as emissions reduction.

In addition to regulatory compliance, we have also been active in various environmental programs including the Green Flag Program at the Port of Long Beach, Vessel Speed Reduction Program at the Port of Los Angeles, Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT), as well as the AMP shore-power system at various ports in USWC and China.

LOGISTICS

In 2017, OOCL Logistics' revenue, gross profit and net profit after tax increased by 7.8%, 7.6% and 5.6% respectively.

For our International Supply Chain Management services, we were pleased with our performance in securing new contracts during the year as overall revenue continued to grow. We spent much effort on helping our clients enhance their supply chain visibility and efficiency, optimise operation network, and reduce supply chain cost through the use of our innovative solutions and systems such as the powerful features from our Podium platform and the Intelligent Report System. Our dedication to quality and providing best-in-class services and reliable products further strengthened the quality mark in our brand and thus the customer's confidence in OOCL Logistics.

The sea-freight NVOCC (Non-Vessel Operating Common Carrier) business, such as FCL (Full Container Load) and LCL (Less Than Container Load), faced tremendous challenges, particularly from the effects of the high volatility of capacity, equipment, and ocean freight rates in the liner industry during the first half of 2017. However, we have seen marked improvements in the performance of our Freight Forwarding and Owned Customs House Brokers operations in Shanghai and Ningbo, as well as our various depot operations in China and Vietnam. The air-freight forwarding business further soared in 2017 while the railway services between China and Russia, Germany and other European countries also continued to grow.

For the Domestic Logistics business, the effective utilisation of our long-term leased warehouses throughout China and Indonesia has seen significant improvements which helped enhance the profitability of our Warehouse and Distribution segment. Our cold chain logistics activity in China also grew, particularly in the cold chain transportation and warehouse business that helped push up our profit margin.

By leveraging on our superior IT capabilities and management expertise, our Software-as-a-Service has made very good progress by providing our clients with Weika, TMS, WMS and Control Tower which have been integrated into our clients' supply chain operations and management.

In addition to our various business development projects, we also focused on improvements to our overall operations by tackling challenges in areas such as operational productivity, cost control, asset efficiency, and raising our quality services to new levels in order to enhance our competitive position in the industry.

INFORMATION TECHNOLOGY

In 2017, the trend and momentum of digitisation in the industry gained significant attention where we saw collaborative efforts being established across sectors to explore new opportunities to improve the global supply chain by adopting new information technologies. Over the last few years, we have established a strong digital agility foundation as we embark on our digitalisation journey by working with Pivotal Labs in transforming the way we build our software which include leveraging their Cloud Foundry offerings as well as integrating with Microsoft Azure and Oracle Cloud Computing technologies to enable elasticity beyond our two production data centers in Hong Kong thereby simplifying the work of our application team. We have also brought in Continuous Integration and Continuous Delivery (CI/CD) and Test-driven development (TDD) tools and processes. Today, we have all the basic capabilities to further build on our cloud-native applications – one that leverages the as-a-Service advantage and is highly portable among cloud operators and our data centers.

Mitigating cyber security risks continues to be our strategic focus. To protect the Group from financial loss and significant reputational damage due to the sophisticated and ever evolving cyberattacks, we have taken a three-tiered approach to protecting ourselves from cybercrimes and this includes: user awareness, technology deployment, and incident response. As we continue to provide ongoing security awareness training to educate our people about cybercrimes, we invested in several state-of-the-art protection tools and big data security analytics to enhance our defensive capabilities. This also includes managing our security services to better detect and remediate any threats in order to ensure the integrity of our IT infrastructure and systems. By leveraging cyber security threat analytics and early warning detection, we have developed comprehensive security incident handling procedures to cope with various types of security incidents, allowing us to respond to security incidents more effectively. We further invested in Micro-segmentation to help ensure for a speedy recovery in a post-cyberattack situation.

Our Decision Support development has been very positive following the success of our traffic disruption control efforts in 2016. We extended our development efforts to network space optimisation for both laden and empty containers and we achieved great success in the pilot regions. The promising results supported our efforts for further developments in this area as well as global implementation in 2018. Leveraging our Internet of Things experience in the ocean transportation sector, we also applied the analytics to the intermodal and rail sector which helped to complete our end-to-end capability for disruption handling as well as minimising costs and providing better customer services.

CargoSmart

In order to streamline the Ocean Alliance's (OA) vessel schedules and operation, the OA Operations Coordination Center (OCC) leveraged on CargoSmart's solution to better manage the schedules update operation among the four members. The solution allows member carriers to exchange schedules in real-time through CargoSmart's GVVMC where the OCC operation team will receive alerts in real-time on schedule disruptions such as ad-hoc ETA or port changes, or Proforma discrepancies covering over 430 vessels in more than 40 OA services. The CargoSmart solution went live in September 2017, shortly after 5 months when the OA launched it services in April.

CargoSmart built upon the success of the OCC solution and helped one of the OA members, namely Evergreen Line (EMC), to further modernise their schedule operations, including those from their slot and chartered partners. OmniOcean extends on its original solution with additional capabilities in providing alerts to the EMC operation team, such as speed/route exception which is one among the 15 vessel voyage exception alerts being offered. OmniOcean allows EMC to better collaborate with all their partners on the schedule operations of over 770 vessels.

Through July 2017, our IRIS-4 Liner enterprise solution has been enhanced to cater to COSCO SHIPPING's requirements where we tested the system to handle the projected business volumes from the liner. This service is being offered on a subscription basis.

PROPERTY

Based on an independent valuation as at 31st December 2017, Wall Street Plaza was valued upwards by US$50 million, reflecting an assessed market value of US$270 million. After offsetting a total of US$6.6 million capital expenditures on the building in 2017, the net fair value gain for 2017 has come to US$43.4 million.

As at 31st December 2016, Wall Street Plaza was valued at US$220 million with a net fair value gain of US$18.5 million in 2016.

Corporate Responsibility

"The Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does."

The Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does. Headed by a senior management Steering Committee and a Global Security, Safety and Environment Care Officer, the Group embraces the core values of Corporate Social Responsibility at all levels.

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

The Group is dedicated to promoting sustainable practices into our supply chain. Our Corporate Sustainable Procurement Policy has been implemented in every aspect of our business and at every stage of the supply chain. For example, under our vendor and supplier selection mechanism, a self assessment of the potential contractor must be completed to confirm their compliance to our Safety, Security, Environmental and Social Guidelines, where on-site verification of their facilities may be conducted if deemed necessary. Once compliance is confirmed we would review and work with our vendors to ensure compliance levels are maintained.

In addition, the OOCL Carbon Calculator is designed to assist OOCL customers measure CO_2 emissions in their supply chains. The scope of the calculator spans across vessels, trucks, feeders, and rail with over 70,000 port pairs recorded. OOCL spearheaded the project in 2010, partnering with the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University. The Calculator has been checked and verified for its methodology, accuracy and carbon footprint calculations by The American Bureau of Shipping (ABS) Consulting.

OUR ENVIRONMENTAL INITIATIVES

The Group recognises that businesses must take responsibility for their industry's effects on the environment. Our company is dedicated to meeting the needs of the present without compromising those of the future. We encourage sustainable economic development through innovative environmental care measures and believe that by taking a proactive role in caring for the environment, we can help minimise our carbon footprint, improve air quality and make the world a better place to live for ourselves and future generations.

We actively participate in green programs and have received recognition for our achievements and best practices, including:

The Safety, Quality and Environmental (SQE) Management System Certificate – OOCL was the first container shipping line in the world to have achieved the SQE certification which consolidates the ISM-Code, ISO 9001 and ISO 14001 requirements.

Vessel Speed Reduction Programs – Each year, OOCL has been fully compliant to reducing vessel speed when entering within both 20 and 40 nautical miles of the Port of Long Beach and Port of Los Angeles harbors. Our efforts have effectively contributed to improving the air quality by reducing emissions such as smog forming nitrogen oxides NO_x, diesel particulate matter and greenhouse gases. Port officials estimate that if all vessels comply with the program, the amount of NO_x produced by container ships would be reduced by nearly 550 tons a year.

Ballast Water Management Program – All container ships discharge ballast water, which can contain organisms that may be harmful to other environments. We have a policy of exchanging ballast water only in the open sea (200 nautical miles away from the nearest coastline) to achieve zero ballast water exchange when berthed at the port. Although it is not mandated by the International Maritime Organization (IMO), OOCL's new buildings are already equipped with an IMO approved Ballast Water Treatment System to effectively treat ballast water before discharging.

Hong Kong Green Organisation Certification (HKGOC) – The HKGOC aims to benchmark the performance of "green" organisations to encourage them to sustain their various environmental best practices. It also presents organisations with the opportunity to demonstrate their commitment to improve different aspects of their environmental performance. In appreciation of our efforts towards environmental protection, OOCL was given the status of "Hong Kong Green Organisation" (HKGO) by the Environmental Campaign Committee (ECC) from being a Gold Winner in the Hong Kong Awards for Environmental Excellence (HKAEE).

"Class of Excellence" Wastewi$e Label – OOCL also received environmental recognition for our participation and performance in the Wastewi$e Label Scheme under the Hong Kong Awards for Environmental Excellence (HKAEE) program. Under the Scheme, participants must achieve at least nine goals or more, covering at least two of three Wastewi$e categories in order to be granted with the "Class of Excellence" Wastewi$e Label. The three categories include Waste Avoidance & Reduction Measures, Collection and Recycling of Recyclable Materials, and Purchase or Manufacture of Recycled Products.

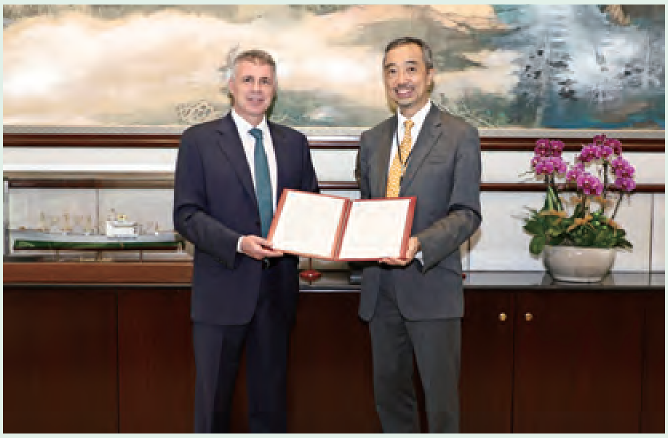
OOIL becomes a FTSE4Good Developed Index Constituent – The FTSE4Good Developed Index is one of the world's most recognised and respected indices measuring the performance of companies demonstrating strong Environmental, Social and Governance (ESG) standards for investors committed to socially responsible investments. OOIL is honoured to be the first Hong Kong-based enterprise in the international transportation and logistics industry to be included in the Index. Independently assessed according to the Index criteria, OOIL has met all ESG requirements to become a constituent of the Index for the third consecutive year since December 2015, an important milestone in the company's efforts to achieving long-term sustainability objectives.

Hang Seng Corporate Sustainability Index – The Group is a founding constituent of the Hang Seng Corporate Sustainability Index, launched in 2010 to recognise the top 30 companies with the highest scores in areas such as environmental care, social impact, and corporate governance (ESG). We have been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index for the seventh consecutive year, reflecting our continual outstanding performance in ESG. We received the highest sustainability score in the industrials sector from the latest sustainability performance review. These are remarkable achievements as well as recognition of our efforts to achieving consistent and long-term sustainability objectives.

Stop Shipping Shark, Whale, Dolphin, and Their Related Products – On 15th February 2016, OOCL announced that bookings for whale, shark, dolphin, and their related products will not be accepted. This new policy shows our commitment and best practices in supporting the global effort to curb the trade of at-risk, endangered and protected marine species.

Qualship 21 – Offered by the US Coast Guard, the Qualship 21 program recognises high-quality ships for their excellent safety and antipollution standards and encourages quality operations. Most of OOCL's vessels calling the US have already been Qualship 21 certified since 2004.

Environmental Data Verification – OOCL completed its environmental reporting and disclosure assurance by using both the Clean Cargo Working Group (CCWG) and ISO 14064-1 standards to certify the transparency, accuracy, completeness, consistency and relevance of OOCL's data disclosure on vessel emissions. OOCL was accredited by the Lloyd's Register Quality Assurance (LRQA), an independent business assurance service provider based in the United Kingdom, after checking not only the carbon dioxide, sulphur oxides and Greenhouse Gas (GHG) (Scope 1) emission levels of OOCL vessels, but also the GHG (Scope 2) records associated to the electricity consumption of OOCL's head office in Hong Kong. OOCL took further steps forward in our GHG reporting and verification by extending the scope to our container terminals, namely Long Beach Container Terminal, LLC. (LBCT LLC) in the United States and Kaohsiung Container Terminal (KAOCT) in Taiwan. The Group is committed to reducing emissions, promoting environmental care and conserving natural resources. We do this in all areas of our business – on land and at sea – from our vessels, to our terminals, offices and containers. In order to reach higher standards and transparency in Greenhouse Gas (GHG) reporting, OOCL not only met the verification requirements of GHG Scopes 1 and 2, but also took a further step forward to meet a GHG Scope 3 requirement in 2017, focusing on indirect emissions associated to business travel by air for employees of our Hong Kong office.



Hong Kong Sustainability Award – OOCL was awarded with the "Certificate of Excellence" and "Special Recognition for Creative Sustainability Idea" at the inaugural Hong Kong Sustainability Award 2016/17 organised by the Hong Kong Management Association (HKMA) on 16th November 2017. These awards recognise our commitment to operational sustainability and innovation in creative initiatives.

Singapore Environmental Achievement Awards (SEAA) – SEAA was launched to honor outstanding organisations and companies for their overall environmental stewardship, management and performance. It also recognises the leadership and innovation from their sustainability work and how they

may encourage others to adopt a more proactive approach towards managing the environment. OOCL received top honors at the Singapore Environmental Achievement Awards (SEAA) ceremony held at the Singapore Environment Council's (SEC) Conference Day event on 13th October 2017. Presented with the "Outstanding Singapore Environmental Achievement Award", this overarching award recognises one top performer amongst all the SEAA categories demonstrating commitment to environmental excellence and protection of the natural environment. OOCL was also a winner in the SEAA Maritime sector category, which recognises maritime companies that have in place strong environmental management policies with a focus on industry leading initiatives and continuous innovation in their sustainability work.

United Nations Global Compact (UNGC) – OOIL was the first Hong Kong-based enterprise in the international transportation and logistics industry to take part in the United Nations Global Compact. Through our business strategies, operation, corporate culture, and continual engagement in the Sustainable Development Goals (SDG) set out by the United Nations, we are committed to supporting the Ten Principles of the UNGC that sets out fundamental responsibilities in areas such as human rights, labour, environment and anti-corruption. To demonstrate our long-term commitment in corporate sustainability, transparency, and accountability, we aim to publish a Communication on Progress (COP) report on an annual basis to describe our extensive efforts in implementing the Ten Principles and SDG. Prior to our participation in the UNGC, we have already been very active in building up our work on SDGs. In our 2016 Sustainability Report, we introduced new targets and specific action items towards the formulation of relevant SDGs to tackle environmental and social issues across industries.

Enhancing Cetacean Habitat and Observation (ECHO) Program – OOCL participated in the Enhancing Cetacean Habitat and Observation (ECHO) Program between 7th August and 6th October 2017 to study how the industry can reduce our vessel noise impact to the whales along the southern coast of British Columbia, Canada. Stipends were given to the Program participants for reducing speed through the designated areas. To show our continual support in marine conservation and protection, OOCL was the first carrier to return the stipend from the ECHO Program to the Port of Vancouver as our contribution to further whale research in the region. OOCL's commitment and contribution to this Program was an important part of our sustainability work in addressing the "SDG 14: Life Below Water" component of marine life protection and conservation.

Our Vessels – The best way to reduce harmful emissions in the shipping industry is to reduce the consumption of fuel. For well over a decade OOCL implemented a fuel saving program including weather routing systems, slow steaming (addition of extra vessels on service loops and travelling at slower speeds), minimising ballast water to help achieve a lighter vessel load, and achieving better trim of ship draughts by good stowage, thereby burning less fuel. By taking these measures, we have reduced our CO_2 emissions by more than 45% since 2004. In addition to reducing our emissions, we are able to help our customers achieve a lower carbon footprint in their supply chains.

Since 2000, all our vessels have been installed with environment-friendly NO_x-controlled propulsive engines while advanced slide fuel injection valves are adopted to help reduce NO_x emissions by 30%. All our new buildings since 2011 are also equipped with Alternative Maritime Power (AMP) Systems, also known as "Cold Ironing", which allows the vessel to use shore supplied electricity instead of burning fuel when at berth. OOCL is fully compliant to the EU, North America and IMO mandated requirements of using 0.1% or lower sulphur content fuel in all SO_x Emission Control Areas (SECA). We are also compliant to the requirements of using 0.1% sulphur content fuel when our vessels are berthed at designated EU ports. Moreover, OOCL is one of the leading carriers that signed on to the newly introduced Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT) that encourages ocean going vessels to voluntarily use fuel with a sulphur content of less than 0.5% when berthed at the participating ports in Shenzhen. We also ensure that the sulphur content of our fuel is well below the IMO prescribed standard of 3.5% when our vessels sail in the high seas. In 2017, OOCL achieved an average sulphur content of 2.60%.

Our Offices – Our focus is to create and maintain a "paperless office" environment by eliminating the use of faxes and unnecessary paper documents. As a business which has traditionally relied on paper documentation with customers, such as bills of lading and invoices, we have successfully taken innovative measures to effectively reduce our paper consumption since 2006.

We have implemented a "reduce, re-use and recycle" campaign in all our offices around the world, encouraging employees to switch off computers after work, powering off copiers and lights after use, and to install energy saving office equipment, such as energy efficient light bulbs. We also have mandatory training for all staff in safety, security and environmental issues, and organise OOCL Green Week every July in offices around the world.

Our Terminals – Following our tradition of best practices, our Long Beach Container Terminal (LBCT LLC) again continued to exceed all environmental requirements by the US Environmental Protection Agency (EPA), the State of California's Air Resources Board (CARB), and the Port of Long Beach's (POLB) Green Port Policy in 2017.

LBCT took another giant leap forward in environmental stewardship when the second phase of our MHRP project went live in October of 2017, expanding what is demonstrably one of the greenest container terminals in the world. With four additional all-electric cranes and an expanded fleet of 56 Automated Guided Vehicles (AGVs) powered by clean energy sources, all containers moved by LBCT are now handled by Zero Emission equipment. "Clean Trucks" or energy efficient locomotives are then used to pick them up for transport throughout the country.

In 2017 the first phase of LBCT's On-Dock Rail Yard was expanded with an additional Intermodal yard Crane and extended rail working track, allowing an even larger number of containers to be moved to and from the terminal via double stack trains, thus reducing the use of the Clean Truck fleet by hundreds of trips per day.

To further enhance our use of clean power, LBCT's Solar Carports provided 1,322,590 kWh (Kilowatt Hours) of electricity in 2017, reducing our dependence on traditionally generated grid power.

LBCT's achievements were once again recognised by the U.S. Environmental Protection Agency (EPA) where LBCT was selected to be the recipient of over US$2.8 million in funding to expand our fleet of Zero Emission AGVs, allowing us to move more cargo through the LBCT's newly expanded terminal in the most environmental friendly way possible. Such recognition of our efforts by one of the strictest environmental regulatory agencies in the world helps highlight not just the success of our green initiatives, but also celebrate the real impact we have on improving the environment in the community.

Concurrent with the Phase II GO-Live's expansion of our Zero Emissions Cargo Handling equipment, LBCT was able to permanently retire the following equipment from service:

- 12 Diesel Powered Rubber Tired Gantry (RTG) Cranes
- 7 Diesel Powered Fork Lifts
- 5 Diesel Powered Side Picks (Empty Container Handlers)
- 9 Diesel Powered Top Picks (Loaded Container Handlers)
- 21 Diesel Powered Yard tractors
- 1 Diesel Powered Shuttle Bus

At LBCT, from the executive level to the newest front-line manager, many of our staff actively engage in a wide variety of outdoor activities. Our dedication to the company, coupled with our love of the outdoors, means that when it comes to sustainability, *We Take It Personally.*

In 2005, our Kaohsiung Container Terminal (KAOCT) in Taiwan had converted its entire container yard to a "green" enterprise by replacing its straddle carriers operation with electric rail mounted gantry cranes (RMGs) to improve energy and operational efficiencies. As a result of the improvements made over the years, electricity consumption throughput decreased by 15.6%, from 17.3 kWh/TEU in 2005 to 14.6 kWh/TEU in 2017.

Currently, there are a total of 20 electrically powered RMGs in the terminal on a fixed-rail system and these gantry cranes are emission-free, quiet, and provide a much safer working environment at the port. The equipment has not only helped improve energy efficiency but also terminal efficiency as shipside productivity improved by 3.7% from 2005 to 2017 and during this same period, the annual throughput also increased by 60.4%. This has enabled KAOCT to effectively handle more vessels at berth and the higher productivity level helped shorten the vessel berthing period to achieve bunker saving as well as emission reduction.

KAOCT is committed to promoting safety and health policies in order to continuously improve our working environment. As such, KAOCT launched the OHSAS 18001 and Taiwan Occupational Safety and Health Management System (TOSHMS) application in the beginning of 2017 to promote a safe and healthy working environment. We successfully received the certifications in November 2017.

Our Containers – Today, OOCL only uses CFC-free refrigerants for all our refrigerated (reefer) containers. OOCL's newest reefer containers have one of the lowest power consumption in the industry, and we install ThermoKing "EcoPower" gensets for better energy efficiency. All our containers have been applied with tin-free paint and introduced the use of eco-friendly bamboo floorboards instead of using traditional hardwood ones.

The Group's sustainability and environmentally conscious best practices often exceeds legal requirements and general industry standards in the countries where it operates. As a responsible and committed member of the international community, the Group will continually strive for further improvements in all aspects of its business.

SECURITY

In a world where global cargo security threats always increase the complexities of the international trade community, OOCL is strongly committed to the security of our operations against possible compromise and to the maintenance of the highest level of compliance in security related areas. From our offices to ports, warehouses, shore facilities and onboard our vessels, we work with the responsible authorities to ensure that every measure is in place to maintain the highest commercial and operational security standards possible at all times, while all employees are educated and regularly updated through security training.

The Group's Corporate Security Policy and internal guidelines comply with the US Customs-Trade Partnership Against Terrorism (C-TPAT) initiative, EU Authorised Economic Operator (AEO) Program, and we actively work with various governments and authorities around the world to counter any act that would impinge upon maritime or cargo security. Under our policy, we have internal security checks to all of its holdings and our security profile has been validated by the US Customs and Border Protection agency through physical checks of the offices and facilities of the Group including terminals, warehouses, depots and vessels.

Our company meets the International Ship and Port Facility Security Code (ISPS Code), which ensures that security threats are detected and assessed while preventive measures are in place on our vessels and at our port facilities. A designated officer on each ship and at each port facility reports to the Company Security Officer who oversees the security plans, drills and training. With this in place, all our vessels continue to have an exemplary record containing zero breaches of security and clean detention records. In addition, to provide world-class quality and secure information to customers and partners, our Global Data Centre has also achieved and maintained ISO 27001 certification.

OOCL has been certified as a "Partners in Protection" (PIP) carrier by the Canada Border Services Agency (CBSA) Partners in Protection. It is a voluntary program established by the CBSA to enhance border security, combat organised crime and terrorism, detect and prevent contraband smuggling, and increase awareness of issues to secure the flow of legitimate goods and travelers across the US-Canadian border. OOCL applies anti-piracy measures before our vessels transit through High Risk Areas (HRA). One of the key measures is to maintain a 24-hour, 360-degree anti-piracy visual and radar watch and to deploy additional watch-keepers at the bridge and on deck while transiting the HRA to watch out for suspected pirate vessels. Physical measures are also utilised onboard, such as barbed wires, spikes, and night vision binoculars. Close communication is always maintained between ships and our Fleet Management Department (FMD) office. FMD's 24-hour emergency hotline is always on standby mode in the case of any emergency.

Traditionally, antivirus and malware detection software would provide a boost to our computer security by helping our computers stay away from being "infected". But as the development of the Internet is becoming more sophisticated than ever, signature-based virus/malware detection tools alone are no longer sufficient today.

This is because the "Advanced Persistent Threat" (APT), a set of stealthy and continuous computer hacking processes often orchestrated by attackers targeting a specific entity by taking advantage of security loopholes, is growing. APT has been observed to target organisations and/or nations for business, financial and/or political motives. "Corporate Security Breaches", "Email Spoofing", "Spear Phishing" and "Social Media Fraud" are some of the common types of cyber attacks. To boost our employee's knowledge and awareness of cyber security, new initiatives and programs have been developed to ensure everyone takes part in protecting our assets and become more resilient against such threats. This includes an annual cyber security training and mandatory test for all employees, monthly knowledge and trend updates, and sophisticated monitoring and protective systems.

COMMUNITY AND EDUCATION

As a responsible corporate citizen, the Group recognises that the societies in which its employees live and work contribute greatly to the company's overall success. Care for these communities in which it operates is therefore a major corporate focus. The Group concentrates its community efforts on charity programs designed to provide well-rounded youth education, charity relief to the needy, and cultural entertainment to the whole community.

OOCL employees across the world are encouraged to give something back to the communities in which they live through charitable activities such as fundraising and volunteering by dedicating their time and efforts to help others in need. Some of the areas where the charity donations were made by the Group and its employees include: education, social services, orphanages, elderly homes, schools, children's hospitals, cancer research, multiple sclerosis, and diabetes research. In addition to financial donations, the Group also contributes in kind. We offer transportation and logistics support to send relief to the affected areas. Assistance in the form of free transportation is often given to a number of charitable projects including transporting medical diagnostic equipment and supplies from the US to China to care for those children who need urgent treatments.

In keeping with the Group's long tradition in supporting education, the Group, in partnership with The Tung Foundation, committed more than US$530,000 in 2017 to scholarships through The Tung OOCL Scholarship for students and our employees' children.

In 2017, 45 OOCL vessels participated in the Hong Kong Voluntary Observing Ship (HKVOS) program by the Hong Kong Observatory (HKO) to gather and provide marine climatology data needed to help identify prevailing weather conditions for preparing forecasts and warnings to the

maritime community. To recognise vessels' outstanding efforts in volunteering their time to help improve maritime safety, the HKO presented one "Diamond Award", one "Platinum Award", and three "Gold Awards" to OOCL vessels on 3rd July 2017. Apart from the quantity of the reports made, five OOCL vessels were also presented with participation certificates jointly issued by the World Meteorological Organization (WMO) and Intergovernmental Oceanographic Commission of UNESCO (IOC) for the high quality of the reports sent. According to the HKO, observational data received from these ships in the Voluntary Observing Ship Scheme Climate Fleet (VOSClim) are highly valued by the international scientific community for climate research and climate change studies. Additionally, *OOCL Jakarta* was also presented with a certificate of appreciation for her assistance in deploying five drifting buoys over the South China Sea to measure atmospheric pressure and sea temperature.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

"Customer focus" is one of the core values of the Group. We believe in long-term, mutually beneficial relationships with our customers and strive to help create value for our customers through collaboration to enhance customer competitiveness. This is achieved by seeing things from the customer's perspective, trying to understand their business and anticipate their requirements. All employees are trained to be proactive in meeting customers' expectations and responding with a sense of urgency.

"We Take It Personally" is not just a slogan at OOCL, but also an attitude that all employees are encouraged to adopt in dealing with our customers. Each year we recognise hundreds of employees around the world for displaying initiative and going beyond the call of duty to meet our customers' needs.

It is the Group's policy to maintain a diversified customer base across all geographical regions and trade lanes. A Key Risk Indicator (KRI) of customer concentration was developed in the year 2017 and is included in the functional risk dashboard for the Group's liner business which is being monitored on a monthly basis. Different tolerance limits for the KRI are set for different regions, trades and the organisation as a whole. As at the end of 2017, OOCL had approximately 34,000 active customers and the customer concentration was at an acceptable level.

In the Group's relationship with suppliers, we put special emphasis on the supplier selection process in which both quantitative and qualitative factors are considered objectively, independently and openly, according to the Group's highest ethical standards. Pricing is not the Group's primary consideration; instead, the Group focuses its attention on the suppliers' quality service, safety and ethical standards. "Excellence through quality" is another core value of the Group. While we endeavour to provide the best quality service to our customers by setting high standards for ourselves, we demand the same high standards from our suppliers. It is also the Group's policy to maintain a diversified supplier base across all geographical regions.

In 2017, the Group developed supplier management KRIs to monitor supplier concentration in different regions and poor supplier services. Cases of supplier service failure were shared among employees to alert them to the importance of communicating our expectations to the suppliers and taking the right remedial mitigating actions. As at the end of 2017, OOCL had approximately 23,000 active suppliers and the supplier concentration was at an acceptable level.

EMPLOYEE INFORMATION

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, the Group understands that the process begins with the well treatment of its employees. As a successful corporation, the Group appreciates that its success, growth and performance are attributable to the skills, dedication and teamwork of its employees. It regards people as its greatest asset and takes good care of them.

In the spirit of mutual respect, the Group is an equal opportunity employer with a clearly defined policy, covering areas such as treating all employees with fairness and dignity, promoting the corporate culture of encouraging open and frank communication throughout the organisation, investing in its employees and caring for their hopes and aspirations through people development programs and education, as well as recognising their efforts and achievements.

People development remains a cornerstone of the corporate culture and enables the effective operation of the Group's career development policy through recruitment and internal promotion. The Group has channeled a great deal of time and effort into its various people development programs in practical and experiential environments through job rotation, local and overseas job assignments, formal and informal learning and development opportunities and sponsorships for performance enhancement building capacities of employees in support of their growth with the Group. To further enhance practical training and better HQ/Regional cooperation, efforts have been made to initiate more short term cross regional job rotations.

The Group employs an innovative approach to internal communications, employee learning and people development. The Group provides support to its employees to help them deliver what customers need and unleash their potential. Since 2010, the Group has utilised its intranet, called "InfoNet", as a learner-centric platform for dissemination of company news and business updates while providing its employees with a tool to share knowledge, exchange views and formulate ideas. In 2011, the Group adopted a wide range of enterprise level collaboration tools. In addition to conventional methods of communication such as email, other tools such as OOCL Wiki, OOCL Channel, Jabber, and Tibbr, have become very effective in the global sharing of information and knowledge as well as facilitate collaboration amongst colleagues around the world. They also helped support accelerated learning by providing us with the means to leverage resources, ideas and hence solutions. Since 2016, we have also implemented the use of the Microsoft Office 365 cloud-based information platform to further our internal communication goals.

As at 31st December 2017, the Group had 10,300 full-time employees. Their salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

In the interest of adhering to the highest ethical standards on an ongoing basis, the Group has formulated a Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards. It helps to preclude any offences under local, national and international laws, breaches of confidentiality and non-disclosure requirements, intellectual property rights infringement, as well as conflicts of interest, acts of bribery, corruption or political contribution, and any other corporate misconduct. The Group has set up procedures to identify, manage and control risks that may have an impact on the business of the Group. Established in 2006, the Group's "Whistle Blower Policy" is one of the Group's formalised procedures through which employees can anonymously file reports or register concerns and governs the reporting and investigation of allegations to suspected improper activities.

The Group is an equal opportunity employer with policies not to discriminate against any employee or applicant for employment on the grounds of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status and any other category as guided by local laws and legal regulations.

Financial Review

" Revenue for 2017 was US$810.7 million better than that of 2016, representing an increase of 15%."

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2017	2016	Change	Favourable/ (unfavourable) %
Operating revenue by activity:				
Container Transport and Logistics	**6,078,192**	5,270,323	807,869	15%
Other Activities	**30,158**	27,370	2,788	10%
Group operating revenue	**6,108,350**	5,297,693	810,657	15%
Operating profit/(loss) by activity:				
Container Transport and Logistics	**86,311**	(202,529)	288,840	N/M
Other Activities	**102,423**	45,780	56,643	124%
Group operating profit/(loss)	**188,734**	(156,749)	345,483	N/M
Finance costs	**(101,215)**	(79,393)	(21,822)	(27%)
Share of profits of joint ventures and associated companies	**19,134**	17,953	1,181	7%
	106,653	(218,189)	324,842	N/M
Net gain in fair value on investment property	**43,436**	18,522	24,914	135%
Profit/(loss) before taxation	**150,089**	(199,667)	349,756	N/M
Taxation	**(12,433)**	(19,554)	7,121	36%
Profit/(loss) attributable to shareholders	**137,656**	(219,221)	356,877	N/M

Revenue for 2017 was US$810.7 million better than that of 2016, representing an increase of 15%. This was mainly attributable to the improved freight rates and moderate growth in liftings for the core Container Transport and Logistics business. Other revenue, amounting to less than 1% of the Group's revenue for both 2017 and 2016, represented rental income from the Group's investment property, Wall Street Plaza, in New York.

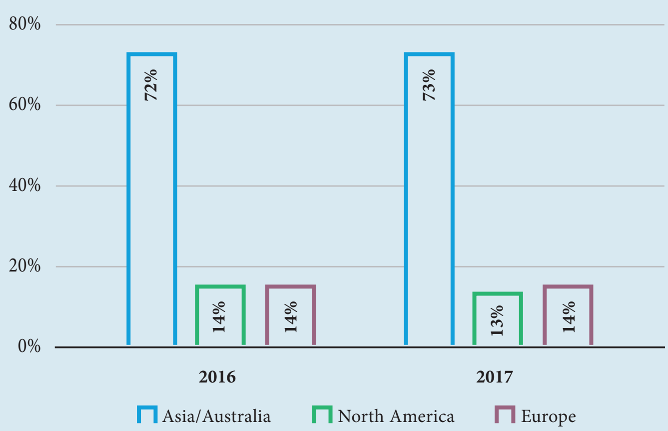
Container Transport and Logistics

Summary of Operating Results

US$'000	2017	2016	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	**6,298,735**	6,080,682	218,053	4%
Revenue per TEU (US$)	**861**	773	88	11%
Operating revenue by location:				
Asia/Australia	**4,427,255**	3,776,550	650,705	17%
North America	**782,025**	761,456	20,569	3%
Europe	**868,912**	732,317	136,595	19%
Operating revenue	**6,078,192**	5,270,323	807,869	15%
Operating costs by items:				
Cargo costs	**(3,088,556)**	(2,930,530)	(158,026)	(5%)
Bunker costs	**(657,853)**	(435,238)	(222,615)	(51%)
Vessel and voyage costs (excluding Bunker)	**(986,428)**	(935,145)	(51,283)	(5%)
Equipment and repositioning costs	**(783,046)**	(715,711)	(67,335)	(9%)
Operating costs	**(5,515,883)**	(5,016,624)	(499,259)	(10%)
Gross profit	**562,309**	253,699	308,610	122%
Business and administrative expenses	**(483,328)**	(463,878)	(19,450)	(4%)
Other income, net	**7,330**	7,650	(320)	(4%)
Operating profit/(loss)	**86,311**	(202,529)	288,840	N/M
Operating margin	**1%**	(4%)		

The Container Transport and Logistics business trades under the "OOCL" name and represents the principal revenue contributor to the Group, accounting for over 99% of the Group's revenue in 2017. Container Transport and Logistics will continue to be the core business of the Group in which the majority of the Group's operating assets will be deployed.

Operating Revenue of Container Transport and Logistics



The operating results for Container Transport and Logistics also include the operations of Long Beach Container Terminal in California USA and Kaohsiung Container Terminal in Taiwan as these facilities are mainly employed by OOCL and its alliance members.

Asia/Australia

Revenue from the Asia/Australia area increased from US$3,776.6 million in 2016 to US$4,427.3 million in 2017 as a result of a notable improvement in freight rates amid a modest lifting growth. Nearly all trades recorded a rebound in performance with Trans-Pacific and Asia/Europe trades registered the largest increase in revenue terms when compared with last year.

The overall liftings of the Trans-Pacific eastbound services increased by 28% while freight rates maintained at similar level of last year. The westbound legs of the Asia/Northern Europe services recorded a 20% growth in volume amid a 23% rebound in rates. Intra-Asia achieved a rise of 15% in rates for the year, albeit at the expense of an 11% drop in liftings. Liftings of the Asia/Australia and New Zealand services grew by 4% in 2017 while freight rates also caught up by 4% compared with last year.

Overall load factor as a percentage of the capacity available during 2017 was 2 percentage points higher than that of 2016, amid a static growth in available capacity during the year. Results from this region have always been dependent upon the economic environment and consumption patterns of North America and Europe.

Kaohsiung Container Terminal in Taiwan is an integral part of the Container Transport and Logistics business and its terminal facilities are mainly employed by OOCL and its alliance members.

North America

Revenue increased marginally by US$20.6 million for this area in 2017, thanks to the revenue growth in Long Beach Container Terminal pursuant to the progressive completion of the Middle Harbor Redevelopment Project. For the trades concerned, both Asia-bound and Europe-bound cargoes recorded a drop in average freight rates during the year.

The westbound liftings of the Asia/North America West Coast service and the Asia/US East Coast service via the Panama Canal decreased by 2% compared with last year, resulting in a 6% drop in revenue, with a 4% decline in freight rates. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a 14% growth in volume but a 5% drop in revenue.

The overall volumes increased by 2% while the average revenue per TEU on all outbound cargoes from North America recorded a drop of 7% as compared with last year. Amid a 20% increase in capacity during the year, the overall load factor in the region was 10 percentage points lower than 2016.

Long Beach Container Terminal forms an integral part of the Container Transport and Logistics business with its terminal facilities mainly employed by OOCL and its alliance partners.

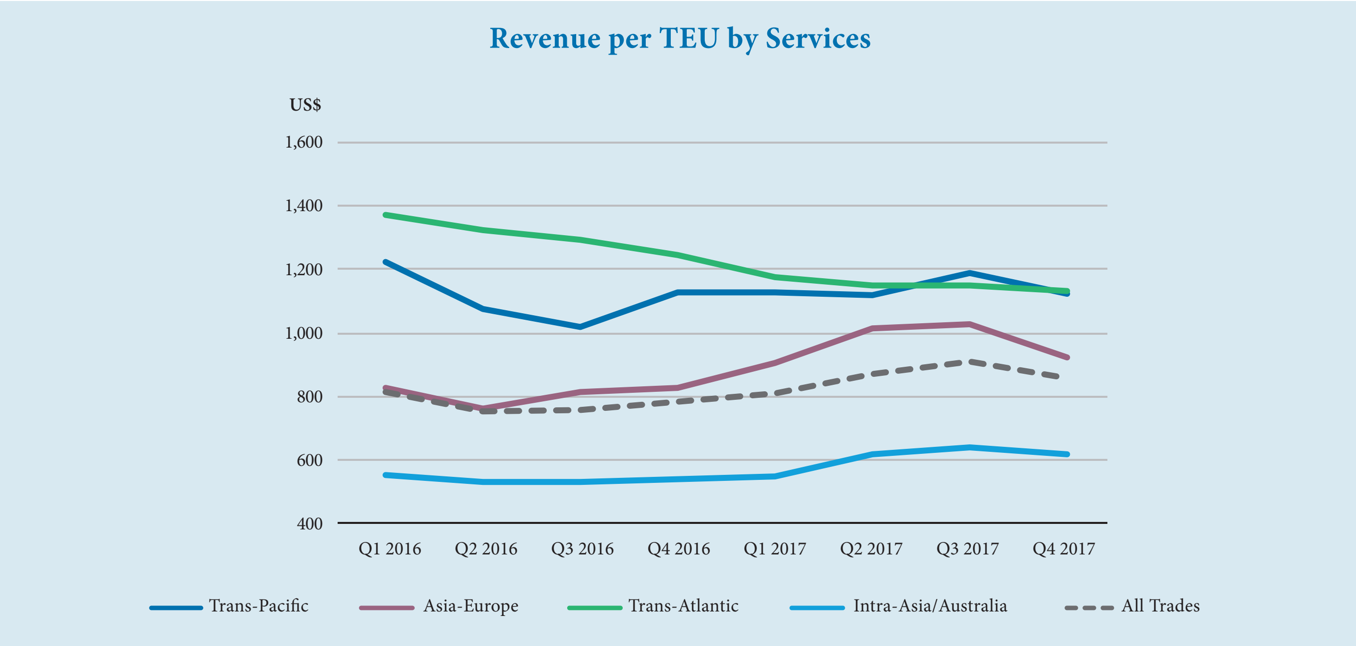
Europe

Revenue for this area increased by US$136.6 million in 2017. The eastbound leg of the Asia/Northern Europe services recorded a 41% revenue surge in 2017 while the westbound trades of the Trans-Atlantic routes showed a 4% drop. Remarkable revenue growth was noted in the Mediterranean markets while the Intra-Europe trades also recorded revenue increase.

The eastbound leg of the Asia/Northern Europe services saw a 19% increase in volume in 2017, which was coupled with a 19% rebound in freight rates. Liftings for the westbound sectors to North America were 5% higher than those of 2016 while the average revenue per TEU for those services was 8% off from last year. The eastbound routes of the Mediterranean trades sustained a 15% growth in volume and a 32% increase in revenue during the year.

The overall load factor as a percentage of capacity available for cargo shipments from this region was close to that of 2016 despite a 15% capacity increase for the Europe area during 2017.

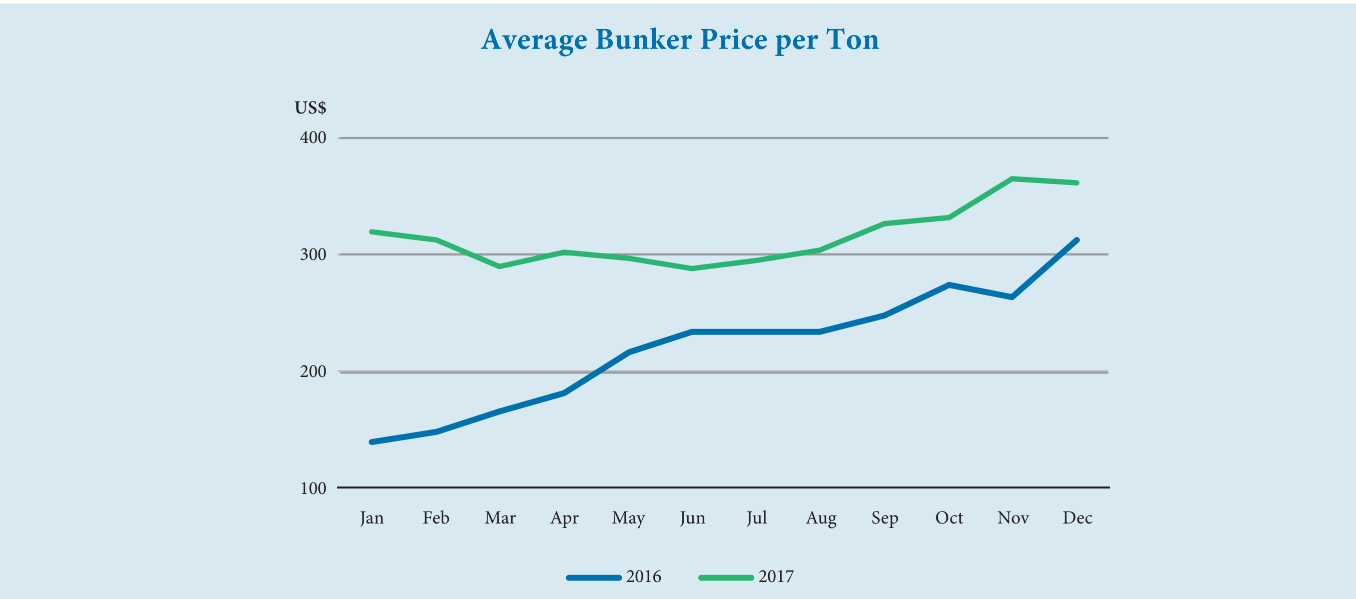
The average revenue per TEU on all outbound cargoes from Europe was 2% better than that of 2016, amid a 14% growth in overall volume for the region.



Operating Costs

The principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased from 2016 mainly as a result of the surge in bunker cost.

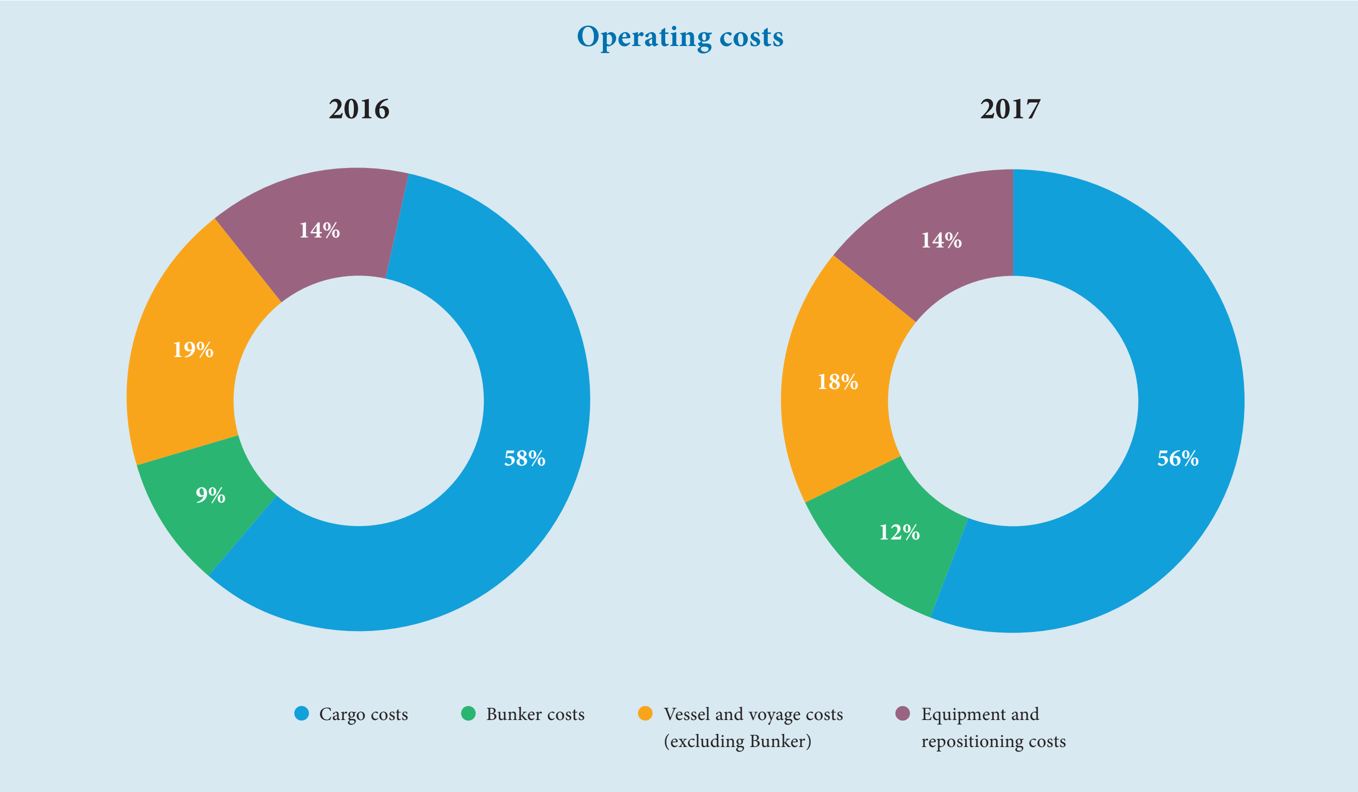
Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax, all of which are largely paid in the local currencies of the areas in which the activities take place. Cargo cost increased by 5% against 2016 level, approximating with lifting growth.



Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Bunker price increased from an average of US$216 per ton in 2016 to an average of US$313 per ton in 2017, resulting in a 51% surge in bunker cost for the year.

Vessel costs include the operating costs and depreciation charges relating to the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the scheduled service levels. With the phase-in of larger capacity vessels, the total carrying capacity grew from 574,318 TEU as at the end of 2016 to 698,401 TEU in 2017, while the total number of vessels operated by OOCL, both owned and chartered-in, increased from 96 to 102. As such, total vessel and voyage costs, other than bunker costs, for 2017 increased by 5% from those of 2016.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charges relating to the fleet of containers and chassis equipment, while repositioning costs arise mainly from the relocation of empty containers from areas of low activity to high demand regions. The container fleet size increased from 1,031,583 TEU in 2016 to 1,146,548 TEU in 2017 while the increment in total equipment and repositioning costs was contained at 9% with increased owned equipment and less rental outgoings.



Business and Administrative Expenses

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs, professional and information system expenses. Business and administrative expenses increased by US$19.5 million, or 4% when compared with 2016.

Other Income, net

Other income, comprising principally net foreign exchange differences, net profit or loss on the disposal of assets and other non-operating gains/losses, net for 2017 was similar with that of 2016.

Operating margin

Operating margin improved from a negative 4% in 2016 to positive 1% in 2017. The recovery in freight rates, coupled with a moderate lifting growth, helped offsetting the negative impact from rising bunker costs to return in profitability for the Container Transport and Logistics business in 2017.

Other Activities

Summary of Operating Results

US$'000	2017	2016	Change	Favourable/ (unfavourable) %
Rental income	**30,619**	27,986	2,633	9%
Elimination	**(461)**	(616)	155	N/M
Operating revenue	**30,158**	27,370	2,788	10%
Operating costs	**(15,555)**	(15,648)	93	1%
Gross profit	**14,603**	11,722	2,881	25%
Investment income	**33,999**	9,934	24,065	242%
Interest income	**21,932**	14,850	7,082	48%
Income from investment in Hui Xian	**21,786**	29,048	(7,262)	(25%)
Others	**10,103**	(19,774)	29,877	N/M
Operating profit	**102,423**	45,780	56,643	124%

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the "Wall Street area". The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 8,656 sq ft is occupied by Group companies. The Group also invests funds surplus to operations in cash and bank deposit and, on a longer term basis, in equity and bond portfolios. The Group also owns 7.9% interest in Hui Xian Holdings Ltd which is a unit-holder of Hui Xian REIT, the first Renminbi-denominated REIT in Hong Kong.

The operating profit from Other Activities for 2017 was US$56.6 million higher than that of 2016 mainly as a result of remarkable return from portfolio investments and favourable exchange on the appreciation of Renminbi and Pound sterling against US dollar.

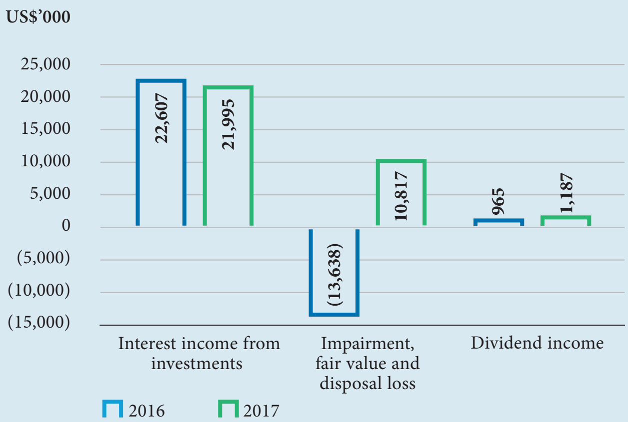
Rental Income

Rental income from Wall Street Plaza was US$2.8 million higher than that of last year, with an occupancy rate of 99% as at the end of 2017.

Investment Income

Investment activities recorded a profit of US$34.0 million for the year compared with a profit of US$9.9 million in 2016. Interest income from bond investments amounted to US$22.0 million for 2017 which was at similar level of last year. Fair value and disposal gain totalled US$10.8 million in 2017 as compared with a net loss of US$13.6 million for 2016 which included an impairment loss provision for Hui Xian REIT.

Investment Income By Activities



Interest Income

Interest income in 2017 was US$7.1 million more than that of 2016 with a higher average balance available for deposit upon rising interest rates.

Income from Investment in Hui Xian

Hui Xian Holdings Ltd declared and paid both cash dividends and dividends in specie in 2017, of which the Group shared a total of US$21.2 million. The Group also received US$0.6 million distribution from its holding of Hui Xian REIT to add up a total of US$21.8 million income from investment in Hui Xian. In 2016, a total of US$22.1 million from Hui Xian Holdings Ltd, in terms of cash dividends and dividends in specie, and a US$6.9 million distribution from Hui Xian REIT were received.

Others

Other items include business and administration expenses for property management, exchange differences and other miscellaneous items. This item recorded a US$29.9 million favourable year-on-year swing as a result of exchange losses incurred on the depreciation of Renminbi and Pound sterling against US dollar in 2016 totally reversed during the year by almost the same magnitude.

Finance Costs

The Group incurs interest expenses on bank loans and finance leases. These borrowings are variously secured against vessels, containers, chassis and terminal equipment owned by the Group. Finance costs also include fees on lease administration.

Finance costs increased by US$21.8 million as compared with 2016, principally a result of an increase in borrowings and a higher average cost of debt for the year.

Net Gain in Fair Value on Investment Property

As at 31st December 2017, the Group's investment property, Wall Street Plaza, was valued at US$270 million, up from the US$220 million valuation at the end of 2016, by an independent valuer. After offsetting a total of US$6.6 million capital outlays, the net gain in fair value for 2017 was therefore US$43.4 million. In 2016, the property recorded a valuation gain of US$20.0 million which was offset against capital improvements of US$1.5 million to result in a net fair value gain of US$18.5 million.

Share of Profits of Joint Ventures and Associated Companies

Share of profits of joint ventures and associated companies mainly represents the Group's investment in a depot joint venture in Qingdao, two agency joint ventures in the Middle East, and a 20% stake in two terminals in Tianjin and Ningbo. The share of US$19.1 million profit from joint ventures and associated companies in 2017 was US$1.2 million better than that of 2016.

Profit/(loss) before Taxation

Pre-tax profit for the year was US$150.1 million compared with last year's loss of US$199.7 million. The rebound in earnings was mainly attributable to the improved freight rates experienced by the Container Transport and Logistics business.

Taxation

US$'000	2017	2016	Change	Favourable/ (unfavourable) %
Company and subsidiaries:				
North America	**(3,992)**	8,901	(12,893)	N/M
Europe	**1,746**	1,330	416	(31%)
China	**6,782**	5,800	982	(17%)
Asia and others	**7,897**	3,523	4,374	(124%)
Total	**12,433**	19,554	(7,121)	36%

Taxation for 2017 was US$7.1 million lower than that of 2016 mainly due to tax savings in North America pursuant to the latest US tax reform. Taxation in other regions increased, following the improvement in operating results.

Capital Expenditure

US$'000	2017	2016	Change	Increase/ (decrease) %
Container vessels and capitalised dry-docking costs	**18,091**	15,683	2,408	15%
Vessels under construction	**297,264**	260,558	36,706	14%
Containers and chassis	**227,934**	107,711	120,223	112%
Terminal equipment	**45,295**	52,895	(7,600)	(14%)
Vehicles, furniture, computer and other equipment	**16,668**	27,513	(10,845)	(39%)
Computer software	**6,874**	12,799	(5,925)	(46%)
Investment property	**6,564**	1,478	5,086	344%
	618,690	478,637	140,053	29%

Capital expenditure increased from US$478.6 million in 2016 to US$618.7 million in 2017. Vessels under construction accounted for 48% and 54% of the total capital expenditure in 2017 and 2016 respectively while capital outlays on container equipment increased from 23% of 2016 to 37% in 2017.

Vessels

In 2017, the Group took delivery of five 21,413 TEU newbuildings from Samsung Heavy Industries, Korea and the remaining newbuilding order as at the end of 2017 was scheduled for delivery in January 2018. No further newbuilding order was placed during the year.

Newbuilding Delivery Schedule

Delivery	Shipyard	Hull No.	TEU	Year of Order
Jan 2018	Samsung Heavy Industries	HN2177	21,413	2015

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2017	2016	Change	Increase/ (decrease) %
Property, plant and equipment	6,251,457	6,076,673	174,784	3%
Investment property and prepayments of lease premiums	277,972	227,818	50,154	22%
Joint ventures and associated companies	165,680	152,037	13,643	9%
Intangible assets	49,204	60,143	(10,939)	(18%)
Liquid assets	2,534,463	2,186,946	347,517	16%
Accounts receivable and other assets	747,938	664,655	83,283	13%
Other non-current assets	42,582	36,318	6,264	17%
TOTAL ASSETS	10,069,296	9,404,590	664,706	7%
Accounts payable and other liabilities	(747,786)	(706,609)	(41,177)	6%
Current taxation	(7,927)	(4,764)	(3,163)	66%
TOTAL ASSETS LESS TRADING LIABILITIES	9,313,583	8,693,217	620,366	7%
Long-term borrowings	3,930,025	3,489,272	440,753	13%
Current portion of long-term borrowings	624,158	601,465	22,693	4%
Total debt	4,554,183	4,090,737	463,446	11%
Deferred liabilities	76,887	83,194	(6,307)	(8%)
Ordinary shareholders' equity	4,682,513	4,519,286	163,227	4%
CAPITAL EMPLOYED	9,313,583	8,693,217	620,366	7%
Debt to equity ratio	0.97	0.91		
Net debt to equity ratio	0.43	0.42		
Accounts payable as a % of revenue	12.12	13.14		
Accounts receivable as a % of revenue	9.66	8.95		
% return on average ordinary shareholders' equity	2.99	(4.71)		
Net asset value per ordinary share (US$)	7.48	7.22		
Liquid assets per ordinary share (US$)	4.05	3.49		
Share price at 31st December (US$)	9.67	4.12		
Price to book ratio based on share price at 31st December	1.29	0.57		

Property, Plant & Equipment

US$'000	2017	2016	Change	Increase/ (decrease) %
Vessels	4,445,780	4,346,683	99,097	2%
Containers and chassis	1,296,348	1,226,330	70,018	6%
Terminal equipment	423,618	413,522	10,096	2%
Land and buildings	33,650	33,732	(82)	(0%)
Others	52,061	56,406	(4,345)	(8%)
	6,251,457	6,076,673	174,784	3%

Container Transport and Logistics remains the core business of the Group and the one in which the majority of property, plant and equipment is deployed. The assets largely comprise container vessels, containers and chassis, terminal equipment, property and computer equipment.

The increase in property, plant and equipment in 2017 principally reflects the outlays on newbuildings, container boxes and new terminal equipment for the Middle Harbor Redevelopment Project.

Investment Property and Prepayments of Lease Premiums

US$'000	2017	2016	Change	Increase/ (decrease) %
Investment property	**270,000**	220,000	50,000	23%
Prepayments of lease premiums	**7,972**	7,818	154	2%
	277,972	227,818	50,154	22%

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US$270.0 million as at the end of 2017 by an independent valuer (2016: US$220.0 million).

Joint Ventures and Associated Companies

US$'000	2017	2016	Change	Increase/ (decrease) %
Joint ventures	**16,840**	11,656	5,184	44%
Associated companies	**148,840**	140,381	8,459	6%
	165,680	152,037	13,643	9%

The investment in associated companies comprises minority holdings in two container terminals in Tianjin and Ningbo. The investments in joint ventures are mainly in connection with (1) a container depot in Qingdao, and (2) two shipping agencies in the Middle East. The increase in the investment value in joint ventures and associated companies for 2017 mainly reflected the profit accounted for the year.

Intangible Assets

US$'000	2017	2016	Change	Increase/ (decrease) %
Opening balances	**60,143**	55,646	4,497	8%
Additions	**6,874**	12,799	(5,925)	(46%)
Disposal	**(6,690)**	–	(6,690)	N/M
Amortisation	**(11,123)**	(8,302)	(2,821)	34%
Closing balances	**49,204**	60,143	(10,939)	(18%)

Intangible assets mainly represent internally generated capitalised computer software development costs which are amortised over a period of five years.

Liquid Assets

US$'000	2017	2016	Change	Increase/ (decrease) %
Container Transport and Logistics	**388,187**	248,748	139,439	56%
Other Activities	**46,700**	45,243	1,457	3%
Cash and portfolio funds	**1,864,647**	1,656,038	208,609	13%
Held-to-maturity investments	**234,929**	236,917	(1,988)	(1%)
Total liquid assets	**2,534,463**	2,186,946	347,517	16%

The Group adopts a central treasury system under which a part of the funds surplus to planned requirements is set aside for portfolio investments in fixed income bonds or equities managed by in-house managers under guidelines imposed by the Board.

The Group's investment portfolios are largely invested in US dollar bonds, short-term cash deposits or similar instruments, and listed equities. No investments are made in derivative investment products.

Held-to-maturity investments are entirely bonds intended to be held until maturity.

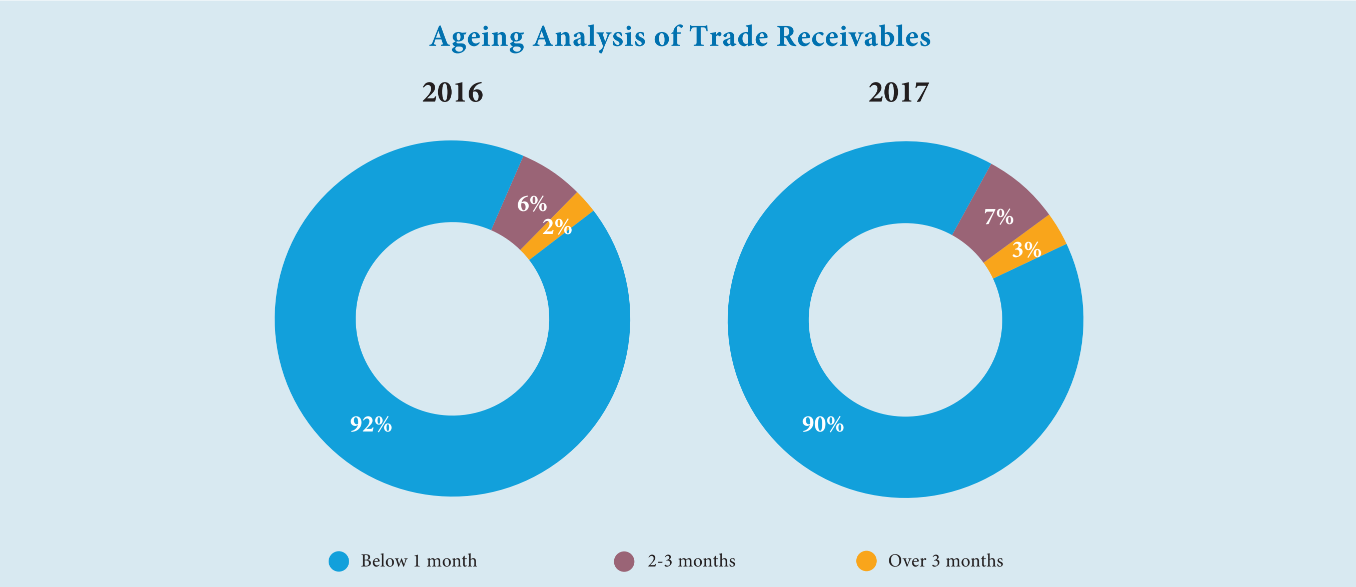
The Group's total liquid assets at the end of 2016 and 2017 can be further analysed as follows:

US$'000	2017	2016	Change	Increase/ (decrease) %
Bank balances and deposits maturing within three months from the date of placement	**1,940,975**	1,625,219	315,756	19%
Bank deposits maturing over three months from the date of placement	**–**	457	(457)	(100%)
Cash and bank balances (per balance sheet)	**1,940,975**	1,625,676	315,299	19%
Restricted bank balances	**63,839**	1,426	62,413	4377%
Portfolio investments	**294,720**	322,927	(28,207)	(9%)
Held-to-maturity investments	**234,929**	236,917	(1,988)	(1%)
Total liquid assets	**2,534,463**	2,186,946	347,517	16%

Accounts Receivable and Other Assets

US$'000	2017	2016	Change	Increase/ (decrease) %
Container Transport and Logistics	**677,977**	545,832	132,145	24%
Other Activities	**69,961**	118,823	(48,862)	(41%)
	747,938	664,655	83,283	13%

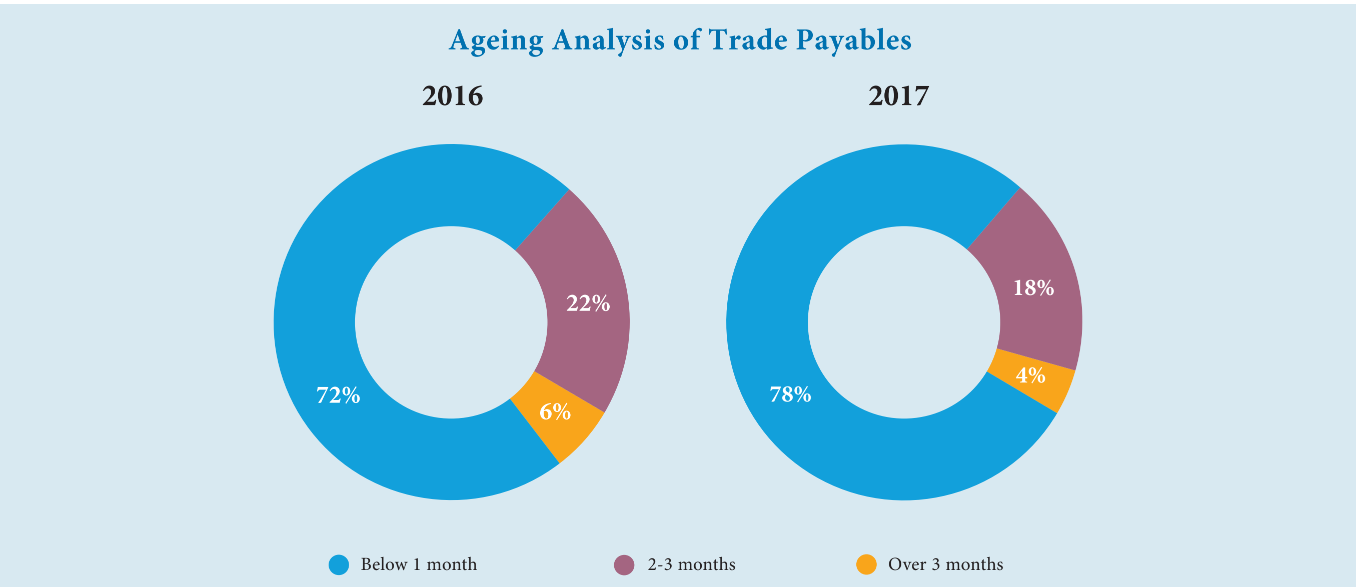
Accounts receivable and other assets for Container Transport and Logistics increased by US$132.1 million to US$678.0 million at the end of 2017. The increase was mainly attributable to the higher revenue achieved for the year.



Accounts Payable and Other Liabilities

US$'000	2017	2016	Change	Increase/ (decrease) %
Container Transport and Logistics	742,103	700,380	41,723	6%
Other Activities	5,683	6,229	(546)	(9%)
	747,786	706,609	41,177	6%

Accounts payable and other liabilities at the end of 2017 were US$41.2 million higher than that of 2016, mainly due to increases in cost provisions to cope with growth in business volume.



Total Debt

US$'000	2017	2016	Change	Increase/ (decrease) %
Bank loans	**2,097,422**	2,198,407	(100,985)	(5%)
Finance lease obligations	**2,456,761**	1,892,330	564,431	30%
	4,554,183	4,090,737	463,446	11%

Total debt increased by US$463.4 million compared with 2016, as a result of the financial obligations incurred upon capital expenditures on newbuildings and other equipment during the year offset in part by scheduled repayments.

Total scheduled debt repayment between 2018 and 2022 is US$2,963.1 million, being equivalent to 65% of the total outstanding debt as at 31st December 2017. Details of the repayment profile of the Group's borrowings are set out in Note 37 to the Consolidated Financial Statements.

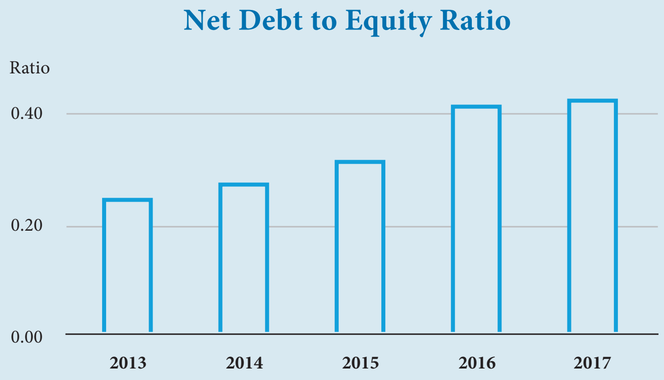
Debt Profile

As at the end of 2017, 100% (2016: 100%) of the Group's total debt was denominated in US dollar which effectively eliminated the risk of exchange fluctuations.

Of the total US$4,554.2 million debt outstanding at the end of 2017, US$892.3 million was fixed-rate debt and the remaining US$3,661.9 million was subject to floating interest rates at various competitive spreads over one-month to six-month LIBOR (or equivalent) and related principally to the financing of vessels and container equipment. The Group's average cost of debt at 31st December 2017 was 2.9% (2016: 2.1%).

Net Debt to Equity Ratio

This ratio changed to 0.43:1 as at the end of 2017 from 0.42:1 as at the end of 2016 mainly due to increase in net debts for newbuilding orders and new equipment acquired in 2017. This ratio will be closely monitored in the light of the delivery and financing of new vessels ordered and business forecasts over the next three years. It is the Group's objective to keep this key ratio below a threshold of 1.0.



Shareholders' Equity

As at 31st December 2017, the Company had 625,793,297 shares in issue, consisting entirely of ordinary shares. With profit recorded for the year, the Group's consolidated shareholders' equity increased by US$163.2 million to US$4,682.5 million as at the end of 2017 with a net asset value per ordinary share of US$7.48 (2016: US$7.22). Return on average ordinary shareholders' equity is a key measure for the Group's objective to continuously enhance shareholders' value. This ratio changed from negative 5% in 2016 to positive 3% in 2017, as a result of improved freight rates for the core Container Transport and Logistics business.

Operating Leases and Commitments

In addition to the owned operating assets, the Group employs assets through operating lease arrangements as detailed in Note 40(b) to the Consolidated Financial Statements. Assets under operating lease arrangements consist primarily of container boxes, container vessels and a terminal in North America.

As at the end of 2017, the Group had outstanding capital commitments amounting to US$284.4 million, principally represented by the outstanding orders for a new container vessel, new container boxes and new equipment for the Middle Harbor Redevelopment Project.

Analysis of Change in Liquid Assets

US$'000	2017	2016	Change	Favourable/ (unfavourable) %
Net inflow from operations	**470,694**	149,343	321,351	215%
Other inflow:				
Interest and investment income	**56,206**	55,802	404	1%
Sale of property, plant and equipment and investments	**66,969**	22,130	44,839	203%
New financing	**1,106,882**	559,289	547,593	98%
Cash from joint ventures and associated companies	**11,288**	12,255	(967)	(8%)
Fair value gain on portfolio investments	**4,713**	3,658	1,055	29%
Others	**13,280**	–	13,280	N/M
	1,259,338	653,134	606,204	93%
Other outflow:				
Interest and financing charges paid	**(90,095)**	(72,343)	(17,752)	(25%)
Dividends paid to shareholders	**(13,388)**	(11,604)	(1,784)	(15%)
Taxation paid	**(10,241)**	(8,529)	(1,712)	(20%)
Increase in property, plant and equipment, investments, and non-current assets	**(481,729)**	(291,166)	(190,563)	(65%)
Loan repayments	**(788,914)**	(787,761)	(1,153)	(0%)
	(1,384,367)	(1,171,403)	(212,964)	(18%)
Net inflow/(outflow)	**345,665**	(368,926)	714,591	N/M
Beginning liquid asset balances	**2,186,946**	2,548,976	(362,030)	(14%)
Changes in exchange rates	**1,852**	6,896	(5,044)	(73%)
Ending liquid asset balances	**2,534,463**	2,186,946	347,517	16%
Represented by:				
Unrestricted bank balances and deposits	**1,940,975**	1,625,676	315,299	19%
Restricted bank balances	**63,839**	1,426	62,413	4377%
Portfolio investments	**294,720**	322,927	(28,207)	(9%)
Held-to-maturity investments	**234,929**	236,917	(1,988)	(1%)
	2,534,463	2,186,946	347,517	16%

A net inflow of US$345.7 million was recorded in 2017 compared with a net outflow of US$368.9 million in 2016. Operating inflow of US$470.7 million for the year was US$321.4 million higher than that of 2016 with improved operating results. The capital payments in 2017 mainly reflected the scheduled stage payments arranged for the ordered vessels and the acquisition of container and terminal equipment. The higher drawdowns in 2017 also reflected the financing of vessels delivered and equipment acquired during the year. Total liquid asset balances increased to US$2,534.5 million at the end of 2017, against US$2,186.9 million in 2016.

Liquidity

As at 31st December 2017, the Group had total liquid asset balances of US$2,534.5 million compared with debt obligations of US$624.2 million repayable in 2018. Total current assets at the end of 2017 amounted to US$2,964.7 million against total current liabilities of US$1,379.9 million. The Group's shareholders' equity contains no loan capital. The Group prepares and updates cashflow forecasts for asset acquisitions, project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a conservative liquidity level and an effective investment of surplus funds.

Board of Directors

TUNG Chee Chen

Mr. Tung Chee Chen, aged 75, has been appointed as the Chairman, President and Chief Executive Officer of the Company since October 1996. Mr. Tung chairs the Executive Committee, the Nomination Committee, the Inside Information Committee and the Risk Committee of the Company and is a member of the Remuneration Committee of the Company. He is also the chairman or a director of various subsidiaries of the Company. Mr. Tung graduated from the University of Liverpool, England, where he received his Bachelor of Science degree and acquired a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. He has been awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region for his long and distinguished public services, particularly his dedicated support and notable contributions to the development of the logistics and maritime industries in the past years. Mr. Tung is an Independent Non-Executive Director of U-Ming Marine Transport Corp., a listed company. He was formerly an Independent Non-Executive Director of Cathay Pacific Airways Limited, a company listed in Hong Kong, and was a member of the Hong Kong Logistics Development Council. Mr. Tung is the brother of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company); the brother-in-law of Professor Roger King (a Non-Executive Director of the Company); and the uncle of Mr. Tung Lieh Cheung Andrew (an Executive Director of the Company) and Mr. Tung Lieh Sing Alan (an Executive Director and Chief Financial Officer of the Company). Mr. Tung is either a director, or a director of a company which is a corporate director, of certain substantial shareholders of the Company which have disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

TUNG Lieh Cheung Andrew

Mr. Tung Lieh Cheung Andrew, aged 53, has been an Executive Director of the Company since 2nd November 2011 and is a member of the Executive Committee, the Inside Information Committee and the Risk Committee of the Company. He has been a Director and a member of the Executive Committee of Orient Overseas Container Line Limited ("OOCLL"), a wholly-owned subsidiary of the Company, since March 2006, and the Chief Executive Officer and Senior Managing Director of OOCLL since 1st July 2012. He is also a director of various subsidiaries of the Company. Between 1993 and 1998, he has served the Group in various capacities including Director of Reefer Trade of OOCLL. The last position Mr. Tung held in Hong Kong Dragon Airlines Limited prior to joining OOCLL in 2006 was the Chief Operating Officer. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration degree from Stanford University in the USA. Mr. Tung is an Independent Non-Executive Director of Cathay Pacific Airways Limited (a company listed in Hong Kong) and Standard Chartered Bank (Hong Kong) Limited. He is currently a member of the Hong Kong Logistics Development Council, a member of the Hong Kong Maritime and Port Board, the Chairman of the Maritime and Port Development Committee; and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development since 21st March 2018. He was the Vice-Chairman of the International Chamber of Commerce Commission for Transport & Logistics and a member of the Executive Committee of Hong Kong Shipowners Association. Mr. Tung is the son of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and is the brother of Mr. Tung Lieh Sing Alan (an Executive Director and Chief Financial Officer of the Company). He is the nephew of Mr. Tung Chee Chen (the Chairman, President and Chief Executive Officer of the Company) who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and Professor Roger King (a Non-Executive Director of the Company). Mr. Tung is a director of certain substantial shareholders of the Company which have disclosure interests in the Company under the provisions of the Securities and Futures Ordinance.

Mr. Tung Lieh Sing Alan, aged 50, has been an Executive Director of the Company since 1st May 2005, and has been re-designated from the Acting Chief Financial Officer to the Chief Financial Officer of the Company since 1st January 2016. Mr. Tung is a member of the Executive Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee of the Company. Mr. Tung has been with the Group in various capacities for twenty five years and is a Director of various subsidiaries of the Company. Mr. Tung graduated from Princeton University, Politics Department with a Bachelor of Arts degree. Mr. Tung has been appointed as non-official Justice of Peace since 2017. He is a board member of Hong Kong Maritime Museum Limited, an executive committee member of the International Association of Dry Cargo Shipowners (Intercargo) and a member of the Maritime Leasing Working Group under the New Business Committee of Financial Services Development Council. Mr. Tung served as Chairman of the Hong Kong Shipowners Association from 2012 to 2013 and currently is an executive committee member. Mr. Tung is a non-executive director of both The Steamship Mutual Underwriting Association (Bermuda) Limited and The Steamship Mutual Underwriting Association Limited. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years. He was a member of the Hong Kong Economic Development Commission. Mr. Tung is the son of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and is the brother of Mr. Tung Lieh Cheung Andrew (an Executive Director of the Company). He is the nephew of Mr. Tung Chee Chen (the Chairman, President and Chief Executive Officer of the Company) who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and Professor Roger King (a Non-Executive Director of the Company).

TUNG Lieh Sing Alan

Professor Roger King, aged 77, has been a Non-Executive Director of the Company since March 2000 and was an Executive Director of the Company from 1992. He is a member of the Finance Committee, the Share Committee and the Risk Committee of the Company. He was a Director of Orient Overseas (Holdings) Limited ("OOHL") from 1983 to 1992 and the Managing Director and Chief Operating Officer of OOHL from 1985 to 1987. Professor King is a graduate of the University of Michigan, BSEE; New York University, MSEE; Harvard Business School, AMP; and The Hong Kong University of Science and Technology ("HKUST"), PhD in Finance. He is the Honorary Consul of the Republic of Latvia in Hong Kong, and an Adjunct Professor of Finance, Director of Tanoto Center for Asian Family Business and Entrepreneurship Studies and Director of Thompson Center for Business Case Studies at HKUST. Professor King was an Independent Non-Executive Director of Sincere Watch (Hong Kong) Limited (listed on the Hong Kong Stock Exchange), a member of the Supervisory Board of both TNT Express N.V. and TNT N.V. (both are listed on the Amsterdam Stock Exchange), Chairman and founder of System-Pro Computers Limited, one of the largest personal computer reseller in Hong Kong, Chairman of Pacific Coffee Limited and a member of the Standing Committee of Zhejiang Province People's Political Consultative Conference. He also worked in computer research and management consultancy at Bell Telephone Laboratories. Professor King is the brother-in-law of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and Mr. Tung Chee Chen (the Chairman, President and Chief Executive Officer of the Company) who has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and the uncle of Mr. Tung Lieh Cheung Andrew (an Executive Director of the Company) and Mr. Tung Lieh Sing Alan (an Executive Director and Chief Financial Officer of the Company).

Professor Roger KING

Simon MURRAY

Mr. Simon Murray, CBE, aged 77, has been an Independent Non-Executive Director of the Company since 1992 and was a Non-Executive Director of Orient Overseas (Holdings) Limited from 1989 until 1992. He serves as a member on the Audit Committee of the Company. He is the Chairman of General Enterprise Management Services Limited, an Independent Non-Executive Director of Wing Tai Properties Limited (formerly known as USI Holdings Limited) and IRC Limited; and a Non-Executive Director of China LNG Group Limited and Greenheart Group Limited, all of which are companies listed in Hong Kong. Mr. Murray is also an Independent Non-Executive Director of Spring Asset Management Limited, manager of Spring Real Estate Investment Trust which is listed in Hong Kong. Mr. Murray was formerly a Non-Executive Director of Compagnie Financière Richemont SA, a company listed in Switzerland; an Independent Non-Executive Director of Cheung Kong (Holdings) Limited, a company previously listed in Hong Kong until withdrawal of its listing on 18th March 2015; an Independent Non-Executive Director of CK Hutchison Holdings Limited and Cheung Kong Property Holdings Limited, both of which are companies listed in Hong Kong; and the Vice Chairman and an Independent Non-Executive Director of Essar Energy Plc, a company listed in the United Kingdom; and the Chairman and an Independent Non-Executive Director of Gulf Keystone Petroleum Ltd., a company listed in the United Kingdom. Mr. Murray is a member of the Former Directors Committee of The Community Chest of Hong Kong and has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.

CHOW Philip Yiu Wah

Mr. Chow Philip Yiu Wah, aged 70, has been an Independent Non-Executive Director of the Company since 2nd January 2015. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee, the Finance Committee, the Share Committee and the Risk Committee of the Company. He was an Executive Director of the Company from 1st December 2003 to 30th June 2012, a Non-Executive Director of the Company from 1st July 2012 to 1st January 2015 and a consultant of the Company from 1st July 2012 to 31st December 2014. Mr. Chow holds a Bachelor of Science degree in Chemistry and Physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Professor WONG Yue Chim Richard

Professor Wong Yue Chim Richard, aged 65, has been an Independent Non-Executive Director of the Company since December 2003. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is the Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. He was appointed Justice of the Peace in July 2000. Professor Wong is currently an Independent Non-Executive Director of three other listed companies in Hong Kong, namely Great Eagle Holdings Limited, Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited. He was formerly an Independent Non-Executive Director of CK Life Sciences Int'l., (Holdings) Inc., a company listed in Hong Kong, and Link Asset Management Limited, the manager of Link Real Estate Investment Trust, a unit trust listed in Hong Kong.

CHENG Wai Sun Edward

Mr. Cheng Wai Sun Edward, aged 62, has been an Independent Non-Executive Director of the Company since 19th March 2009. He serves as a member on the Audit Committee of the Company. Mr. Cheng graduated from Cornell University with a Bachelor's degree in Political Science and Economics, and Oxford University with a Bachelor's degree in Jurisprudence and a Master's degree. He was qualified as a solicitor in England and Wales as well as in Hong Kong. He is a Justice of the Peace and has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region ("HKSAR"). Mr. Cheng is an Executive Director, Chief Executive and Deputy Chairman of Wing Tai Properties Limited, a company listed in Hong Kong and also an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited. He is a Non-Executive Director of the Securities and Futures Commission and has been appointed as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development since 21st March 2018. Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. Mr. Cheng was a member of the board of The Airport Authority Hong Kong, a member of the Commission on Strategic Development of the Government of the HKSAR, a member and the Chairman of the University Grants Committee, the Chairman of the Urban Renewal Authority and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. He has also previously served on the Government of the HKSAR's Steering Committee on Innovation & Technology, the Council of the Education University of Hong Kong (formerly known as the Hong Kong Institute of Education), the Council of the City University of Hong Kong, the Council of the Hong Kong Polytechnic University, the Executive Committee of the Hong Kong Housing Society, the Council of the Hong Kong Institute of Certified Public Accountants, the Securities and Futures Commission's Takeovers and Mergers Panel and the Takeovers Appeal Committee, and was a part-time member of the Central Policy Unit.

KWOK King Man Clement

Mr. Kwok King Man Clement, *Chevalier de la Légion d'Honneur*, aged 58, has been an Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company since 2nd July 2015. Mr. Kwok holds a bachelor of Science in Economics from the London School of Economics. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is the Managing Director and Chief Executive Officer of The Hongkong and Shanghai Hotels, Limited, a company listed in Hong Kong. His career began with Price Waterhouse and Barclays de Zoete Wedd in the United Kingdom, following which he returned to Hong Kong in 1986 to work with Schroders Asia, where he was appointed as Head of Corporate Finance in 1991. From 1996 to 2002, Mr. Kwok served as Finance Director of MTR Corporation. Mr. Kwok is a former Independent Non-Executive Director of Swire Pacific Limited, a company listed in Hong Kong. Mr. Kwok is a Fellow of The Hong Kong Management Association, a Council Member of the World Travel & Tourism Council, a Member of the International Advisory Council of the Faculty of Business and Economics of The University of Hong Kong and an Honorary Adviser to the Financial Reporting Council. Over his long career in Hong Kong, he has served on the Stock Exchange Listing Committee, the Takeovers and Mergers Panel, the Securities and Futures Appeals Tribunal, the Hang Seng Index Advisory Committee and the Harbourfront Commission, as well as the Interpretations Committee of the International Accounting Standards Board in London.

Senior Management

Michael Fitzgerald

Mr. Fitzgerald, aged 44, joined the Group in September 2014 as Group Finance Director and has been the Group Deputy Chief Financial Officer since December 2015. He was appointed a member of the OOCL Executive Committee in December 2014. Mr. Fitzgerald holds the degrees of BA and MA from the University of Oxford, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Fitzgerald started his career at KPMG in London in August 1995, and having qualified as a Chartered Accountant, moved to the Structured Finance division of Société Générale in January 1999, where he enjoyed an almost 16-year career, holding various posts in London, Hong Kong and Paris.

Raymond Fung

Mr. Fung, aged 59, has been the Director of Trades since January 2016 and Director of Intra-Asia Trade until 2015. He was appointed a member of the OOCL Executive Committee since November 2015. Mr. Fung holds a Bachelor of Business Administration General Business Management from the Chinese University of Hong Kong. Mr. Fung joined the Group in 1983 and has served the Group in various capacities for 34 years, including as General Manager of Operations, Managing Director of OOCL (UAE), Director of Australia Trade, and General Manager of Corporate Methods and Tools.

Teddy Fung

Mr. Fung, aged 57, has been the Director of Regions Management since January 2016 and the Director of Corporate Operation since September 2013. He was appointed a member of the OOCL Executive Committee since November 2015. Mr. Fung holds a Bachelor of Social Science in Economics and a Master of Arts in Transport Studies from the University of Hong Kong. Mr. Fung joined the Group in 1994 and has served the Group in various capacities for 23 years, including as General Manager of OOCL South China sub-region, Director of Reefer Trade, and Managing Director of OOCL Hong Kong Branch.

Lammy Lee

Ms. Lee, aged 56, has been the Company Secretary and Group Legal Advisor of OOIL since February 1997 and Compliance Officer of OOIL since June 2004. She was appointed a Director of OOCL and a member of the OOCL Executive Committee since April 2011. Ms. Lee holds a Bachelor of Laws from Queen Mary College, University of London, a Barrister and member of Lincoln's Inn and admitted as an advocate and solicitor of the High Court of Malaya. Ms. Lee joined the Group in 1988 and has served the Group in various capacities for 29 years.

Stephen Ng

Mr. Ng, aged 59, has been the Director of Trades since July 2012 and a Director of OOCL since August 2010. He is also the official spokesperson for OOCL. Before being transferred back to Hong Kong in 2010 to serve as the Director of Corporate Planning, he worked in California for seven years as Head of Trans-Pacific Trade. He joined the Group in 1987 and has served in various capacities for 30 years. Mr. Ng holds a Bachelor of Social Sciences degree from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong.

Steve Siu

Mr. Siu, aged 60, has been the Chief Information Officer and a Director of OOCL since November 2006 and Chief Executive Officer of CargoSmart since January 2002. He holds a Bachelor of Science and a Master of Science from University of Essex, UK, and a Master of Business Administration jointly organised by Northwestern University and the Hong Kong University of Science and Technology. Mr. Siu joined the Group in 1987 and has served the Group in various capacities for 30 years.

Erxin Yao

Mr. Yao, aged 61, has been a Director of OOCL since January 2010 and a Director of Corporate Planning and Corporation Administration since January 2013. He holds a Bachelor of Arts from Toronto/Fudan University joint program and a Master of International Affairs from Columbia University. Mr. Yao joined the Group in 1993 and has served the Group in various capacities for 24 years, including as Executive Vice-President and Head of Corporate Services of OOCL Logistics in Hong Kong, Managing Director of Orient Overseas Container Line (China) Co., Ltd. and OOCL Logistics (China) Limited based in Shanghai, and President of OOCL (USA) Inc.

Kenny Ye

Mr. Ye, aged 54, has been the Chief Executive Officer of OOCL Logistics and a member of the OOCL Executive Committee since November 2015. He holds a Diploma of Accounting in Lixin Accounting Institute and a Master of Business Administration from Oklahoma City University. Mr. Ye joined the Group in 1994 and has served the Group in various capacities for 23 years. Following his assignment in Shanghai, Mr. Ye was transferred to Hong Kong in 2004 and has served the Group in various capacities, including as Director of Asia-Europe Trade, Director of Intra-Asia Trade and the Chief Operating Officer of OOCL Logistics.

Financial Calendar

Announcement of results for the half year ended 30th June 2017	7th August 2017
Despatch of 2017 Interim Report to shareholders	31st August 2017
Announcement of results for the year ended 31st December 2017	12th March 2018
Despatch of 2017 Annual Report to shareholders	9th April 2018
Closure of the Register of Members (to ascertain the shareholders eligible to attend and vote at the Annual General Meeting)	27th April 2018 to 4th May 2018 (Both days inclusive)
2017 Annual General Meeting	4th May 2018

Shareholder Information

ORDINARY SHARES

Issued shares	625,793,297 shares (as at 31st December 2017)
Nominal value per share	US$0.10
Board lot	500 shares

ANNUAL REPORT

This annual report is available in both English and Chinese.

Shareholders can obtain copies by writing to:
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:
Orient Overseas (International) Limited
33rd Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attention: Company Secretary

This annual report is also available at our website at http://www.ooilgroup.com.

SHAREHOLDER SERVICES

Any matter relating to your shareholding, including transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to:
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990

SHAREHOLDER ENQUIRIES

Any matter relating to shareholders' rights should be addressed in writing to:
Orient Overseas (International) Limited
33rd Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attention: Company Secretary

Our enquiry hotline is operational during normal office hours:
Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

SHAREHOLDER INFORMATION

Ordinary shareholder information as at 31st December 2017:

Type of shareholders

Type of shareholders	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
Corporate	21	2.6448%	621,933,810	99.3833%
Individual	773	97.3552%	3,859,487	0.6167%
	794	100.00%	625,793,297	100.00%

Distribution of shareholdings

Size of shareholdings	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
1 – 10,000	753	94.8363%	963,040	0.1539%
10,001 – 100,000	35	4.4081%	1,011,729	0.1617%
100,001 – 1,000,000	2	0.2519%	752,731	0.1203%
1,000,001 or above	4	0.5037%	623,065,797	99.5641%
	794	100.00%	625,793,297	100.00%

Ten largest ordinary shareholders

At 31st December 2017, the interests of the ten largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholders	Number of ordinary shares held	Percentage
Fortune Crest Inc.	350,722,656	56.04%
HKSCC Nominees Limited	191,856,598	30.66%
Gala Way Company Inc.	79,227,432	12.66%
Mok Kwun Cheung	1,259,111	0.20%
Chang Tsann Rong Ernest	612,731	0.10%
So Tung Lam	140,000	0.02%
Lui Siu Sun	72,600	0.01%
Po Leung Kuk	70,500	0.01%
Poon Chiu Leung	50,000	0.01%
Ho Hin Kwong	48,454	0.01%

CORPORATE GOVERNANCE CODE

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

The Company has adopted its own corporate governance code (the "CG Code"), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "SEHK Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year 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

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 14 to the Listing Rules during the year 2017:

A. BOARD OF DIRECTORS

1. Board Composition

The Board currently comprises of three Executive Directors, one Non-Executive Director and five Independent Non-Executive Directors.

Executive Directors

Mr. Tung Chee Chen *(Chairman, President and Chief Executive Officer)*
Mr. Tung Lieh Cheung Andrew
Mr. Tung Lieh Sing Alan *(Chief Financial Officer)*

Non-Executive Director

Professor Roger King

Independent Non-Executive Directors

Mr. Simon Murray
Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Mr. Cheng Wai Sun Edward
Mr. Kwok King Man Clement

The biographical details of the Directors and the relevant relationships between them are set out on the Company's website at http://www.ooilgroup.com and on pages 48 to 51 of this annual report.

The Directors have formal letters of appointment setting out the key terms and conditions of their appointment, and are for a fixed term of three years and subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group bringing independent and diversified experience, competencies, skills and judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between Executive and Non-Executive Directors and has provided adequate checks and balances for safeguarding the interests of the shareholders and the Group.

The Company has received from each Independent Non-Executive Director a written annual confirmation of their independence and considers that all the Independent Non-Executive Directors have satisfied their independence to the Group up to the date of this annual report.

During the year 2017, the Board complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors representing at least one-third of the Board, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Professor Roger King (Non-Executive Director of the Company) is the brother-in-law of Mr. Tung Chee Chen (Chairman, President and Chief Executive Officer of the Company). Mr. Tung Lieh Cheung Andrew (Executive Director of the Company) is the brother of Mr. Tung Lieh Sing Alan (Executive Director and Chief Financial Officer of the Company), and both of them are the nephews of Mr. Tung Chee Chen and Professor Roger King.

Directors' and Officers' Liabilities Insurance

Since 1992, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Group arising out of corporate activities.

2. Board and Management Responsibilities

The Board is responsible for the overall strategic direction and management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

The Board has a fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategies and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational, financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the principal division under the leadership and supervision of the Chief Executive Officer, who will implement and report to the Board on the adoption of the Company's strategies, policies and objectives by the principal division of the Group.

The Board also delegates certain specific responsibilities to nine committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, Risk Committee, Compliance Committee, Finance Committee, Share Committee and Inside Information Committee). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company. No such independent professional advice was requested by any Director in year 2017.

3. Chairman and Chief Executive Officer

Mr. Tung Chee Chen is the Chairman and the Chief Executive Officer of the Company with the respective roles set out in writing.

a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:

   – ensure that Directors are briefed and have received timely, accurate, complete and clear information on issues to be discussed at Board meetings;

   – ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;

   – approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matter proposed by other Directors for inclusion in the agenda;

   – promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors (including Independent Non-Executive Directors) in particular and ensuring constructive relations between Executive and Non-Executive Directors; and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;

- hold meetings at least annually with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors;
- ensure effective communication with shareholders and that their views are communicated to the Board; and to
- attend the annual general meetings and invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the other Board committees, or in the absence of the chairman of the respective Board committees, other members of the related Board committees to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meeting, the Chairman shall be entitled to a second or casting vote.

b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operation of the Company and Group business. His duties include to:

- provide leadership and supervise the effective management of the principal division of the Group;
- monitor and control the operational and financial performance of the principal division of the Group;
- implement and report to the Board on the adoption of the Company's strategies, policies and objectives by the principal division of the Group;
- provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the principal division of the Group; and to
- set up programmes for management development and succession planning for the principal division of the Group.

4. Board Meetings

Regular Board meetings are scheduled one year in advance to maximise the attendance of Directors. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters to the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is dealt with by a physical Board meeting rather than a written resolution. If considered appropriate, the Board meeting shall be attended by Independent Non-Executive Directors who have no material interests in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their records.

5. Professional Development

In addition to Directors' attendance at meetings and review of papers and circulars sent by the Company, the Directors have participated in continuous professional development programme to develop and refresh their knowledge and skills to help ensure that their contribution to the Board remains informed and relevant.

The programme for continuous professional development of Directors takes various forms including:

- the Company briefing Directors on important issues which have a material impact on the Company's business, financial and operational matters including major investments, corporate governance practices and funding strategy;
- Directors meeting senior management of the Group on issues specific to the Group's business;
- Directors reading materials and updates on the regulatory changes followed by briefings by the Company Secretary of the Company, if requested; and
- Directors attending external seminars on business, financial, governance, regulatory and other issues relevant to the Group's activities.

Below is the record of participation in continuous professional development programme by the current Directors of the Company in year 2017 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Reading materials	Attending external seminars/briefings
Executive Directors		
Mr. Tung Chee Chen	✓	
Mr. Tung Lieh Cheung Andrew	✓	
Mr. Tung Lieh Sing Alan	✓	
Non-Executive Director		
Professor Roger King	✓	✓
Independent Non-Executive Directors		
Mr. Simon Murray	✓	
Mr. Chow Philip Yiu Wah	✓	
Professor Wong Yue Chim Richard	✓	✓
Mr. Cheng Wai Sun Edward	✓	✓
Mr. Kwok King Man Clement	✓	✓

Note: Ms. Lammy Lee, the Company Secretary of the Company, undertook no less than fifteen hours of professional training in year 2017 to update her skills and knowledge.

6. Supply of and Access to Information

All Directors have access to the Board's and the Committees' papers and other materials either from the Company Secretary or the Chairman so that they are able to make informed decisions on matters placed before them.

7. Nomination of Directors

The Nomination Committee was established in 2012. The Committee reviews the structure, size and composition (including the skills, knowledge, experience and from diversity perspective) of the Board regularly and makes recommendation to the Board. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the principal division, the Company and the Group.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments, together with the identity of the public companies and organisations and an indication of time involved.

At the annual general meeting of the Company held on 27th April 2017 (the "2016 AGM"), Mr. Tung Lieh Cheung Andrew, Mr. Simon Murray and Mr. Chow Philip Yiu Wah retired and were re-elected as Directors of the Company.

8. Board Committees

In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee established in compliance with the Listing Rules, the other committees comprise of the Executive Committee, the Finance Committee, the Share Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee. Each committee has its own well defined scope of duties and terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the HKEXnews website. The Company Secretary shall also make available the terms of reference of all the committees to any shareholder upon receipt of a written request from such shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the members of the respective committees and the Directors of the Company for their records.

a. Executive Committee

The Executive Committee was established in 1996. All its members are Executive Directors. It currently comprised of Mr. Tung Chee Chen (chairman of the Executive Committee), Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan, with Ms. Lammy Lee as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

- formulate strategies and policies and to set corporate and management targets and operational initiatives and policies on risk management for the principal division of the Group and plans and operational directions for the Group;
- monitor, control and manage operational and financial performance and business affairs of the principal division of the Group;
- review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including inside information and financial information) required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; (ii) submissions from the Compliance Committee, the Finance Committee and the Share Committee and, if appropriate, to recommend to the Board for consideration and approval;
- approve capital expenditure for a specified amount;
- liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board of the Company for consideration, approval and/or ratification, if necessary; and to
- report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendations as to the steps to be taken.

b. Audit Committee

The Audit Committee was established in 1992. All its members are Independent Non-Executive Directors. It currently comprised of Professor Wong Yue Chim Richard (chairman of the Audit Committee), Mr. Simon Murray, Mr. Cheng Wai Sun Edward, Mr. Kwok King Man Clement and Mr. Chow Philip Yiu Wah, with Mr. Fung Yee Chung Vincent, the Head of Internal Audit as the secretary of the Audit Committee, and Ms. Lammy Lee as the assistant secretary of the Audit Committee.

The Audit Committee is delegated by the Board with the responsibility to provide an independent review and supervision of financial reporting and to ensure the effectiveness of the Group's risk management and internal control systems and the adequacy of the external and internal audit. To perform its duties, the Audit Committee is provided with sufficient resources and is supported by the Internal Audit Department to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls. The terms of reference of the Audit Committee are posted on the Company's website.

The primary duties of the Audit Committee include to:

– recommend to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

– act as the key representative body overseeing the Company's relation with the external auditor;

– seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

– discuss with the external auditor any recommendation arising from the audit, and to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial statements or systems of control and management's response, and to ensure that the Board will provide timely response to the issues raised in the external auditor's management letter;

– establish and review from time to time the procedure to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with the applicable standards and the scope of the external auditor, and to discuss and understand the factors considered by the external auditor in determining the nature and scope of the audit and reporting obligations before the audit commences;

– establish and review from time to time the policy relating to hiring of employees or former employees of the external auditor and monitor the application of such policy; and to consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of the audit;

– establish and review from time to time the policy on engaging external auditor to supply non-audit services and to review such services do not impair the external auditor's independence or objectivity in relation to non-audit services including whether the skills and experience of the external auditor make it a suitable supplier of non-audit services; whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; and the nature of non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor;

– review the Group's financial and accounting policies and practices;

– monitor the integrity of the Company's financial statements, annual, quarterly (if prepared for publication) and interim financial reports and to review any significant financial reporting judgments contained in them, with particular focus on changes in accounting policies and practices, major judgmental areas, any significant audit adjustments, the going concern assumption and any qualifications, compliance with any applicable legal requirements and accounting standards, and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;

– consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements and to give due consideration to any matter that has been raised by the Financial Compliance Officer of the Company, the external auditor, the Head of Internal Audit or the staff responsible for the accounting and financial reporting function;

- review with the Group's management, the external auditor and the internal auditor, the adequacy of the Group's policies and procedures regarding internal control system (including financial, operational and compliance controls) to ensure that such system is effective with audit trails to protect the accuracy and integrity of financial data and to pursue relevant enquiries into matters having, or likely to have, a material effect on the business and financial conditions of the Group. The result of the review is to be reported in the Corporate Governance Report of the Company, including a Directors' statement that they have conducted a review of its internal control system;

- provide an independent review on the effectiveness of the risk management system including the risk management framework, policies and processes;

- discuss with the management the scope and quality of the risk management and internal control systems and to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget and experience of staff of the accounting, internal audit and financial reporting functions;

- review findings of internal investigation and management's response of any suspected frauds or irregularities or failures of risk management and internal controls or infringements of laws, rules and regulations;

- review the scope and effectiveness of the internal audit functions and to review the results of the internal audit functions regularly with the internal auditor matters including planning of the Audit Committee meetings and, if required by the internal auditor, the internal audit programme; and to ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;

- review the effectiveness and monitor the use of the whistleblowing policy and procedures for employees to raise concerns, in confidence, to the Audit Committee about improprieties in financial reporting, internal control and other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;

- report to the Board on the matters raised in the SEHK Code; and to

- report to the Board, identifying and making recommendations on any matter where action or improvement is needed and to consider other topics identified and referred to the Audit Committee by the Board.

Under the Group's whistleblowing policy, employees may report any concern regarding accounting, internal accounting controls and auditing matters to the Audit Committee without fear of dismissal or retaliation, in order to ensure that the Group complies with all the applicable laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee will review each complaint and decide on how the investigation should be conducted. In year 2017, the Audit Committee received no complaint from employees.

The Audit Committee held two meetings during the year ended 31st December 2017. The following is a summary of work performed by the Audit Committee during the year 2017:

(i) reviewed and discussed the annual financial statements for 2016 and the interim financial statements for 2017 with the external auditor and management of the Company, with recommendations to the Board for approval;

(ii) reviewed the significant audit and accounting issues arising from the external auditor's statutory audit of the 2016 annual financial statements and issues arising from the review of the 2017 interim financial statements;

(iii) reviewed the impact of the new and revised accounting standards on the Company;

(iv) reviewed the external auditor's audit strategy and approach;

(v) reviewed the non-audit services provided by the external auditor in 2016;

(vi) met with the external auditor without the presence of the management to discuss issues from the audits and any other matters the external auditor might raise;

(vii) reviewed the Internal Audit Department's audit objectives and approval of the annual internal audit plan;

(viii) reviewed the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during the year 2016;

(ix) reviewed the effectiveness of the risk management and internal control systems;

(x) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2016 concerning the Audit Committee;

(xi) reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget and experience of staff of the Company's accounting, internal audit and financial reporting functions;

(xii) reviewed the continuing connected transactions and their annual caps;

(xiii) reviewed the continuous implementation of the whistleblowing policy; and

(xiv) reviewed and refined the terms of reference of the Audit Committee.

The minutes of the Audit Committee meetings are prepared by the secretary of the Audit Committee with details of all matters considered by the attendees and of decisions reached, including any concern raised by the attendees and dissenting views expressed. The final version of the minutes is sent to the attendees for their records. The minutes are open for inspection by the Committee members and the Board members.

c. Remuneration Committee

The Remuneration Committee was established in 2005. A majority of its members are Independent Non-Executive Directors. It currently comprised of Mr. Chow Philip Yiu Wah (chairman of the Remuneration Committee), Mr. Tung Chee Chen and Professor Wong Yue Chim Richard, with Ms. Lammy Lee as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

– review and recommend to the Board on the Company's policy and structure of the remuneration of the Directors of the Company, senior management and employees of the Group including performance-based bonus scheme on the basis that they are fairly but responsibly rewarded for their individual contribution to the overall performance of the Company;

– establish and review a formal and transparent procedure for developing remuneration policy;

– (i) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and determine with delegated responsibilities the remuneration packages of individual Executive Directors of the Company and senior management; and (ii) recommend to the Board on the remuneration of the Non-Executive Directors of the Company;

– consult the Chairman of the Board and/or Chief Executive Officer of the Company about their remuneration proposals for the other Executive Directors of the Company and senior management;

– review and approve compensation payable to the Executive Directors of the Company and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

– ensure that no Director or any of his associates or senior management is involved in deciding his own remuneration; and to

– advise the Board any matter relating to the remuneration or reward of the Executive Directors of the Company or senior management or employees of the Group.

The Remuneration Committee held five meetings during the year ended 31st December 2017. The works performed by the Remuneration Committee during the year 2017 include:

(i) reviewed the Company's policy and remuneration structure for the Directors of the Company, and the senior management and employees of the Group, and ensured compliance of disclosure with the Listing Rules and in line with best practices;

(ii) reviewed the procedure for developing remuneration policy;

(iii) reviewed the consultant's report covering (i) current remuneration policies and practices including incentive scheme; (ii) current bonus policy to ensure that it would continue to motivate and reward staff; (iii) remuneration for senior management and technical employees of the Group that is competitive with external market; and (iv) remuneration of Directors that is in line with prevailing market level, and recommended to the Board the recommended solutions suggested in the consultant's report;

(iv) reviewed the discretionary management bonus of the Executive Directors of the Company, and the senior management and employees of the Group for the year 2016;

(v) reviewed and recommended to the Board or determined with delegated responsibilities, as the case may be, in accordance with the terms of reference of the Remuneration Committee, the remuneration packages of the Directors of the Company, and the senior management of the Group for the year 2017; and

(vi) reviewed and recommended to the Board the committee member's fees for the Independent Non-Executive Directors of the Company.

No Director was involved in determining his own remuneration.

d. Nomination Committee

The Nomination Committee was established in 2012. A majority of its members are Independent Non-Executive Directors. It currently comprised of Mr. Tung Chee Chen (chairman of the Nomination Committee), Mr. Chow Philip Yiu Wah and Professor Wong Yue Chim Richard, with Ms. Lammy Lee as the secretary of the Nomination Committee.

The primary duties of the Nomination Committee include to:

– review and make recommendation to the Board on the Company's policy for nomination of Directors;

– establish and review a formal, considered and transparent procedures for the appointment of new directors and have plans in place for orderly succession for appointments;

– review and report annually on implementation of the board diversity policy of the Company (the "Board Diversity Policy"), and progress (if relevant);

– review the structure, size and composition (including the skills, knowledge, experience and from diversity perspective) of the Board at least annually and recommend on any proposed change to the Board to complement the Company's corporate strategy;

- identify, nominate and recommend to the Board suitably qualified candidate, based on meritocracy and the Board Diversity Policy appropriate for the Group's business and specific needs, to become a director of the Company either to fill a casual vacancy or as an addition to the existing Board;

- recommend to the Board on the appointment or re-appointment/re-election of Directors and succession planning for Directors to maintain a balance of skills, knowledge, experience and diversity of perspectives of the Board;

- assess and report to the Board the qualifications of any person proposed by a shareholder of the Company for election as a director of the Company to ensure compliance with the nomination policy of the Company and the requirements as provided in the Listing Rules are satisfied;

- assess the independence of Independent Non-Executive Directors of the Company;

- regularly review and report to the Board the contribution required from a Director of the Company to perform his responsibilities and whether he is spending sufficient time performing them; and to

- assess performance of the Executive Directors and conduct a regular evaluation of the Board's performance by a member of the Nomination Committee, who is an Independent Non-Executive Director, and report results of the evaluation to the Board.

The Nomination Committee held one meeting during the year ended 31st December 2017. The works performed by the Nomination Committee during the year 2017 include:

(i) reviewed the Company's policy for nomination of Directors;

(ii) reviewed procedures for appointment of new Directors and plans for orderly succession;

(iii) reviewed the implementation of the Board Diversity Policy of the Company;

(iv) reviewed the structure, size and composition of the Board of the Company;

(v) recommended re-election of the retiring directors at the annual general meeting of the Company held on 27th April 2017;

(vi) assessed independence of the Independent Non-Executive Directors of the Company;

(vii) reviewed the contribution of the Directors of the Company for the year 2016; and

(viii) evaluated performance of the Board and assessed performance of the Executive Directors of the Company by a member of the Nomination Committee who is an Independent Non-Executive Director of the Company in accordance with the terms of reference of the Nomination Committee.

The Board Diversity Policy is summarised as follows:

- the Company ensures that its Board has the appropriate balance of skills, experience and diversity of perspective of the Board requires to support the execution of its business strategy and in order for the Board to be effective;

– selection of candidates will be based on a range of perspectives, including but not limited to age, culture and educational background, ethnicity, industry experience, skills, knowledge and length of service. The Board's appointment should be based on meritocracy and diversity of perspectives appropriate for the Group's business and specific needs and the contribution that the selected candidates will bring to the Board; and

– the Nomination Committee will take into consideration of the Board Diversity Policy in identifying and nominating suitably qualified candidates to become members of the Board.

e. Risk Committee

The Risk Committee was established in 2015 and currently comprised of Mr. Tung Chee Chen (chairman of the Risk Committee), Mr. Tung Lieh Cheung Andrew, Mr. Tung Lieh Sing Alan, Professor Roger King and Mr. Chow Philip Yiu Wah, with Mr. Mok Yun Lee Paul as the secretary of the Risk Committee.

The primary duties of the Risk Committee include to:

– establish risk appetite, risk management strategy, and a strong and independent internal control and review systems;

– align strategic direction and business objective of the Group with risk appetite;

– oversight on adequacy of the Group's risk management policies, process and system. In pursuing the Group's strategic direction and business objective, aims to optimise risk and return;

– identify, assess and manage principal risks to pursue the Group's strategic and business objective;

– provide direction on the importance of risk management and risk management culture;

– formulate, implement and review environmental, social and governance ("ESG") strategies of the Group; and to

– identify, assess and manage ESG-related risks and ensure appropriate and effective ESG risk management systems are in place.

The Risk Committee held two meetings and passed resolutions by way of written resolution during the year ended 31st December 2017. The works performed by the Risk Committee during the year 2017 include:

(i) reviewed and recommended to the Board the Group's risk appetite, risk management strategies, risk management policies, process and system in pursuit of the Group's strategic direction and business objectives;

(ii) identified, reviewed, assessed and managed principal risks of the Group to pursue the Group's strategic and business objectives;

(iii) reviewed and reported to the Board the Company's compliance with the SEHK Code in relation to the risk management; and

(iv) reviewed and reported to the Board the Company's compliance with the Listing Rules in relation to the ESG related compliance.

f. Compliance Committee

The Compliance Committee was established in 2004 and currently comprised of Ms. Lammy Lee (chairperson of the Compliance Committee), Mr. Tung Lieh Sing Alan, Mr. Fung Yee Chung Vincent, Mr. Michael Fitzgerald and Mr. Lam Tuen Pei Pius. The Board has delegated the responsibility for monitoring the corporate governance compliance to the Compliance Committee.

The primary duties of the Compliance Committee include to:

– review, monitor and provide administrative support on the compliance control of the Group and compliance of the following corporate governance functions of the Company:

  (a) on the Company's policies and practices on corporate governance and make recommendations to the Board;

  (b) on the training and continuous professional development of Directors and senior management of the Group;

  (c) on the Company's policies and practices on compliance with legal and regulatory requirements;

  (d) on the development of the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;

  (e) on the Company's compliance with the CG Code and the SEHK Code;

  (f) to report the above items (a) to (e) to the Board regularly; and

  (g) to prepare (i) the Corporate Governance Report covering all mandatory disclosure requirements as set out in the Listing Rules; and/or (ii) information required to be disclosed by the Compliance Committee in the Company's results announcements, the annual reports, the interim reports and any other documents, pursuant to the Listing Rules;

– review and report to the Board regularly the shareholders' communication policy to ensure its effectiveness; and to

– ensure the Company is in compliance with the Listing Rules including disclosure and compliance obligations for matters including notifiable transactions, connected transactions, continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, loan agreements with covenants relating to specific performance of the controlling shareholder of the Company, breach of a loan agreement by the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules, and general obligations of disclosure under rule 13.09 of the Listing Rules.

The Compliance Committee held three meetings during the year ended 31st December 2017. The works performed by the Compliance Committee during the year 2017 include:

(i) reviewed the Company's policies and practices on corporate governance, risk management, and made recommendations to the Board;

(ii) reviewed and recommended to the Board the revisions to the Company's CG Code to align with the up-to-date SEHK Code;

(iii) reviewed and monitored the training and continuous professional development of Directors of the Company;

(iv) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, particularly on legal, financial and accounting, internal control and audit, risk management and ESG related compliance;

(v) reviewed and monitored the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;

(vi) reviewed the Company's compliance with the CG Code and the SEHK Code and the disclosure requirements in the Corporate Governance Report;

(vii) reviewed the Company's compliance with the disclosure requirements in the Sustainability Report;

(viii) reviewed and reported to the Board on the effectiveness of the shareholders' communication policy;

(ix) reviewed and reported to the Board on the notifiable transactions, continuing connected transactions and the significant contracts of the Group; and

(x) reviewed the role of the Compliance Committee in light of the possible changes brought to the Group by the pre-conditional voluntary general offer as disclosed in the joint announcement dated 7th July 2017.

g. Finance Committee

The Finance Committee was established in 1993 and currently comprised of Professor Roger King and Mr. Chow Philip Yiu Wah, with Ms. Lammy Lee as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

– assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties and equipment and the financing of the business operations of the Group;

– report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendation as to the steps to be taken; and to

– discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company for its endorsement and/or approval.

h. Share Committee

The Share Committee was established in 1992 and currently comprised of Professor Roger King and Mr. Chow Philip Yiu Wah, with Ms. Lammy Lee as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

– deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;

– deal with share transactions including, but not limited to share repurchases, issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and placement of the Company's shares;

– give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to

– discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

i. Inside Information Committee

The Inside Information Committee was established in 2013 and currently comprised of Mr. Tung Chee Chen (chairman of the Inside Information Committee), Mr. Tung Lieh Cheung Andrew, Mr. Tung Lieh Sing Alan and Ms. Lammy Lee.

The primary duties of the Inside Information Committee include to:

– ensure proper systems and control are in place to collect, review and verify potential inside information;

– identify, assess and escalate potential inside information to the attention of the Board; report to the Board on the recommendation of the Inside Information Committee, and any matter in respect of which it considers that action is needed, and its recommendation as to the actions to be taken and what information to be disclosed;

– vet and clear announcements or other public disclosures; and to

– supervise the Company's compliance with continuing disclosure obligations.

j. Independent Board Committee

On 7th July 2017, it was jointly announced by the Company, COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), and Shanghai International Port (Group) Co., Ltd ("SIPG") that COSCO SHIPPING Holdings and SIPG had made a pre-conditional voluntary general offer ("Offer") to all shareholders of the Company to acquire all of the issued shares of the Company at an offer price of HK$78.67 per share of the Company in cash. An Independent Board Committee was established for the purpose of making recommendation to the shareholders of the Company as to whether the Offer is fair and reasonable and as to acceptance. The Independent Board Committee currently comprised of Mr. Simon Murray, Mr. Chow Philip Yiu Wah, Professor Wong Yue Chim Richard, Mr. Cheng Wai Sun Edward and Mr. Kowk King Man Clement.

9. Attendance Records of Board Meetings, Board Committees Meetings and General Meetings

The attendance records of each Director of the Board Committees of the Company at the relevant meetings held in year 2017 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend										
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Compliance Committee	Finance Committee	Share Committee	Inside Information Committee	2016 AGM
No. of meetings held during the year	6	10	2	5	1	2	3	1	1	0	1
Executive Directors											
Mr. Tung Chee Chen *(Chairman, President and Chief Executive Officer)*	6/6	10/10	–	5/5	1/1	2/2	–	–	–	0	1/1
Mr. Tung Lieh Cheung Andrew	6/6	10/10	–	–	–	2/2	–	–	–	0	1/1
Mr. Tung Lieh Sing Alan *(Chief Financial Officer)*	6/6	10/10	–	–	–	1/2	3/3	–	–	0	1/1
Non-Executive Director											
Professor Roger King	6/6	–	–	–	–	2/2	–	1/1	1/1	–	1/1
Independent Non-Executive Directors											
Mr. Simon Murray	4/6	–	1/2	–	–	–	–	–	–	–	0/1
Mr. Chow Philip Yiu Wah	6/6	–	2/2	5/5	1/1	2/2	–	1/1	1/1	–	1/1
Professor Wong Yue Chim Richard	6/6	–	2/2	5/5	1/1	–	–	–	–	–	1/1
Mr. Cheng Wai Sun Edward	5/6	–	1/2	–	–	–	–	–	–	–	1/1
Mr. Kwok King Man Clement	4/6	–	2/2	–	–	–	–	–	–	–	0/1
Average attendance rate	90.74%	100%	80%	100%	100%	90%	100%	100%	100%	N/A	77.78%

10. 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2017.

11. Share Interests of Directors and Senior Management

a. Directors

Directors' interests in the shares of the Company are set out on pages 83 and 84 of this annual report.

b. Senior Management

As at 31st December 2017, the number of shares of the Company held by the senior management of the Group are as follows:

Name	Number of shares held
Mr. Michael Fitzgerald	7,500
Mr. Raymond Fung	–
Mr. Teddy Fung	–
Ms. Lammy Lee	–
Mr. Stephen Ng	–
Mr. Steve Siu	–
Mr. Erxin Yao	5,000
Mr. Kenny Ye	100,000

12. Emoluments of Directors and Senior Management (Note)

a. Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2017 are set out on page 125 of this annual report.

b. Emoluments of Senior Management

The emoluments of the senior management of the Group for the year ended 31st December 2017 are set out below:

Emolument bands (US$)	Number of individuals 2017
256,401 – 320,500	2
320,501 – 384,600	1
384,601 – 448,700	3
448,701 – 512,800	1
512,801 – 576,900	1
Total	8

Note: biographical details of senior management are set out on pages 52 and 53 of this annual report.

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

PricewaterhouseCoopers was re-appointed as the Company's external auditor by shareholders at the 2016 AGM until the conclusion of the next annual general meeting.

The Company has established a policy on appointment of external auditor in providing non-audit services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The fee in respect of audit and non-audit services provided by the external auditor to the Company for the year ended 31st December 2017 is set out on page 127 note 11 to the consolidated financial statements of this annual report.

2. Directors' and Auditor's Acknowledgement

All Directors acknowledged their responsibilities for preparing the consolidated financial statements for the year ended 31st December 2017.

PricewaterhouseCoopers, the external auditor of the Company, acknowledged the reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31st December 2017.

3. Internal Controls

The Board is responsible for establishing and maintaining appropriate and effective internal control systems for the Group, and through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal division of the Group and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for assurance of the reliability of financial information for internal use or publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

– a distinct organisational structure for the principal division with defined authority responsibilities and control/ measures;

– an annual budget for the principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for the principal division is approved by the Board on an annual basis;

– a comprehensive management accounting system for the principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purposes. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary;

– systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and the principal division. Exposure to these risks is monitored by the Executive Committee and the management of the principal division;

– clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio; and

– the Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal division and the Audit Committee that controls have been set in place and adequately addressed.

The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal division. The Internal Audit Department has unrestricted access to information that allows it to review all aspects of the Group's risk management, control and governance processes. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on high risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal division. The management of the Company and the principal division including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations.

The Audit Committee on behalf of the Board assesses the effectiveness of the internal control system including detecting fraud and other irregularities by reviewing the Internal Audit Department's work and findings. On a yearly basis, the Internal Audit Department summarises the major audit findings and other relevant information that have come to the Internal Audit Department's attention during the course of the audits and reports to the Audit Committee.

According to the 2017 Internal Audit report, the Group's internal control system is functioning effectively, there was no significant weakness found in the course of the audits carried out during the year, and there is no change in the nature and extent of significant risks as well as the scope and quality of management's ongoing monitoring of the risks and the internal control system. The Audit Committee has concluded that the Group has maintained sound and effective internal controls to safeguard the Group's assets, and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group. The Board, therefore, is of the view that there are no significant frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate, and there are no significant areas of concern which may affect shareholders. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2017.

To ensure on-going compliance with the SEHK Code, the Audit Committee reviewed the adequacy of staffing of the accounting, internal audit and financial reporting functions on behalf of the Board and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Company has implemented the following procedures and internal controls for the handling and dissemination of inside information:

a) it monitors any inside information and makes appropriate announcement as required by the Listing Rules;

b) it conducts its affairs by reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

c) it has established procedures for handling external affairs about the Group; and

d) it has established guidelines to be followed by senior management and employees in dealing with confidential and inside information.

4. Risk Management

The Board acknowledges that risks are inherent in our business and the market in which we operate, and we undertake and monitor risks in pursuit of our strategic and business objectives. Our approach is if risks are effectively managed, it can be a value driver for competitive advantage and the exercising of risk management abilities can become an advantage to differentiate the Group from its competitors.

The Group has built and maintained sound and effective risk management and internal control systems to safeguard the Group's assets, but not absolute assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's strategic business objectives. In the context of the Group's capital structure and business models; it would re-assess the risk appetite on a regular basis, taking into consideration the Group's business strategies and return targets. The risk strategy of the Group, adopting a proactive approach, would be determined upon analysis results for a specific risk through the risk management process; and once risk is identified based on the risk strategy, it will be managed so that it can be understood, minimised, transferred or contained, through a group-wide risk management framework.

The Risk Committee delegates to the management, the design and setting of risk management parameters, who would work with relevant stakeholders of its business and operation units to identify key risk areas to be assessed and risk control measures formulated to mitigate and guide each local and regional office. The key risk management areas would be regularly reviewed to identify areas for improvement, from which where necessary, the development of policies and procedures for the Group to manage and control risks that might have an impact on the Group and the principal division including potential risks in critical business areas that are both strategic and operational levels, to ensure business continuity, to optimise business result, and to ensure compliance with the relevant rules and regulations. The Risk Committee reviews the adequacy and effectiveness of the risk management and internal control systems and internal audits are conducted as part of ongoing review on the effectiveness of the risk management and internal control systems. Emerging risks that may have an impact on the Group are also discussed in the Risk Committee meetings and shared with the Audit Committee.

The Group's risk management organisation structure has a "top-down" approach on oversight, risk identification and assessment, and mitigation of risk at corporate level; and a "bottom-up" approach on risk identification and assessment, and mitigation of risk at business unit level and cross functional areas for its risk management.

Based on the Group risk management principles and culture in taking justifiable calculated risk in business decision after identifying the inherent risks, exploring possible mitigation and assessing all relevant costs and benefits as a result of the decision; and promoting a risk-intelligent culture in the organisation, in which a risk-averse, risk-seeking or risk-neutral attitude might be adopted as and when the circumstances justified; risk management policy is set up to ensure common understanding of risk principles and encouraging a risk intelligent culture on a group-wide level. Our policies and guidelines are periodically reviewed and amended when considered necessary in line with the dynamic changes in our business environment and operations.

The Group has (i) a formalised enterprise risk management ("ERM") process, taking into consideration of the Group's organisation structure and nature of business; and (ii) developed a risk register with a principal risk dashboard that summarises major risks whose potential consequences are significant at group level and may trigger risk events that in aggregate, become significant to the Group as at a given time, and a functional risk dashboard. This provides a point-in-time assessment of the risk profile of the Group for the Risk Committee and the Board on the nature and extent of the risks faced by the Group.

The Group has adopted an activity-based "three lines of defence" risk governance model to delegate and coordinate essential risk management and control duties in a clear and cohesive manner:

(a) First line of defence – Functional units establish risk and control environments in the Group's day-to-day business operations, and as risk owners, are responsible for risk identification, formulation of risk mitigation strategies and upward reporting of risk monitoring progress;

(b) Second line of defence – The Risk Management Department monitors the risk management system and facilitates the development and setting of policies and guidelines and its effective implementation. It provides advice and guidance to the first-line functional units on implementation of the risk management and internal control systems; and

(c) Third line of defence – The Internal Audit Department provides independent review on the effectiveness of the risk management and internal control systems.

The Group's ERM process is underpinned by its risk culture, which is aligned to the overall ethics and culture of the Group. The ERM process consists of eight process components: internal environment, objective setting, risk identification, risk assessment, risk response, control activities, communication and monitoring; and is used to identify, evaluate and manage the significant risks to the Group. The functional units translate the risk events and incorporate the Group risk appetite into quantitative tolerance limits to monitor and manage the identified material risks in line with the Board's strategies; before communicating their recommended mitigation plans to the Risk Management Department. The Group risk register allows categorisation and prioritisation of risks, risk documentation and reporting, and the monitoring of the ongoing development of risks.

For the year ended 31st December 2017, following management confirmation to the Risk Committee on its scope and quality of its ongoing risks monitoring and internal control systems; and satisfaction on the effectiveness of the risk management and internal control systems with no significant control failings or weaknesses and no significant areas of concern identified which might affect the shareholders of the Company, the Risk Committee has reported twice to the Board on their review and confirmation of its satisfaction on the adequacy and effectiveness of the risk management and internal control systems, including the scope and quality of the Group's ongoing monitoring of risks.

The Board confirmed that the Group's risk management and internal control systems are functioning adequately and effectively. The Board is satisfied that the Company and the Group have fully complied with the code provisions on risk management as set forth in the SEHK Code for the year ended 31st December 2017.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairpersons of the Audit Committee, the Remuneration Committee, the Nomination Committee and other Board committees, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meetings.

The Company has also established a shareholders' communication policy to ensure shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is available on written request to the Company Secretary.

The most recent shareholders' meeting of the Company was the 2016 AGM held at Dynasty Room, 7th Floor, The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 27th April 2017, at which the following ordinary resolutions were passed with the voting results as follows:

	Ordinary Resolutions	Number of Votes (%) For	Against
1.	To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditor for the year ended 31st December 2016.	544,031,834 (100%)	0 (0%)
2(a).	To re-elect Mr. Tung Lieh Cheung Andrew as Director.	531,824,047 (97.756951%)	12,202,787 (2.243049%)
2(b).	To re-elect Mr. Simon Murray as Director.	436,972,736 (80.329070%)	107,005,598 (19.670930%)
2(c).	To re-elect Mr. Chow Philip Yiu Wah as Director.	442,106,524 (81.264826%)	101,925,310 (18.735174%)
3.	To authorise the Board of Directors to fix the Directors' remuneration.	543,673,334 (99.957529%)	231,000 (0.042471%)
4.	To re-appoint Messrs. PricewaterhouseCoopers as Auditor and to authorise the Board of Directors to fix their remuneration.	532,381,947 (97.858602%)	11,649,887 (2.141398%)
5(a).	To grant a general mandate to the Directors to allot, issue and deal with the Company's shares.	443,502,274 (81.521383%)	100,529,560 (18.478617%)
5(b).	To grant a general mandate to the Directors to repurchase the Company's shares.	543,903,334 (100%)	0 (0%)
5(c).	To extend the general mandate to issue shares to cover the shares repurchased by the Company under Resolution No. 5(b).	443,636,878 (81.546275%)	100,393,956 (18.453725%)

Since the publication of the Company's 2010 interim report, the Company has offered to the shareholders of the Company the following options to choose the language and means of receipt of the corporate communications of the Company in support of environment protection and for the purpose of saving printing and mailing costs:

(1) to read the corporate communication published on the Company's website at http://www.ooilgroup.com in place of receiving printed copies, and receive an e-mail notification or a printed notification letter (as the case may be) of the publication of the corporate communication on website; or

(2) to receive either the printed English version, the printed Chinese version or both the printed English and Chinese versions of the Company's corporate communication.

D. SHAREHOLDERS' RIGHTS

1. Convening a special general meeting

Pursuant to the Bermuda Companies Act and the Company's Bye-law, the shareholder(s) of the Company holding not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings of the Company shall have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

Upon receipt of confirmation from the Company's branch share registrar (the "Registrar") that the shareholder(s) submitting the requisition is/are qualified to attend and vote at any general meeting, the Company will convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders.

2. Putting forward proposals at general meetings

The shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 shareholders of the Company, can submit:

(i) a written request stating the resolution intended to be moved at an annual general meeting; or

(ii) a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statement must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Upon receipt of confirmation from the Registrar of the Company that the shareholder(s) making the proposal is/are qualified to attend and vote at the general meeting, the Company will:

(i) include the resolution in the agenda for the annual general meeting; or

(ii) circulate the statement for the general meeting,

provided that the shareholder(s) concerned have deposited a sum of money sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement to all the registered shareholders.

3. Putting enquiries to the Board

Shareholders who have enquiries to put to the Board of the Company may write to the Company Secretary of the Company at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

E. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

1. Shareholdings Information

As at 31st December 2017:

Authorised share capital: US$205,000,000, comprising 900,000,000 ordinary shares of US$0.1 each, 65,000,000 limited voting convertible redeemable preferred shares of US$1 each and 50,000,000 redeemable preferred shares of US$1 each.

Issued and fully-paid up capital: US$62,579,329.7 comprising 625,793,297 ordinary shares of US$0.1 each.

Details of the shareholding of the ordinary shares of the Company by the type of shareholders as at 31st December 2017 are as follows:

Type of Shareholders	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	21	2.6448%	621,933,810
Individual	773	97.3552%	3,859,487
Total	794	100.00%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2017 are as follows:

Size of shareholdings	Number of Shareholders	Shareholders % of total
1 – 10,000	753	94.8363%
10,001 – 100,000	35	4.4081%
100,001 – 1,000,000	2	0.2519%
1,000,001 or above	4	0.5037%
Total	794	100.00%

2. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeded 25% as at 31st December 2017.

3. Financial Calendar

Important dates for the coming financial year are set out on page 54 of this annual report.

4. Memorandum of Association and Bye-Laws

There are no changes to the memorandum of association and bye-laws of the Company (the "Constitutional Documents") during the year. The consolidated version of the Constitutional Documents is available on the Company's website and on the HKEXnews website.

The Board of Directors of the Company (the "Board") presents this report together with the audited consolidated financial statements for the year ended 31st December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 152 to 159 of this annual report.

GROUP RESULTS

The consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") are set out on page 95 of this annual report.

DIVIDENDS

An interim dividend of US2.14 cents (HK$0.167) per ordinary share was paid on 11th October 2017.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st December 2017.

BUSINESS REVIEW

A review of the business of the Group and an analysis of the Group's performance during the year are provided in Chairman's Statement on pages 10 and 11, Operations Review on pages 12 to 21 and Financial Review sections on pages 32 to 47 of this annual report. Description of the principal risks and uncertainties that the Group is facing can be found in Chairman's Statement on pages 10 and 11 and Operations Review on pages 12 to 21. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. No important events affecting the Group have occurred since the end of the financial year ended 31st December 2017. The Group's future business development is provided in Chairman's Statement on pages 10 and 11 and Operations Review on pages 12 to 21 of this annual report. In addition, discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, customers and suppliers and stakeholders, that have a significant impact on the Group are contained in the Corporate Responsibility section on pages 22 to 31 of this annual report and in the Company's 2017 Sustainability Report to be published in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 7th July 2017, it was jointly announced by the Company, COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), and Shanghai International Port (Group) Co., Ltd ("SIPG") that COSCO SHIPPING Holdings and SIPG had made a pre-conditional voluntary general offer ("Offer") to all shareholders of the Company to acquire all of the issued shares of the Company at an offer price of HK$78.67 per share of the Company in cash. The Offer is dependent upon satisfaction of the pre-conditions (the "Pre-conditions"), which include the necessary regulatory approvals as well as approval of COSCO SHIPPING Holdings' shareholders. Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), the controlling shareholders of the Company at the time of the Offer and together holding 68.70% of the issued share capital of the Company had irrevocably undertaken to accept the Offer.

Further information of the Offer is set out in the joint announcement dated 7th July 2017.

As at the date of this report, save as disclosed in the joint announcements dated 7th August 2017, 7th September 2017, 9th October 2017, 16th October 2017, 23rd October 2017, 7th November 2017, 6th December 2017, 8th January 2018, 7th February 2018 and 7th March 2018, there were no further updates on the status of fulfillment of the Pre-conditions. The Joint Offerors (as defined in the joint announcement dated 7th July 2017) are working towards satisfaction of the unsatisfied Pre-conditions.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Tung Chee Chen *(Chairman, President and Chief Executive Officer)*
Mr. Tung Lieh Cheung Andrew
Mr. Tung Lieh Sing Alan *(Chief Financial Officer)*

Non-Executive Director

Professor Roger King

Independent Non-Executive Directors

Mr. Simon Murray
Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Mr. Cheng Wai Sun Edward
Mr. Kwok King Man Clement

In accordance with bye-laws 87(2) and 87(3) of the Bye-laws of the Company (the "Bye-laws"), Mr. Tung Chee Chen, Professor Roger King and Mr. Cheng Wai Sun Edward will retire by rotation and, being eligible, will offer themselves for re-election at the annual general meeting of the Company to be held on 4th May 2018 (the "Annual General Meeting"). Mr. Cheng Wai Sun Edward, an Independent Non-Executive Director, has served the Company for more than nine years, and his re-election will be subject to a separate resolution to be approved at the Annual General Meeting pursuant to the Corporate Governance Code (the "SEHK Code") contained in Appendix 14 to the Listing Rules.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director of the Company, confirmation of his independence pursuant to rule 3.13 of the Listing Rules and considers all of them are independent.

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 year or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST

1. Significant Contracts

The Group shares the rental of office premises at Harbour Centre, Hong Kong on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL"), which is owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the year ended 31st December 2017 was approximately US$1,619,000.

Yuensung Investment Company Limited ("Yuensung"), a company controlled by Mr. C U Tung, the uncle of Mr. Tung Chee Chen, also shares the rental of an office premises at Harbour Centre, Hong Kong with our Group. The total amount of rental on an actual cost reimbursement basis paid by Yuensung to the Group for the year ended 31st December 2017 was approximately US$91,000.

Except for the above (other than contracts amongst Group companies), no other contracts or arrangements of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

2. Shares

As at 31st December 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 Listing Rules, were as follows as at 31st December 2017:

Name	Direct interests	Other interests	Total number of Shares (Long position)	Percentage
Tung Chee Chen	–	429,950,088 *(Notes 1 & 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 and 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. On 7th July 2017, Fortune Crest and Gala Way entered into an irrevocable undertaking (the "Irrevocable Undertaking") to accept the Offer in respect of 350,722,656 Shares and 79,227,432 Shares that they respectively own.

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 31st December 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 Interest", as at 31st December 2017, none of the Directors or the Chief Executive of the Company was 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.

3. Directors' Interests in Competing Business

As at 31st December 2017, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competed or might compete with the business of the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS' SHARE INTEREST

As at 31st December 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 interest	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 *(Notes 13 & 15)*	56.04%
Gala Way Company Inc.*	Direct	79,227,432 *(Notes 14 & 15)*	12.66%

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. ("Bartlock"), 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. ("Flowell"), 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 ("Izone"), 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. ("Jeference"), 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.

15. On 7th July 2017, Fortune Crest and Gala Way entered into the Irrevocable Undertaking to accept the Offer in respect of 350,722,656 Shares and 79,227,432 Shares that they respectively own and in which (i) Mr. Tung Chee Chen, Artson, Hanberry, Thelma, Mr. Tung Chee Hwa, Archmore, Edgemont, Javier, Bartlock, Flowell, Izone, and Jeference respectively have an indirect interest, and (ii) THTI holds the voting rights.

* 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 31st December 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.

CONNECTED TRANSACTIONS

During the year ended 31st December 2017, the Group had the following continuing connected transactions (the "Continuing Connected Transactions") constituted by the following agreements entered into by OOCL (Taiwan) Co., Ltd. ("OTWL"), the Group's Taiwanese subsidiary and acting as the general agent for the carrier of the Group in Taiwan:

a) CMT Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreements dated 10th December 2007, 15th December 2010, 4th December 2013 and 5th December 2016 (the "CMT Master Agreement"), all entered into between OTWL and Chinese Maritime Transport Ltd. ("CMT"), CMT agreed to provide and to procure members of the CMT group to provide various services to the Group including, inter alia, (i) trucking service; (ii) leasing of equipment (including chassis and tractors); (iii) maintenance and repair services for generator sets and chassis; (iv) freight station depot and container storage facilities; (v) container yard and gate services; and (vi) crew manning services, for successive periods of three years subject to the annual caps of US$57,800,000, US$60,700,000 and US$63,800,000 for the financial years of 2017, 2018 and 2019 respectively.

During the year 2017, US$28,226,000 was paid by OTWL to the CMT group for the aforesaid services.

b) AII Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreement dated 10th December 2007, 15th December 2010, 4th December 2013 and 5th December 2016 (the "AII Master Agreement"), all entered into between OTWL and Associated International Inc. ("AII"), AII agreed to provide and to procure members of the AII group to provide various services to the Group including, inter alia, (i) provision of office premises; and (ii) freight station depot and container storage facilities, for successive periods of three years subject to the annual caps of US$2,800,000 for each of the financial years of 2017, 2018 and 2019.

During the year 2017, US$1,188,000 was paid by OTWL to the AII group for the aforesaid services.

Mr. John Peng is the controlling shareholder of CMT and AII, and the brother-in-law of Mr. Tung Chee Chen who is an Executive Director, Chairman, President and Chief Executive Officer of the Company; the brother-in-law of Professor Roger King, a Non-Executive Director of the Company; the uncle of Mr. Tung Lieh Cheung Andrew, an Executive Director of the Company, and Mr. Tung Lieh Sing Alan, an Executive Director and Chief Financial Officer of the Company; and the brother-in-law of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in certain substantial shareholders of the Company. Mr. Peng and accordingly CMT and AII are therefore connected persons of the Company as defined in the Listing Rules.

Pursuant to rule 14A.55 of the Listing Rules, the Independent Non-Executive Directors of the Company, namely Mr. Simon Murray, Mr. Chow Philip Yiu Wah, Professor Wong Yue Chim Richard, Mr. Cheng Wai Sun Edward and Mr. Kwok King Man Clement, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions as disclosed above in accordance with rule 14A.56 of the Listing Rules and nothing has come to his attention that causes him to believe that the disclosed Continuing Connected Transactions:

(i) have not been approved by the Board of Directors of the Company;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

PERMITTED INDEMNITY

Pursuant to the Company's Bye-laws and subject to the provisions of the statutes, every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duty; provided that the indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to any of the Directors.

Since 1992, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Group arising out of the corporate activities of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2017, neither the Company nor any of its subsidiaries had 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.

SHARE CAPITAL

Details of the shares of the Company issued during the year are set out in note 35 to the consolidated financial statements on page 144 of this annual report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 36 and note 42 to the consolidated financial statements on pages 145 and 151 of this annual report.

EQUITY-LINKED AGREEMENTS

For the year ended 31st December 2017, the Company had not entered into any equity-linked agreement.

CORPORATE GOVERNANCE

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 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 and is constantly reviewed to ensure transparency, accountability and independence. Further information on the CG Code is set out in the corporate governance report (the "Corporate Governance Report") on pages 57 to 80 of this annual report.

Throughout the year of 2017, the Company complied with the SEHK Code, except as set out in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there was sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

DONATIONS

Donations made by the Group during the year amount to US$242,000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 4th May 2018.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) details of the retiring Directors to be re-elected at the Annual General Meeting; (iii) the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities; and (iv) the general mandate to authorise the repurchase of the Company's securities together with a proxy form will be despatched to the shareholders of the Company on or around 29th March 2018.

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Lammy Lee, Barrister.

AUDITOR

The Group's consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Orient Overseas (International) Limited
Tung Chee Chen
Chairman

Hong Kong, 9th March 2018

Index – Financial Information

Content	Page no.

Independent Auditor's Report

To the Shareholders of Orient Overseas (International) Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Orient Overseas (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 159, which comprise:

- the consolidated balance sheet as at 31st December 2017;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31st December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of freight revenue on a percentage of completion basis
- Provision for operating costs

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of freight revenue on a percentage of completion basis *Refer to notes 2.21 and 5 to the consolidated financial statements.* For the year ended 31st December 2017, the majority of the Group's revenue of US$6,108.4 million (2016: US$5,297.7 million) was derived from the freight revenue from container transport operation. The Group recognises freight revenue on a percentage of completion basis which is determined on the portion of vessel voyages completed at year end with reference to their voyage details such as freight rates, departures dates and arrival dates. The transaction volume of the voyages which are in progress as at year end is significant and complex calculations are involved in the estimation of freight revenue on a percentage of completion basis.	Our procedures in relation to management's quantification of freight revenue in relation to those vessel voyages which were in progress at year end included: • Understanding, evaluating and testing the information technology general control environment of the operation system used to record the freight revenue transactions. • Understanding, evaluating and testing the key controls over the recognition of freight revenue and receivable, in particular relating to estimation of freight revenue for vessel voyages in progress at the year end. • Agreeing the departure dates and arrival dates of vessel voyages in progress at year end in the operation system to the sailing schedules, on a sample basis. • Agreeing the total freight revenue by vessel voyages in the operation system to the accounting records. • Recomputing the estimated freight revenue of vessel voyages which were in progress as at year end with reference to the departure dates and arrival dates on a sample basis. We found that management's estimation of freight revenue for vessel voyages in progress at year end are supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for operating costs *Refer to notes 4(c) and 38 to the consolidated financial statements.* As at 31st December 2017, included in the accrued expenses of US$420.7 million (2016: US$354.2 million) was a provision for operating costs for container transport operation which mainly comprise cargo, vessel and voyage costs, equipment and repositioning costs and terminal operating costs. As it takes several months to finalise certain costs with suppliers subsequent to the receipt of such services, management makes a provision for such operating costs based on known services received, pattern of historical cost and estimated vendor tariffs. The estimation of provision for operating costs involves significant judgement taking into account a number of factors, such as pattern of historical cost and the estimated vendor tariff. Changes in estimation could result in material changes to the provision for operating costs.	Our procedures in relation to management's estimation of the provision for operating costs included: • Understanding, evaluating and testing the information technology general control environment of the operation system used to record the operating costs and cost provisioning. • Understanding, evaluating and testing the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular relating to the accuracy of the vendor tariffs in the operation system. • Understanding and reperforming the computation of the provision for operating costs, on a sample basis. • Reviewing and discussing monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made. • Checking the subsequent utilisation of provision for operating costs to evaluate the sufficiency of provision made. • Reviewing paid and unpaid invoices after year end to ascertain whether liabilities have been recorded in the proper period, on a sample basis. We found that the judgement involved in making the provision for operating costs was supportable by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Kam Fung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th March 2018

Consolidated Profit and Loss Account

For the year ended 31st December 2017

US$'000	Note	2017	2016
Revenue	5	**6,108,350**	5,297,693
Operating costs	6	**(5,531,438)**	(5,032,272)
Gross profit		**576,912**	265,421
Fair value gain from an investment property	17	**43,436**	18,522
Other operating income	7	**72,082**	72,456
Business and administrative expenses		**(487,299)**	(468,897)
Other gains/(losses), net	8	**27,039**	(25,729)
Operating profit/(loss)	11	**232,170**	(138,227)
Finance costs	12	**(101,215)**	(79,393)
Share of profits of joint ventures	19	**5,177**	5,135
Share of profits of associated companies	20	**13,957**	12,818
Profit/(loss) before taxation		**150,089**	(199,667)
Taxation	13	**(12,433)**	(19,554)
Profit/(loss) for the year		**137,656**	(219,221)
Profit/(loss) attributable to:			
Equity holders of the Company		**137,656**	(219,221)
Earnings/(loss) per ordinary share (US cents)	14		
Basic and diluted		**22.0**	(35.0)

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2017

US$'000	2017	2016
Profit/(loss) for the year	**137,656**	(219,221)
Other comprehensive income/(loss):		
Item that will not be subsequently reclassified to profit or loss:		
Remeasurement gains/(losses) on defined benefit schemes	**10,506**	(20,118)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	**12,492**	(28,012)
– Release of assets revaluation reserve upon disposal	**–**	4,753
– Release of assets revaluation reserve upon impairment	**–**	13,201
Currency translation adjustments		
– Foreign subsidiaries	**6,978**	(6,880)
– Associated companies	**8,505**	(9,176)
– Joint ventures	**478**	(1,167)
Total items that have been reclassified or may be reclassified subsequently to profit or loss	**28,453**	(27,281)
Other comprehensive income/(loss) for the year, net of tax	**38,959**	(47,399)
Total comprehensive income/(loss) for the year	**176,615**	(266,620)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**176,615**	(266,620)

Consolidated Balance Sheet

As at 31st December 2017

US$'000	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	16	**6,251,457**	6,076,673
Investment property	17	**270,000**	220,000
Prepayments of lease premiums	18	**7,972**	7,818
Joint ventures	19	**10,833**	11,225
Associated companies	20	**148,840**	137,527
Intangible assets	21	**49,204**	60,143
Deferred taxation assets	22	**1,476**	4,227
Pension and retirement assets	23	**243**	–
Restricted bank balances	24	**60,414**	403
Available-for-sale financial assets	25	**45,383**	93,148
Held-to-maturity investments	26	**217,889**	195,296
Other non-current assets	27	**40,863**	32,091
		7,104,574	6,838,551
Current assets			
Inventories	28	**102,157**	84,472
Debtors and prepayments	29	**589,936**	474,158
Amount due from an associated company	30	**–**	2,854
Amounts due from joint ventures	31	**6,007**	431
Held-to-maturity investments	26	**17,040**	41,621
Portfolio investments	32	**294,720**	322,927
Derivative financial instruments	33	**1,825**	2,097
Tax recoverable		**8,637**	10,780
Restricted bank balances	24	**3,425**	1,023
Cash and bank balances	34	**1,940,975**	1,625,676
		2,964,722	2,566,039
Total assets		**10,069,296**	9,404,590
EQUITY			
Equity holders			
Share capital	35	**62,579**	62,579
Reserves	36	**4,619,934**	4,456,707
Total equity		**4,682,513**	4,519,286

Consolidated Balance Sheet

As at 31st December 2017

US$'000	Note	2017	2016
LIABILITIES			
Non-current liabilities			
Borrowings	37	**3,930,025**	3,489,272
Deferred taxation liabilities	22	**65,221**	71,337
Pension and retirement liabilities	23	**38**	11,857
Other non-current liabilities		**11,628**	–
		4,006,912	3,572,466
Current liabilities			
Creditors and accruals	38	**740,260**	695,897
Amounts due to joint ventures	39	**7,526**	10,712
Borrowings	37	**624,158**	601,465
Current taxation		**7,927**	4,764
		1,379,871	1,312,838
Total liabilities		**5,386,783**	4,885,304
Total equity and liabilities		**10,069,296**	9,404,590

C C Tung
Alan Tung
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2017

US$'000	Note	2017	2016
Cash flows from operating activities			
Operating profit/(loss)		**232,170**	(138,227)
Interest income		**(46,611)**	(39,580)
Dividend income and distribution		**(22,975)**	(30,016)
Depreciation and amortisation		**439,824**	408,874
Loss on disposal of intangible assets		**6,690**	–
Impairment on available-for-sale financial assets		**–**	13,201
Fair value gain from assets and liabilities		**(50,196)**	(28,791)
Net (gain)/loss on disposal of non-current assets		**(8,434)**	6,171
Operating profit before working capital changes		**550,468**	191,632
Increase in inventories		**(17,685)**	(11,991)
(Increase)/decrease in debtors and prepayments		**(115,641)**	26,118
Increase/(decrease) in creditors and accruals		**41,161**	(56,580)
Increase in other non-current liabilities		**11,628**	–
Change in net pension assets/liabilities		**(1,556)**	(688)
Settlement of derivative financial instruments		**2,319**	852
Cash generated from operations		**470,694**	149,343
Interest and financing charges paid		**(90,095)**	(72,343)
Hong Kong profits tax (paid)/refunded		**(21)**	334
Overseas taxes paid		**(10,220)**	(8,863)
Net cash from operating activities		**370,358**	68,471
Cash flows from investing activities			
Sale and redemption on maturity of non-current assets		**155,757**	41,128
Purchase of property, plant and equipment		**(470,428)**	(251,822)
Purchase of other non-current assets		**(98,101)**	(59,181)
Decrease/(increase) in portfolio investments		**46,200**	(23,375)
Investment in a joint venture		**(154)**	–
Net change in amounts due to joint ventures		**(8,762)**	2,115
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months		**(61,956)**	277,596
Interest received		**46,496**	40,036
Dividends and distribution received from investments		**9,710**	15,766
Dividends received from joint ventures and associated companies		**20,204**	10,140
Net cash (used in)/from investing activities		**(361,034)**	52,403
Cash flows from financing activities			
Drawdown of loans	41(a)	**447,361**	559,289
Repayment of loans	41(a)	**(552,076)**	(658,098)
Drawdown of finance lease obligations	41(a)	**659,521**	–
Capital element of finance lease rental payments	41(a)	**(236,838)**	(129,649)
Dividend paid to equity holders of the Company		**(13,388)**	(11,604)
Net cash from/(used in) financing activities		**304,580**	(240,062)
Net increase/(decrease) in cash and cash equivalents		**313,904**	(119,188)
Cash and cash equivalents at beginning of year		**1,625,219**	1,737,511
Currency translation adjustments		**1,852**	6,896
Cash and cash equivalents at end of year	41(c)	**1,940,975**	1,625,219

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017

	Equity holders		
US$'000	**Share capital**	**Reserves**	**Total**
At 31st December 2015	62,579	4,734,931	4,797,510
Total comprehensive loss for the year	–	(266,620)	(266,620)
Transactions with owners			
2015 final dividend	–	(11,604)	(11,604)
At 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the year	–	176,615	176,615
Transactions with owners			
2017 interim dividend	–	(13,388)	(13,388)
At 31st December 2017	**62,579**	**4,619,934**	**4,682,513**

Notes to the Consolidated Financial Statements

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 principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 152 to 159 of the consolidated financial statements.

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

The ultimate parent company of the Group is Tung Holdings (Trustee) Inc., incorporated in the Republic of Liberia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have 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, portfolio investments and derivative financial instruments which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The adoption of revised HKFRS

In 2017, the Group adopted the following amendments to existing HKFRS 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 HKFRS do not have a material impact to the Group and the additional disclosure on the reconciliation of liabilities arising from financing activities required by HKAS 7 (Amendments) have been disclosed in note 41(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

New standards, amendments, improvements and interpretations 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
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HKAS 40 (Amendment)	Transfer of Investment Property	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HKFRSs	Annual Improvements 2015 – 2017 Reporting Cycle	1st January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021

The adoption of HKFRSs Annual Improvements 2014 – 2016 Reporting Cycle, HKFRSs Annual Improvements 2015 – 2017 Reporting Cycle, HKFRS 17, HKAS 40 (Amendment), HK(IFRIC)-Int 22 and HK(IFRIC)-Int 23 are not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on HKFRS 9, 15 and 16 have been carried out.

HKFRS 9 Financial Instruments

HKFRS 9 will have impact on the classification and measurement of financial assets using the expected credit loss method. Management has preliminarily assessed its impact to the Group's consolidated financial statements and considers adoption of HKFRS 9 will not have a significant impact on the Group's results or financial position.

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 an 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 the Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management is in the process of assessing to what extent the operating lease commitments as disclosed in note 40(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

The consolidated financial statements also include the Group's attributable share of post-acquisition results and reserves of its joint ventures and associated companies.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(c) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for assets under construction and freehold land.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers and Chassis	10 to 12 years
Terminal equipment and improvement	3 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Leasehold improvement	Over period of the lease or 5 years whichever is lower
Furniture, vehicles, computer and other equipment	3 to 15 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out semi-annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or joint ventures at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (Continued)

(a) Goodwill (Continued)

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and joint ventures is included within investments in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate account exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Investments

The Group classifies its investments into the following categories: portfolio investments, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; which are classified as non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments (Continued)

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated profit and loss account as part of "other operating income" when the Group's right to receive payments is established.

(e) Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group may choose to reclassify a non-derivative trading financial asset out of the portfolio investments category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the portfolio investments or available-for-sale financial assets categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments (Continued)

(e) Recognition and measurement (Continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Inventories

Inventories mainly comprise bunkers and consumable stores. Cost is calculated on weighted average basis. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where required.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected expected benefit payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(a) Pension obligations (Continued)

The current service cost of the defined benefit plan, recognised in the consolidated profit and loss account in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated profit and loss account.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated profit and loss account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Insurance contracts

The Company regards its financial guarantees provided to its subsidiaries as insurance contracts. The Company initially and subsequently assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollar, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the assets revaluation reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. Revenue is recognised as follows:

(a) Freight revenues from the operation of the container transport are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or on an accrual basis.

(c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.

(d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(e) Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.24 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.25 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Directors/equity holders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated financial statements.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income and expenses from container transport and logistics activities are mainly denominated in US dollar and in various currencies, mainly including Euro, Canadian dollar, Japanese yen and Renminbi.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2017 of approximately US$3.5 million (2016: US$3.9 million).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US$53.1 million (2016: US$45.4 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. To manage its price risk arising from bunker, the Group enters into bunker price derivative contracts. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating cost will be increased by approximately US$2.0 million (2016: US$1.8 million) for one US dollar increase in bunker price per ton.

The Group is also exposed to equity/debt securities price risk because of investments held by the Group include available-for-sale financial assets or portfolio investments which are accounted at fair value. To manage its price risk arising from investments in equity/debt securities, the Group diversifies its portfolio. If the prices of the respective quoted equity/debt securities of the Group had been increased/decreased by 1% and all other variables held constant, the profit after taxation and the other comprehensive income of the Group for the year ended 31st December 2017 would increase/decrease by US$2.9 million (2016: US$3.2 million) and US$nil (2016: US$0.6 million) respectively as a result of the changes in fair value of equity/debt securities under portfolio investments and equity securities classified as available-for-sale.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, held-to-maturity investments, derivative financial instruments, restricted bank balances and trade receivables. The credit quality of these exposures is disclosed in relevant notes to the consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US$2,235.7 million (2016: US$2,008.9 million) that are expected to readily generate cash inflows for managing liquidity risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31st December 2017				
Borrowings	**740,200**	**609,937**	**2,044,341**	**1,692,884**
Other non-current liabilities	**–**	**1,317**	**6,026**	**4,285**
Creditors and accruals	**740,260**	**–**	**–**	**–**
Amounts due to joint ventures	**7,526**	**–**	**–**	**–**
At 31st December 2016				
Borrowings	695,212	615,892	1,783,751	1,377,205
Creditors and accruals	695,897	–	–	–
Amounts due to joint ventures	10,712	–	–	–

(e) Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings.

At 31st December 2017, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$1.8 million lower/higher (2016: post-tax loss would have been US$2.2 million higher/lower), mainly as a result of higher/lower net interest expense on the net floating rate borrowings.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratios at 31st December 2017 and 2016 were as follows:

US$'000		2017	2016
Total borrowings (note 37)		(4,554,183)	(4,090,737)
Less:	Restricted bank balances (note 24)	63,839	1,426
	Cash and bank balances (note 34)	1,940,975	1,625,676
	Portfolio investments (note 32)	294,720	322,927
Net debt		(2,254,649)	(2,140,708)
Total equity		4,682,513	4,519,286
Gearing ratio		0.48	0.47

The change in net debt position results primarily from the purchase of property, plant and equipment during the year.

3.3 Fair value estimation

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

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

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2017 and 2016.

	2017			
US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	35,852	–	–	35,852
– Debt securities	252,728	–	–	252,728
– Funds and other investments	–	6,140	–	6,140
Derivative financial instruments	–	1,825	–	1,825
Available-for-sale financial assets				
– Other investments	–	–	45,383	45,383
Total assets	288,580	7,965	45,383	341,928

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

	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 year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments and listed equity securities classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments in level 2 include the derivative financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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

- Dealer quotes.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Marketability discount rate derived from management's judgement is applied to estimate the fair value of unlisted equity security classified as available-for-sale financial asset.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

There were no changes in valuation techniques during the year.

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	2017	2016
Opening balance	**32,889**	52,036
Currency translation adjustments	**2**	–
Additions	**–**	229
Fair value change recognised in other comprehensive income	**12,492**	(19,376)
Closing balance	**45,383**	32,889

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$90.0 million or US$53.0 million respectively (2016: US$63.4 million or US$47.1 million respectively).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Property, plant and equipment and intangible assets (Continued)

Management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$10.3 million or US$10.6 million respectively (2016: US$11.6 million or US$11.5 million respectively).

(c) Provision of operating costs

Operating costs, which mainly comprise cargo cost, vessel and voyage costs, equipment and repositioning costs and terminal operating cost. Invoices in relation to these expenses are received several months after the expenses have been incurred. Consequently, recognition of accrued operating costs is based on the known services entered, pattern of historical cost as well as the estimated vendor tariff.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

US$'000	2017	2016
Container transport and logistics	**6,078,192**	5,270,323
Others	**30,158**	27,370
	6,108,350	5,297,693

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.

(b) 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. The executive directors are the Group's chief operating decision makers.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments

The segment results for the year ended 31st December 2017 are as follows:

US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	**6,078,192**	**30,619**	**(461)**	**6,108,350**
Operating profit	**86,311**	**145,859**	**–**	**232,170**
Finance costs (note 12)	**(101,215)**	**–**	**–**	**(101,215)**
Share of profits of joint ventures (note 19)	**5,177**	**–**	**–**	**5,177**
Share of profits of associated companies (note 20)	**13,957**	**–**	**–**	**13,957**
Profit before taxation	**4,230**	**145,859**	**–**	**150,089**
Taxation (note 13)	**(16,232)**	**3,799**	**–**	**(12,433)**
Profit/(loss) for the year	**(12,002)**	**149,658**	**–**	**137,656**
Fair value gain from an investment property	**–**	**43,436**	**–**	**43,436**
Capital expenditure	**612,126**	**6,564**	**–**	**618,690**
Depreciation	**428,482**	**–**	**–**	**428,482**
Amortisation	**11,342**	**–**	**–**	**11,342**

The segment results for the year ended 31st December 2016 are as follows:

US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	5,270,323	27,986	(616)	5,297,693
Operating (loss)/profit	(202,529)	64,302	–	(138,227)
Finance costs (note 12)	(79,393)	–	–	(79,393)
Share of profits of joint ventures (note 19)	5,135	–	–	5,135
Share of profits of associated companies (note 20)	12,818	–	–	12,818
(Loss)/profit before taxation	(263,969)	64,302	–	(199,667)
Taxation (note 13)	(9,645)	(9,909)	–	(19,554)
(Loss)/profit for the year	(273,614)	54,393	–	(219,221)
Fair value gain from an investment property	–	18,522	–	18,522
Capital expenditure	477,159	1,478	–	478,637
Depreciation	400,351	–	–	400,351
Amortisation	8,523	–	–	8,523

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2017 and 2016 are as follows:

	2017		
US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**7,404,001**	**2,499,615**	**9,903,616**
Joint ventures	**16,840**	**–**	**16,840**
Associated companies	**148,840**	**–**	**148,840**
Total assets	**7,569,681**	**2,499,615**	**10,069,296**
Segment liabilities	**(5,320,815)**	**(65,968)**	**(5,386,783)**

	2016		
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 the corporate level. Liabilities under the segment of "Others" primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) 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
Year ended 31st December 2017		
Asia	**4,262,323**	**11,271**
Europe	**868,912**	**529**
North America	**812,183**	**52,103**
Australia	**164,932**	**–**
Unallocated *	**–**	**554,787**
	6,108,350	**618,690**
Year ended 31st December 2016		
Asia	3,614,076	23,766
Europe	732,317	180
North America	788,826	55,903
Australia	162,474	18
Unallocated *	–	398,770
	5,297,693	478,637

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

6. OPERATING COSTS

US$'000	2017	2016
Cargo	**3,088,556**	2,930,530
Vessel and voyage	**986,428**	935,145
Bunker cost	**657,853**	435,238
Equipment and repositioning	**783,046**	715,711
	5,515,883	5,016,624
Investment property	**15,555**	15,648
	5,531,438	5,032,272

7. OTHER OPERATING INCOME

US$'000	2017	2016
Income from available-for-sale financial assets		
– Distribution	–	6,883
– Dividend income	21,182	22,168
Interest income from banks	24,616	16,973
Interest income from held-to-maturity investments	11,041	11,622
Portfolio investment income		
– Interest income	10,954	10,985
– Distribution	606	–
– Dividend income	1,187	965
Others	2,496	2,860
	72,082	72,456

8. OTHER GAINS/(LOSSES), NET

US$'000	2017	2016
Fair value gain on portfolio investments (realised and unrealised)	4,713	3,658
Gain on bunker price derivative contracts	164	3,364
Net gain on interest rate swap contracts	–	56
Fair value gain on foreign exchange forward contracts	1,883	3,191
Profit/(loss) on disposal of property, plant and equipment	2,330	(2,076)
Loss on disposal of available-for-sale financial assets	(192)	(4,021)
Gain/(loss) on disposal of held-to-maturity investments	6,296	(74)
Impairment on available-for-sale financial assets	–	(13,201)
Loss on disposal of intangible assets	(6,690)	–
Exchange gain/(loss)	18,535	(16,626)
	27,039	(25,729)

9. EMPLOYEE BENEFIT EXPENSE

US$'000	2017	2016
Wages and salaries	545,456	524,840
Pension and retirement benefits		
– Defined contribution plans (note 23)	28,914	26,164
– Defined benefit plans (note 23)	1,555	904
	575,925	551,908

Employee benefit expenses of US$222.3 million (2016: US$213.3 million) are included in "operating costs" in the consolidated profit and loss account.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each Director is set out below:

Name of Director US$'000	**Fees**	**Salary and benefits**	**Discre-tionary bonuses**	**Estimated money value of other benefits*1**	**Employer's contribution to provident fund scheme**	**Total**
For the year ended 31st December 2017						
Mr. C C Tung	**107**	**717**	**–**	**106**	**71**	**1,001**
Prof. Roger King	**60**	**–**	**–**	**–**	**–**	**60**
Mr. Philip Chow	**97**	**–**	**–**	**–**	**–**	**97**
Mr. Andrew Tung	**–**	**543**	**–**	**10**	**54**	**607**
Mr. Alan Tung	**–**	**437**	**–**	**10**	**43**	**490**
Mr. Simon Murray	**51**	**–**	**–**	**–**	**–**	**51**
Prof. Richard Wong	**85**	**–**	**–**	**–**	**–**	**85**
Mr. Edward Cheng	**51**	**–**	**–**	**–**	**–**	**51**
Mr. Clement Kwok	**51**	**–**	**–**	**–**	**–**	**51**

Name of Director US$'000	Fees	Salary and benefits	Discre-tionary bonuses	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2016						
Mr. C C Tung	107	691	113	94	80	1,085
Prof. Roger King	60	–	–	–	–	60
Mr. Philip Chow	66	–	–	–	–	66
Mr. Andrew Tung	–	523	86	10	61	680
Mr. Alan Tung	–	421	68	10	49	548
Mr. Simon Murray	32	–	–	–	–	32
Prof. Richard Wong	47	–	–	–	–	47
Mr. Edward Cheng	32	–	–	–	–	32
Mr. Clement Kwok	32	–	–	–	–	32

The discretionary bonuses paid in 2016 relate to performance for year 2015.

*1 *Other benefits include car related expenses and club membership.*

None of the Directors has waived the right to receive their emoluments.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2016: two individuals) are as follows:

US$'000	2017	2016
Basic salaries, housing allowances, other allowances and benefits in kind	**965**	909
Discretionary bonuses	**–**	147
Estimated money value of other benefits	**12**	9
Pension costs – defined contribution plans	**70**	76
	1,047	1,141

The emoluments of the five individuals fell within the following bands:

		Number of individuals	
Emolument bands (US$)		**2017**	2016
448,701 ~ 512,800	(HK$3,500,001 ~ HK$4,000,000)	**2**	–
512,801 ~ 576,900	(HK$4,000,001 ~ HK$4,500,000)	**1**	2
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	**1**	1
641,001 ~ 705,100	(HK$5,000,001 ~ HK$5,500,000)	**–**	1
961,501 ~ 1,025,600	(HK$7,500,001 ~ HK$8,000,000)	**1**	–
1,025,601 ~ 1,089,700	(HK$8,000,001 ~ HK$8,500,000)	**–**	1
		5	5

(c) Key management compensation

US$'000	2017	2016
Salaries and other employee benefits	**4,756**	5,292
Estimated money value of other benefits	**152**	138
Pension costs – defined contribution plans	**439**	488
	5,347	5,918

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 shown above represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. OPERATING PROFIT/(LOSS)

US$'000	2017	2016
Operating profit/(loss) is arrived at after crediting:		
Operating lease rental income		
Land and buildings	**30,158**	27,370
and after charging:		
Depreciation		
Owned assets	**298,765**	299,296
Leased assets	**129,717**	101,055
Operating lease rental expense		
Vessels and equipment	**244,698**	260,264
Terminals and berths	**58,760**	47,203
Land and buildings	**33,472**	34,601
Rental outgoings in respect of an investment property	**15,555**	15,648
Amortisation of intangible assets	**11,123**	8,302
Amortisation of prepayments of lease premiums	**219**	221
Auditors' remuneration		
Audit	**2,610**	2,630
Non-audit	**2,770**	902

Operating lease rental expenses of US$311.2 million and US$25.7 million (2016: US$316.4 million and US$25.7 million) respectively are included in "operating costs" and "business and administrative expenses" in the consolidated profit and loss account.

The non-audit remuneration paid to the Group's auditor is inclusive of a one-off fee in respect of a non-recurring advisory project. Excluding this fee, the total fees paid to the Group's auditor for non-audit services was less than 50% of the amount paid for audit services.

12. FINANCE COSTS

US$'000	2017	2016
Interest expense		
Bank loans and bank overdrafts	**54,168**	47,506
Finance lease obligations	**54,547**	37,070
	108,715	84,576
Amount capitalised under assets	**(7,500)**	(5,183)
Net interest expense	**101,215**	79,393

The borrowing costs of the loans to finance the assets under construction (note 16) represent an average capitalisation rate of approximately 2.0% (2016: 1.8%) per annum.

13. TAXATION

US$'000	2017	2016
Current taxation		
Hong Kong profits tax	**411**	78
Overseas taxation	**15,318**	10,533
	15,729	10,611
Deferred taxation		
Hong Kong profits tax	**359**	108
Overseas taxation	**(3,655)**	8,835
	(3,296)	8,943
	12,433	19,554

13. TAXATION (CONTINUED)

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 year. These rates range from 13% to 46% (2016: 11% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2016: 16.5%).

The associated companies in the People's Republic of China enjoy preferential tax treatment.

The tax of the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rates, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US$'000	2017	2016
Profit/(loss) before taxation	150,089	(199,667)
Share of profits of joint ventures	(5,177)	(5,135)
Share of profits of associated companies	(13,957)	(12,818)
	130,955	(217,620)
Tax calculated at applicable tax rates	38,054	(23,939)
Income not subject to tax	(284,335)	(252,116)
Expenses not deductible for tax purposes	278,050	289,495
Tax losses not recognised	2,849	3,227
Temporary differences not recognised	935	755
Utilisation of previously unrecognised tax losses	(1,359)	(1,281)
Utilisation of previously unrecognised temporary differences	(946)	(374)
Recognition of previously unrecognised temporary differences	1,601	–
Withholding tax	1,571	3,320
Change in tax rates	(22,876)	167
Other items	(1,111)	300
	12,433	19,554

14. 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 year.

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	137,656	(219,221)
Earnings/(loss) per share attributable to equity holders of the Company (US cents)	22.0	(35.0)

15. DIVIDENDS

US$'000	2017	2016
Interim paid: US2.14 cents (2016: nil) per ordinary share	13,388	–

The Board of Directors do not recommend a final dividend in respect of 2017 (2016: nil).

16. PROPERTY, PLANT AND EQUIPMENT

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Cost									
At 31st December 2016	4,970,230	727,511	2,196,392	482,066	7,005	46,701	59,237	145,574	8,634,716
Currency translation adjustments	–	–	61	–	170	2,813	1,902	1,890	6,836
Additions	18,091	340,505	227,934	2,054	–	27	1,170	15,471	605,252
Reclassification	810,893	(895,134)	–	84,241	–	–	–	–	–
Disposals	(69,767)	–	(67,720)	(68,266)	–	–	(2,175)	(2,537)	(210,465)
At 31st December 2017	**5,729,447**	**172,882**	**2,356,667**	**500,095**	**7,175**	**49,541**	**60,134**	**160,398**	**9,036,339**
Accumulated depreciation									
At 31st December 2016	1,268,761	–	970,062	150,841	2,948	17,026	41,390	107,015	2,558,043
Currency translation adjustments	–	–	46	–	127	1,048	1,568	1,461	4,250
Charge for the year	216,106	–	154,002	34,939	75	1,842	6,792	14,726	428,482
Disposals	(69,615)	–	(63,791)	(68,006)	–	–	(2,098)	(2,383)	(205,893)
At 31st December 2017	**1,415,252**	**–**	**1,060,319**	**117,774**	**3,150**	**19,916**	**47,652**	**120,819**	**2,784,882**
Net book amount									
At 31st December 2017	**4,314,195**	**172,882**	**1,296,348**	**382,321**	**4,025**	**29,625**	**12,482**	**39,579**	**6,251,457**
At 31st December 2016	3,701,469	727,511	1,226,330	331,225	4,057	29,675	17,847	38,559	6,076,673
Net book amount of leased assets									
At 31st December 2017	**2,549,229**	**–**	**109,391**	**91,301**	**–**	**–**	**–**	**761**	**2,750,682**
At 31st December 2016	1,890,435	–	120,513	98,192	–	–	–	980	2,110,120
Cost									
At 31st December 2015	4,964,814	716,396	2,114,951	180,430	6,992	49,774	52,955	133,813	8,220,125
Currency translation adjustments	–	–	(77)	–	13	(3,113)	(1,606)	(1,643)	(6,426)
Additions	15,683	303,646	107,711	9,807	–	40	12,224	15,249	464,360
Reclassification	–	(292,531)	–	292,531	–	–	–	–	–
Disposals	(10,267)	–	(26,193)	(702)	–	–	(4,336)	(1,845)	(43,343)
At 31st December 2016	4,970,230	727,511	2,196,392	482,066	7,005	46,701	59,237	145,574	8,634,716
Accumulated depreciation									
At 31st December 2015	1,079,910	–	840,028	123,433	2,835	16,291	39,974	96,910	2,199,381
Currency translation adjustments	–	–	(69)	–	7	(1,021)	(1,210)	(1,242)	(3,535)
Charge for the year	198,857	–	152,268	27,467	106	1,756	6,870	13,027	400,351
Disposals	(10,006)	–	(22,165)	(59)	–	–	(4,244)	(1,680)	(38,154)
At 31st December 2016	1,268,761	–	970,062	150,841	2,948	17,026	41,390	107,015	2,558,043
Net book amount									
At 31st December 2016	3,701,469	727,511	1,226,330	331,225	4,057	29,675	17,847	38,559	6,076,673
At 31st December 2015	3,884,904	716,396	1,274,923	56,997	4,157	33,483	12,981	36,903	6,020,744
Net book amount of leased assets									
At 31st December 2016	1,890,435	–	120,513	98,192	–	–	–	980	2,110,120
At 31st December 2015	1,788,072	105,940	131,430	73	–	–	–	1,608	2,027,123

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The aggregate net book amount of assets pledged as security for bank loans amounts to US$2,597.8 million (2016: US$2,785.5 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charter hire income relating to these vessels.

(b) Interest costs of US$7.5 million (2016: US$5.2 million) during the year were capitalised as part of assets under construction.

(c) Depreciation charge of US$407.2 million (2016: US$380.3 million) for the year has been expensed in "operating costs" and US$21.3 million (2016: US$20.1 million) in business and administrative expenses.

(d) As at 31st December 2017 and 2016, the buildings outside Hong Kong are held under medium-term leasehold land.

Property, plant and equipment include the following amounts where the Group is a lessee under finance leases:

US$'000	2017	2016
Cost – capitalised finance leases	**3,456,987**	2,669,690
Accumulated depreciation	**(706,305)**	(559,570)
Net book amount	**2,750,682**	2,110,120

The Group leases various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements for both years. The lease terms are between 5 and 25 years.

17. INVESTMENT PROPERTY

US$'000	2017	2016
Balance at beginning of year	**220,000**	200,000
Additions	**6,564**	1,478
	226,564	201,478
Fair value gain	**43,436**	18,522
Balance at end of year	**270,000**	220,000

Background and valuation processes of the Group

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, all of which are wholly owned by the Group (2016: two of which are wholly owned by the Group, and freehold interest in the third parcel, representing approximately 10% of the site, is 50% owned by the Group under a long-term lease to the Group expiring in the year 2066).

Valuation processes of the Group

The Group's investment property was valued at 31st December 2017 by an independent professionally qualified valuer who holds a recognised relevant professional qualification. The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer "CFO". Discussions of valuation processes and results are held between the CFO, the finance team and the valuer. As at 31st December 2017, the fair value of the property has been determined by Cushman & Wakefield, Inc.

17. INVESTMENT PROPERTY (CONTINUED)

Valuation techniques

Fair value of the investment property is derived by using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

There were no changes to the valuation techniques during the year.

Information about fair value measurement using significant unobservable inputs

Discount rate is estimated by Cushman & Wakefield, Inc. based on the risk profile of the property being valued. If the discount rate is higher, the fair value would be lower. At 31st December 2017, discount rate of 7.3% per annum (2016: 7.3% per annum) is used in the valuation.

Net operating income growth rates of 3% per annum (2016: 5% per annum) for the second and third years and 3% per annum (2016: 3% per annum) for the remaining years are used in the valuation. If the growth rate is higher, the fair value would be higher.

Prevailing market rents are estimated based on recent lettings of US$50 per sq ft to US$53 per sq ft (2016: US$44 per sq ft to US$46 per sq ft), within the subject property. If the rents are higher, the fair value would be higher.

18. PREPAYMENTS OF LEASE PREMIUMS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases between 28 and 42 years and their net book values are analysed as follows:

US$'000	2017	2016
Balance at beginning of year	**7,818**	8,462
Currency translation adjustments	**373**	(423)
Amortisation	**(219)**	(221)
Balance at end of year	**7,972**	7,818

Amortisation of US$0.2 million (2016: US$0.2 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

19. JOINT VENTURES

US$'000	2017	2016
Share of net assets	10,833	11,225

The Group's share of assets, liabilities and results of the joint ventures are summarised below:

US$'000	2017	2016
Non-current assets	1,246	95
Current assets	14,488	13,526
Current liabilities	(4,901)	(2,396)
Share of net assets	10,833	11,225
Income	15,579	15,319
Expenses	(10,402)	(10,184)
Share of profits of joint ventures	5,177	5,135
Share of total comprehensive income of joint ventures	5,655	3,968

Particulars of the joint ventures at 31st December 2017 are shown on page 159.

20. ASSOCIATED COMPANIES

US$'000	2017	2016
Share of net assets	148,840	137,527

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	2017	2016
Non-current assets	144,699	142,764
Current assets	14,197	14,528
Non-current liabilities	(69)	(2,854)
Current liabilities	(9,987)	(16,911)
Share of net assets	148,840	137,527
Income	39,467	41,543
Expenses	(25,510)	(28,725)
Share of profits of associated companies	13,957	12,818
Share of total comprehensive income of associated companies	22,462	3,642

Particulars of the associated companies at 31st December 2017 are shown on page 159.

21. INTANGIBLE ASSETS

US$'000	Computer software costs
At 1st January 2016	
Cost	168,079
Accumulated amortisation	(112,433)
Net book amount	55,646
Year ended 31st December 2016	
Opening net book amount	55,646
Additions	12,799
Amortisation	(8,302)
Closing net book amount	60,143
At 31st December 2016	
Cost	180,878
Accumulated amortisation	(120,735)
Net book amount	60,143
Year ended 31st December 2017	
Opening net book amount	**60,143**
Additions	**6,874**
Disposal	**(6,690)**
Amortisation	**(11,123)**
Closing net book amount	**49,204**
At 31st December 2017	
Cost	**145,389**
Accumulated amortisation	**(96,185)**
Net book amount	**49,204**

Computer software costs mainly comprise internally generated capitalised software development costs.

Amortisation of US$11.1 million (2016: US$8.3 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

The Group had written-off fully amortised intangible assets of US$35.7 million during the year (2016: nil).

22. DEFERRED TAXATION ASSETS/(LIABILITIES)

US$'000	2017	2016
Deferred taxation assets	**1,476**	4,227
Deferred taxation liabilities	**(65,221)**	(71,337)
	(63,745)	(67,110)

22. DEFERRED TAXATION ASSETS/(LIABILITIES) (CONTINUED)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same taxation authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	2017	2016
Deferred taxation assets to be recovered after more than twelve months	723	3,240
Deferred taxation liabilities to be settled after more than twelve months	(65,006)	(71,337)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. The movements in deferred taxation assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

US$'000	Accelerated accounting depreciation	Pensions	Revenue expenditure	Tax losses	Total
Deferred taxation assets					
At 31st December 2015	1,027	117	8,826	2,527	12,497
Currency translation adjustments	15	(20)	(14)	(48)	(67)
(Charged)/credited to consolidated profit and loss account	(494)	(271)	(1,913)	728	(1,950)
Credited to other comprehensive income	–	174	–	–	174
At 31st December 2016	548	–	6,899	3,207	10,654
Currency translation adjustments	7	–	63	–	70
(Charged)/credited to consolidated profit and loss account	134	–	(3,043)	1,088	(1,821)
At 31st December 2017	**689**	**–**	**3,919**	**4,295**	**8,903**

US$'000	Accelerated tax depreciation	Revaluation of investment property	Revenue expenditure	Undistributed profits of affiliates	Total
Deferred taxation liabilities					
At 31st December 2015	5,950	61,903	2,920	–	70,773
Currency translation adjustments	(2)	–	–	–	(2)
(Credited)/charged to consolidated profit and loss account	(5,566)	7,326	3,189	2,044	6,993
At 31st December 2016	382	69,229	6,109	2,044	77,764
(Credited)/charged to consolidated profit and loss account	1,296	(9,167)	2,477	278	(5,116)
At 31st December 2017	**1,678**	**60,062**	**8,586**	**2,322**	**72,648**

22. DEFERRED TAXATION ASSETS/(LIABILITIES) (CONTINUED)

Deferred taxation assets of US$31.6 million (2016: US$30.1 million) arising from unused tax losses of US$146.8 million (2016: US$139.5 million) have not been recognised in the consolidated financial statements. Unused tax losses of US$101.6 million (2016: US$112.9 million) have no expiry date and the remaining balance will expire at various dates up to and including 2037.

Deferred taxation liabilities of US$102.0 million (2016: US$93.1 million) on temporary differences associated with investments in subsidiaries of US$430.4 million (2016: US$394.8 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

23. PENSION AND RETIREMENT BENEFITS

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$30.5 million (2016: US$27.1 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong, the People's Republic of China and the USA. These schemes cover approximately 80% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions.

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	**2017**	2016
Contributions to the schemes	**29,006**	26,755
Forfeitures utilised	**(92)**	(591)
	28,914	26,164

Defined benefit schemes

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	**2017**	2016
Funded scheme assets	**243**	–
Funded scheme liabilities	**–**	(11,782)
Unfunded scheme liabilities	**(38)**	(75)
	(38)	(11,857)
Net scheme assets/(liabilities)	**205**	(11,857)

23. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme assets/(liabilities)

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") cover less than 1% of the Group's employees and are funded. The assets of the Scheme are held in trust funds separate from the Group. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net scheme assets/(liabilities) of the Scheme recognised in the consolidated balance sheet are determined as follows:

US$'000	2017	2016
Fair value of plan assets	**220,490**	200,690
Present value of funded obligations	**(220,247)**	(212,472)
Surplus/(deficit) of funded plan	**243**	(11,782)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

US$'000	2017	2016
Balance at beginning of year	**200,690**	226,692
Currency translation adjustments	**19,116**	(39,608)
Interest income on plan assets	**5,420**	7,565
Remeasurement gain on assets	**6,781**	14,382
Contributions from the Group	**3,074**	2,813
Contributions from the plan members	**94**	74
Benefits paid	**(14,685)**	(11,228)
Balance at end of year	**220,490**	200,690

Movements in the present value of obligations of the Scheme during the year are as follows:

US$'000	2017	2016
Balance at beginning of year	**212,472**	218,837
Currency translation adjustments	**20,272**	(38,354)
Current service cost	**1,251**	1,208
Interest expense	**5,724**	7,261
Experience gains on liabilities	**(2,233)**	(1,727)
Gains from changes to demographic assumptions	**(5,293)**	(782)
Losses from changes to financial assumptions	**2,645**	37,183
Contributions from the plan members	**94**	74
Benefits paid	**(14,685)**	(11,228)
Balance at end of year	**220,247**	212,472

23. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme assets/(liabilities) (Continued)

The charges of the Scheme recognised in the consolidated profit and loss account are as follows:

US$'000	2017	2016
Current service cost	1,251	1,208
Interest expense	5,724	7,261
Interest income on plan assets	(5,420)	(7,565)
Net expense recognised for the year	1,555	904

Charges of US$1.6 million (2016: US$0.9 million) were included in "business and administrative expenses" in the consolidated profit and loss account.

The main actuarial assumptions made for the Scheme were as follows:

	2017	2016
Discount rate	2.5%	2.6%
Inflation rate	3.4%	3.0%
Expected future salary increases	3.4%	3.5%
Expected future pension increases	2.6%	2.7%
Actual return on plan assets (US$'000)	12,201	(5,600)

At 31st December 2017, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$6.2 million lower/US$6.5 million higher. At 31st December 2017, if inflation rate had been 0.1% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$2.1 million higher/US$2.0 million lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

US$'000	2017		2016	
Equity	39,041	18%	30,221	15%
Debt	159,205	72%	154,467	77%
Others	22,244	10%	16,002	8%
	220,490	100%	200,690	100%

Expected normal and deficit reduction contributions to the Scheme for the year ending 31st December 2018 is US$3.1 million.

23. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme assets/(liabilities) (Continued)

Through its defined benefit pension plans, the Group is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.

- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.

- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

24. RESTRICTED BANK BALANCES

US$'000	2017	2016
Non-current	60,414	403
Current	3,425	1,023
Restricted bank balances	63,839	1,426

As at 31st December 2017, the restricted bank balances of US$63.8 million (2016: US$1.4 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2016: New Taiwan dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's, and/or Moody's credit ratings is as follows:

US$'000	2017	2016
AA	1,709	386
A	62,128	1,037
BBB	2	3
	63,839	1,426

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	2017	2016
Balance at beginning of year	93,148	127,998
Currency translation adjustments	2	(2)
Additions	–	14,494
Disposals	(60,259)	(21,330)
Change in fair value recognised in other comprehensive income	12,492	(28,012)
Balance at end of year	45,383	93,148

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets include the following:

US$'000	2017	2016
Market value of listed equity securities		
Hong Kong	–	60,259
Unlisted equity security	44,200	31,900
Others	1,183	989
	45,383	93,148

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

US$'000	2017	2016
Renminbi	44,231	92,189
Hong Kong dollar	999	817
Other currencies	153	142
	45,383	93,148

26. HELD-TO-MATURITY INVESTMENTS

US$'000	2017	2016
Listed debt securities		
Hong Kong	129,043	141,912
Overseas	105,886	95,005
	234,929	236,917
Less: Current portion included in current assets	(17,040)	(41,621)
	217,889	195,296
Market value	242,672	249,984

Movements in held-to-maturity investments are as follows:

US$'000	2017	2016
Balance at beginning of year	236,917	236,078
Currency translation adjustments	2,317	(8,952)
Additions	78,627	29,219
Disposals	(40,611)	(4,122)
Redemptions on maturity	(41,881)	(14,950)
Amortisation	(440)	(356)
Balance at end of year	234,929	236,917

The carrying amounts of held-to-maturity investments are mainly denominated in US dollar (2016: US dollar).

26. HELD-TO-MATURITY INVESTMENTS (CONTINUED)

The credit quality of held-to-maturity investments by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2017	2016
AAA	**8,011**	9,517
AA	**6,292**	6,789
A	**70,651**	58,793
BBB	**82,710**	101,258
BB	**–**	4,908
B	**–**	8,280
Non-ranking	**67,265**	47,372
	234,929	236,917

The maximum exposure to credit risk at the balance sheet date is the carrying amount of held-to-maturity investments.

27. OTHER NON-CURRENT ASSETS

US$'000	2017	2016
Other deposit	**28,405**	19,891
Others	**12,458**	12,200
	40,863	32,091

28. INVENTORIES

US$'000	2017	2016
Bunker	**87,698**	72,304
Consumable stores	**14,459**	12,168
	102,157	84,472

29. DEBTORS AND PREPAYMENTS

US$'000	2017	2016
Trade receivables		
– Fully performing	**230,973**	182,934
– Past due but not impaired	**152,639**	111,495
– Impaired and provided for	**16,061**	16,313
	399,673	310,742
Less: provision for impairment	**(16,061)**	(16,313)
Trade receivables – net	**383,612**	294,429
Other debtors	**86,291**	72,806
Other prepayments	**107,756**	93,996
Utility and other deposits	**12,277**	12,927
	589,936	474,158

29. DEBTORS AND PREPAYMENTS (CONTINUED)

The credit quality of trade receivables net of provision for impairment, by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US$'000	2017	2016
Counterparties with external credit rating		
A	**16,627**	11,495
BBB	**7,384**	9,564
BB	**163**	758
	24,174	21,817
Counterparties without external credit rating		
Group 1	**18,035**	14,817
Group 2	**341,178**	257,614
Group 3	**225**	181
	359,438	272,612
	383,612	294,429

Notes:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

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 majority of past due but not impaired trade receivables are less than three months old. 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	2017	2016
Below one month	**344,374**	271,913
Two to three months	**27,608**	16,598
Four to six months	**7,523**	4,839
Over six months	**4,107**	1,079
	383,612	294,429

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

29. DEBTORS AND PREPAYMENTS (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

US$'000	2017	2016
US dollar	**145,868**	114,915
Canadian dollar	**12,978**	9,654
Euro	**61,027**	40,469
Japanese yen	**19,212**	15,454
Hong Kong dollar	**5,692**	5,516
Renminbi	**46,403**	38,950
Pound sterling	**11,025**	8,883
Australian dollar	**24,237**	15,282
Other currencies	**57,170**	45,306
	383,612	294,429

Movements in the provision for impairment of trade receivables are as follows:

US$'000	2017	2016
Balance at beginning of year	**16,313**	9,548
Provision	**3,683**	7,176
Write off	**(1,287)**	(256)
Reversal	**(2,648)**	(155)
Balance at end of year	**16,061**	16,313

The provision for impairment has been included in "business and administrative expenses" in the consolidated profit and loss account.

30. AMOUNT DUE FROM AN ASSOCIATED COMPANY

The amount receivable is unsecured, interest free and has no specific repayment terms.

31. AMOUNTS DUE FROM JOINT VENTURES

The amounts receivable are unsecured, interest free and have no specific repayment terms.

32. PORTFOLIO INVESTMENTS

US$'000	2017	2016
Listed equity securities		
Hong Kong	**23,379**	19,569
Overseas	**12,473**	17,151
Market value of listed equity securities	**35,852**	36,720
Unit trust	**6,140**	5,762
Listed debt securities		
Hong Kong	**173,900**	174,899
Overseas	**78,828**	105,546
	294,720	322,927

32. PORTFOLIO INVESTMENTS (CONTINUED)

The carrying amounts of the Group's portfolio investments are mainly denominated in US dollar (2016: US dollar).

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2017	2016
A	**40,320**	42,460
BBB	**121,618**	136,203
BB	**9,688**	22,013
Non-ranking	**81,102**	79,769
	252,728	280,445

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

33. DERIVATIVE FINANCIAL INSTRUMENTS

US$'000	2017	2016
Assets		
Current assets		
Bunker price derivative contracts	**1,825**	2,097

The credit quality of derivative financial assets by reference to the Standard & Poor's and/or Moody's credit rating is as follows:

US$'000	2017	2016
AA	**589**	2,097
A	**1,236**	–
	1,825	2,097

At 31st December 2017, the Group had entered into contracts covering approximately 7% (2016: 11%) of expected purchase of bunker for the next year through bunker price derivative contracts.

34. CASH AND BANK BALANCES

US$'000	2017	2016
Short-term bank deposits		
– Maturing within three months from the date of placement	**1,485,327**	1,213,057
Cash at bank and in hand	**455,648**	412,162
	1,940,975	1,625,219
Short-term bank deposits		
– Maturing more than three months from the date of placement	**–**	457
	1,940,975	1,625,676

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar (2016: US dollar).

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's, Moody's and/or Fitch's credit ratings is as follows:

US$'000	2017	2016
AA	**504,840**	344,528
A	**1,001,437**	823,592
BBB	**424,027**	446,852
BB	**6,849**	5,739
B	**182**	272
Others	**3,640**	4,693
	1,940,975	1,625,676

35. SHARE CAPITAL

US$'000	2017	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

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2016 and 2017	625,793	62,579

36. 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 year	–	–	–	(10,058)	(17,223)	(239,339)	(266,620)
Transactions with owners							
2015 final dividend	–	–	–	–	–	(11,604)	(11,604)
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 year	–	–	–	12,492	15,961	148,162	176,615
Transactions with owners							
2017 interim dividend	–	–	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	**172,457**	**88,547**	**4,696**	**43,344**	**43,040**	**4,267,850**	**4,619,934**

37. BORROWINGS

US$'000	2017	2016
Non-current		
Bank loans		
– Secured	**1,531,192**	1,624,089
– Unsecured	**275,974**	309,972
Finance lease obligations	**2,122,859**	1,555,211
	3,930,025	3,489,272
Current		
Bank loans		
– Secured	**256,258**	242,848
– Unsecured	**33,998**	21,498
Finance lease obligations	**333,902**	337,119
	624,158	601,465
Total borrowings	**4,554,183**	4,090,737

37. BORROWINGS (CONTINUED)

The maturity of borrowings is as follows:

US$'000	Bank loans	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2017			
2018	**290,256**	**333,902**	**392,262**
2019	**318,809**	**192,216**	**242,516**
2020	**453,011**	**155,191**	**200,140**
2021	**384,164**	**447,895**	**509,969**
2022	**237,426**	**150,202**	**180,958**
2023 onwards	**413,756**	**1,177,355**	**1,247,815**
	2,097,422	**2,456,761**	**2,773,660**
As at 31st December 2016			
2017	264,346	337,119	383,581
2018	268,495	278,337	306,168
2019	295,376	134,881	157,717
2020	429,572	173,699	201,022
2021	360,719	227,462	260,817
2022 onwards	579,899	740,832	763,875
	2,198,407	1,892,330	2,073,180

Borrowings are secured by property, plant and equipment of the Group (note 16(a)).

The effective interest rates at the balance sheet date were as follows:

	2017	2016
Bank loans	**2.8%**	2.0%
Finance lease obligations	**3.1%**	2.4%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	**2017**	2016	**2017**	2016
Bank loans	**1,807,166**	1,934,061	**1,805,997**	1,932,904
Finance lease obligations	**2,122,859**	1,555,211	**2,095,766**	1,550,622
	3,930,025	3,489,272	**3,901,763**	3,483,526

The fair values are based on cash flows discounted using rates based on the borrowing rates ranging from 2.0% to 5.1% (2016: 2.1% to 3.9%).

37. BORROWINGS (CONTINUED)

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in US dollar (2016: US dollar).

The fixed interest rate borrowings of the Group as at 31st December 2017 amounted to US$892.3 million (2016: US$443.7 million). The remaining borrowings of US$3,661.9 million (2016: US$3,647.0 million) were subject to floating interest rates.

38. CREDITORS AND ACCRUALS

US$'000	2017	2016
Trade payables	**179,189**	198,819
Other creditors	**113,216**	102,116
Accrued expenses	**420,654**	354,239
Deferred revenue	**27,201**	40,723
	740,260	695,897

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

US$'000	2017	2016
Below one month	**138,973**	142,754
Two to three months	**32,483**	44,932
Four to six months	**1,309**	656
Over six months	**6,424**	10,477
	179,189	198,819

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2017	2016
US dollar	**88,149**	107,692
Canadian dollar	**8,033**	6,120
Euro	**14,007**	14,583
Japanese yen	**16,503**	16,458
Hong Kong dollar	**16,007**	14,624
Renminbi	**27,991**	20,561
Other currencies	**8,499**	18,781
	179,189	198,819

39. AMOUNTS DUE TO JOINT VENTURES

The amounts payable are unsecured, interest free and repayable on demand.

40. COMMITMENTS

(a) Capital commitments – Property, plant and equipment

US$'000	2017	2016
Contracted but not provided for	284,416	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
At 31st December 2017			
2018	145,501	32,294	177,795
2019	75,240	29,604	104,844
2020	67,999	19,162	87,161
2021	46,791	11,630	58,421
2022	19,295	8,210	27,505
2023 onwards	8,920	19,381	28,301
	363,746	120,281	484,027
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 of July 2011. As at 31st December 2017, the Group signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within the Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US$180,000 to US$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by early 2021 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 31st December 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.

40. COMMITMENTS (CONTINUED)

(c) Operating lease rental receivable

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

US$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2017			
2018	**1,235**	**24,000**	**25,235**
2019	**–**	**21,128**	**21,128**
2020	**–**	**19,425**	**19,425**
2021	**–**	**17,278**	**17,278**
2022	**–**	**14,920**	**14,920**
2023 onwards	**–**	**42,889**	**42,889**
	1,235	**139,640**	**140,875**
At 31st December 2016			
2017	–	28,772	28,772
2018	–	23,486	23,486
2019	–	20,472	20,472
2020	–	18,212	18,212
2021	–	15,964	15,964
2022 onwards	–	24,130	24,130
	–	131,036	131,036

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) The reconciliation of liabilities arising from financing activities is as follows:

US$'000	Bank borrowings (current)	Bank borrowings (non-current)	Finance lease obligations (current)	Finance lease obligations (non-current)	Total
At 31st December 2015	312,367	1,981,561	126,238	1,681,539	4,101,705
Cash flow					
– Inflow from financing activities	–	559,289	–	–	559,289
– Outflow from financing activities	(658,098)	–	(129,649)	–	(787,747)
Non-cash changes					
– Reclassification	610,077	(610,077)	340,530	(340,530)	–
– Inception of finance leases (note 41(b))	–	–	–	205,070	205,070
– Finance costs	–	3,288	–	9,132	12,420
At 31st December 2016	264,346	1,934,061	337,119	1,555,211	4,090,737
Cash flow					
– Inflow from financing activities	–	447,361	–	659,521	1,106,882
– Outflow from financing activities	(552,076)	–	(236,838)	–	(788,914)
Non-cash changes					
– Reclassification	577,986	(577,986)	233,621	(233,621)	–
– Inception of finance leases (note 41(b))	–	–	–	129,401	129,401
– Finance costs	–	3,730	–	12,347	16,077
At 31st December 2017	**290,256**	**1,807,166**	**333,902**	**2,122,859**	**4,554,183**

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major non-cash transactions

During the year, major non-cash transactions included the inception of finance leases of US$129.4 million (2016: US$205.1 million) and non-cash dividend received from available-for-sale financial assets of US$13.3 million (2016: US$14.3 million).

(c) Analysis of cash and cash equivalents

US$'000	2017	2016
Bank balances and deposits maturing within three months from the date of placement	**1,940,975**	1,625,219

42. COMPANY BALANCE SHEET

As at 31st December 2017

US$'000	2017	2016
ASSETS		
Non-current assets		
Subsidiaries	**169,487**	169,487
Current assets		
Prepayments	**48**	47
Amounts due from subsidiaries	**2,876,770**	2,811,186
Restricted bank balances	**345**	349
Cash and bank balances	**93**	74
	2,877,256	2,811,656
Total assets	**3,046,743**	2,981,143
EQUITY		
Equity holders		
Share capital	**62,579**	62,579
Reserves (note)	**1,015,718**	991,380
Total equity	**1,078,297**	1,053,959
LIABILITIES		
Non-current liability		
Amount due to a subsidiary	**1,589,229**	1,629,229
	1,589,229	1,629,229
Current liabilities		
Accruals	**1,829**	363
Amounts due to subsidiaries	**377,388**	297,592
	379,217	297,955
Total liabilities	**1,968,446**	1,927,184
Total equity and liabilities	**3,046,743**	2,981,143

42. COMPANY BALANCE SHEET (CONTINUED)

Note:

Movements of reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2015	172,457	88,547	4,696	738,595	1,004,295
Total comprehensive loss for the year	–	–	–	(1,311)	(1,311)
Transactions with owners					
2015 final dividend	–	–	–	(11,604)	(11,604)
Balance at 31st December 2016	172,457	88,547	4,696	725,680	991,380
Total comprehensive income for the year	–	–	–	37,726	37,726
Transactions with owners					
2017 interim dividend	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	**172,457**	**88,547**	**4,696**	**750,018**	**1,015,718**

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$838.6 million as at 31st December 2017 (2016: US$814.2 million).

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 9th March 2018.

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2017

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries					
Cargo System Warehouse and Transport Ltd.	100	3,000 ordinary shares HK$300,000	Investment holding and container transport	Hong Kong	Hong Kong
Consolidated Leasing & Terminals, Inc.	100	1 common stock US$100	Investment holding, equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 ordinary shares US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 2 Inc.	100	10,000 ordinary shares US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Dongguan Orient Container Co. Ltd.	100	Registered capital HK$29,000,000	Container depot and warehousing	China *	China
Far Gain Investment Ltd.	100	10,000 ordinary shares HK$10,000	Investment holding	Hong Kong	Hong Kong
Glory Top Investment Ltd.	100	10,000 ordinary shares HK$10,000	Portfolio investment	Hong Kong	Hong Kong
Goodrich Limited	100	500 ordinary shares US$5,000	Commodity instruments for Group	Marshall Islands	Marshall Islands
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares HK$100,000	Container transport	Hong Kong	Hong Kong
Kenwake Ltd.	100 100	1,600,000 ordinary shares 520,000 5% cumulative preference shares £2,120,000	Investment holding	United Kingdom	United Kingdom
Laronda Company Ltd.	100	5,000 ordinary shares US$5,000	Portfolio investment	British Virgin Islands	Worldwide
LBCT LLC	100	Capital of US$500,000	Terminal operating	USA	USA
Long Beach Container Terminal, Inc.	100	5,000 common stock US$500,000	Maintenance of union office workers and provision of labour services	USA	USA
Maritime Delivery Services Inc.	100	1,000 common stock US$10,000	Trucking service	USA	USA
Newcontainer 1370A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1371A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1420 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1421 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer 1484 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1565A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1585A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1667A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1668A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2002 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2004 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2005 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2007 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2009 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2010 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2011 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2172 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2173 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 4090 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 5 Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 6 Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2017

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 15 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 51 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 52 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 53 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 56 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 67 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 69 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 73 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 75 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 83 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 85 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 86 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 87 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 88 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 93 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 95 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 96 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 97 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 98 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 99 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 100 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 101 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 102 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 103 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 106 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Investment holding	Marshall Islands	Worldwide
Newcontainer No. 107 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
OOCL (Agencies) Holdings Inc.	100	5,000 ordinary shares US$5,000	Investment holding	Marshall Islands	Worldwide
OOCL (Agencies) Ltd.	100	200 ordinary shares US$20,000	Investment holding	Bermuda	Worldwide
OOCL (Asia Pacific) Ltd.	100	2 ordinary shares HK$2	Transportation	Hong Kong	Asia Pacific
OOCL (Assets) Holdings Inc.	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 ordinary shares US$50,000	Investment holding	Liberia †	USA
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares A$200,000	Liner agency	Australia	Australia
OOCL BENELUX	100	226,271 ordinary shares €609,799	Liner agency	Belgium	Belgium
OOCL (Cambodia) Ltd.	100	50,000 ordinary shares Riel200,000,000	Liner agency	Cambodia	Cambodia
OOCL (Canada) Inc.	100	10,000 common stock C$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd.	100	2 ordinary shares HK$2	Investment holding	Hong Kong	China

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2017

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Corporate Services) Limited	100	2 ordinary shares HK$2	Provision of corporate services	Hong Kong	Hong Kong
OOCL (Denmark) A/S	100	1,000 ordinary shares DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Europe) Ltd.	100	5,000,000 ordinary shares £5,000,000	Container transport, investment holding and liner territorial office	United Kingdom	Worldwide
OOCL (Finland) Ltd. Oy	100	150 ordinary shares €2,522.82	Liner agency	Finland	Finland
OOCL (India) Private Ltd.	100	1,000 equity shares Rupees100,000	Liner agency	India	India
OOCL (Infotech) Holdings Ltd.	100	2 ordinary shares US$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Italy) S.r.l.	100	1 quota €10,000	Liner agency	Italy	Italy
OOCL (Korea) Ltd.	100	16,000 common stock Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd.	100	2 ordinary shares HK$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd.	100	10,000 ordinary shares US$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Mexico), S.A. de CV	100	600,000 ordinary shares Peso600,000	Liner agency	Mexico	Mexico
OOCL (New Zealand) Ltd.	100	100 ordinary shares NZD1,000	Liner agency	New Zealand	New Zealand
OOCL Pakistan (Private) Ltd.	100	1,350,000 ordinary shares PKR13,500,000	Liner agency	Pakistan	Pakistan
OOCL (Philippines) Inc.	100	55,000 common stock Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Poland) Ltd sp. z o.o.	100	1,000 ordinary shares PLN50,000	Liner agency	Poland	Poland
OOCL (Portugal), Lda	100	2 quotas €25,000	Liner agency	Portugal	Portugal
OOCL (Russia) Ltd.	100	1 participatory share Rub10,000	Liner agency	Russia	Russia
OOCL (Singapore) Pte Ltd.	100	100,000 ordinary shares S$100,000	Liner agency	Singapore	Singapore

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Sweden) AB	100	100,000 ordinary shares SEK100,000	Liner agency	Sweden	Sweden
OOCL (Switzerland) AG	100	200,000 ordinary shares CHF200,000	Liner agency	Switzerland	Switzerland
OOCL (Taiwan) Co. Ltd.	100	10,000,000 ordinary shares NT$100,000,000	Liner agency	Taiwan	Taiwan
OOCL (Terminals) Investment Ltd.	100	500 ordinary shares US$500	Investment holding	British Virgin Islands	Worldwide
OOCL (USA) Inc.	100	1,030 common stock US$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	100	Legal capital US$500,000	Liner agency	Vietnam	Vietnam
OOCL China Domestics Ltd.	100	Registered capital RMB21,250,000	Transportation and freight agency	China ±	China
OOCL LLC	100	Capital of US$500,000	Investment holding and equipment owning	USA	USA
OOCL Logistics Limited	100	10,000 ordinary shares US$10,000	Investment holding	British Virgin Islands	Hong Kong
OOCL Logistics (Asia Pacific) Ltd.	100	200 ordinary shares US$20,000	Investment holding, management of international transportation and logistics	Bermuda	Worldwide
OOCL Logistics (Australia) Pty. Limited	100	200,000 ordinary shares A$200,000	Logistics, cargo consolidation and forwarding	Australia	Australia
OOCL Logistics (Cambodia) Ltd.	100	1,250 ordinary shares Riel5,000,000	Logistics, cargo consolidation and forwarding	Cambodia	Cambodia
OOCL Logistics (Canada) Ltd.	100	1,000 common stock C$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada
OOCL Logistics (China) Ltd.	100	Registered capital US$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd.	100	2 ordinary shares £2	Logistics, cargo consolidation and forwarding territorial office	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd.	100	50,000 ordinary shares HK$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd.	100	35,000 equity shares Rupee3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd.	100	200 ordinary shares Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2017

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics (Korea) Ltd.	100	30,000 common stock Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics Mexico, S.A. de CV	100	500,000 ordinary shares Peso500,000	Logistics, cargo consolidation and forwarding	Mexico	Mexico
OOCL Logistics Pakistan (Pvt) Limited	100	1,300,000 ordinary shares PKR13,000,000	Logistics, cargo consolidation and forwarding	Pakistan	Pakistan
OOCL Logistics (Russia) Limited	100	1 share Rub10,000	Logistics, cargo consolidation and forwarding	Russia	Russia
OOCL Logistics (Singapore) Pte Ltd.	100	2 ordinary shares S$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (Taiwan) Ltd.	100	4,250,000 ordinary shares NT$42,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan
OOCL Logistics (USA) Inc.	100	100 common stock US$200	Logistics, cargo consolidation, forwarding and investment holding	USA	Worldwide
OOCL Logistics Line Limited	100	2 ordinary shares HK$2	Transportation and freight forwarding	Hong Kong	Worldwide
OOCL Logistics Warehousing and Transportation (Shanghai) Co. Ltd.	100	Registered capital US$1,000,000	Warehousing and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co. Ltd.	100	Registered capital US$4,700,000	Warehousing, transportation and logistics services	China *	China
OOCL Transport & Logistics Holdings Ltd. #	100	169,477,152 ordinary shares US$169,477,152	Investment holding	Bermuda	Worldwide
OOCL Warehousing (Shanghai) Limited	100	Registered capital US$10,000,000	Warehousing and depot services	China *	China
OOIL (Investments) Inc. #	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corp.	100	10 common stock US$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co. Ltd.	100	Registered capital US$3,400,000	Liner agency	China *	China
Orient Overseas Container Line (Europe) Ltd.	100	66,000,000 ordinary shares £66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	500,000 ordinary shares RM500,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 ordinary shares €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd.	100	5,000 ordinary shares US$5,000	Ship management and vessel operator	Cayman Islands	Worldwide

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Orient Overseas Container Line Inc.	100	500 ordinary shares US$25,000,000	Investment holding	Liberia †	Worldwide
Orient Overseas Container Line Ltd.	100	10,000 ordinary shares HK$1,000,000	Container transport	Hong Kong	Worldwide
Soberry Investments Ltd.	100	5,000 ordinary shares US$5,000	Portfolio investment	British Virgin Islands	Worldwide
The Speed Limited	100	5,000 ordinary shares US$5,000	Provision of financing to Group	Marshall Islands	Worldwide
Union Faith (H.K.) Limited	100	1 ordinary share HK$1	Ship owning	Hong Kong	Worldwide
Wall Street Plaza, Inc.	100 100 100 100 100 100	40 class A common stock 160 class B common stock 20,000 12% series A non-cumulative non-voting preferred stock 18,000 11% series B non-cumulative non-voting preferred stock 19,500 12% series C non-cumulative non-voting preferred stock 19,000 12% series D non-cumulative non-voting preferred stock US$76,500,200	Investment holding	USA	USA
Wealth Capital Corporation	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide
Associated companies					
Ningbo Yuan Dong Terminal Ltd.	20	Registered capital RMB2,500,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co. Ltd.	20	Registered capital US$160,000,000	Terminal operating	China §	China
Joint ventures					
OOCL (Egypt) Shipping Agency S.A.E.	49	7,500 ordinary shares EGP750,000	Liner agency	Egypt	Egypt
OOCL (UAE) LLC	49	300 ordinary shares AED300,000	Liner agency	Dubai	Dubai
Tang Cang – OOCL Logistics Company Limited	50	Legal capital US$308,000	Container depot	Vietnam	Vietnam
Qingdao Orient International Container Storage & Transportation Co. Ltd.	59	Registered capital RMB69,900,000	Container depot	China §	China

\# *Direct subsidiaries of the Company.*
† *Companies incorporated in Liberia but redomiciled to the Marshall Islands.*
* *Wholly foreign-owned enterprise.*
§ *Sino-foreign equity joint venture enterprise.*
± *Domestic joint venture enterprise.*

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2017.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL America	5,344	Owned	Intra-Asia	1995	Hong Kong
OOCL Bangkok	13,208	Owned	Intra-Asia	2013	Hong Kong
OOCL Beijing	8,888	Owned	Trans-Pacific	2011	Hong Kong
OOCL Belgium	2,992	Owned	Trans-Atlantic	1998	Hong Kong
OOCL California	5,344	Owned	Intra-Asia	1995	Hong Kong
OOCL Canada	8,888	Owned	Trans-Pacific	2011	Hong Kong
OOCL Charleston	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Chicago	5,714	Owned	Asia-Australia	2000	Hong Kong
OOCL Chongqing	13,208	Owned	Trans-Pacific	2013	Hong Kong
OOCL Dalian	4,578	Owned	N/A	2009	Hong Kong
OOCL Guangzhou	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Jakarta	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Le Havre	4,578	Owned	Asia-Australia	2010	Hong Kong
OOCL London	8,063	Owned	Trans-Pacific	2010	Hong Kong
OOCL Luxembourg	8,063	Owned	Trans-Pacific	2010	Hong Kong
OOCL Memphis	8,888	Owned	Trans-Pacific	2013	Hong Kong
OOCL Miami	8,888	Owned	Trans-Pacific	2013	Hong Kong
OOCL Nagoya	4,578	Owned	Intra-Asia	2009	Hong Kong
OOCL New York	5,770	Owned	Trans-Pacific	1999	Hong Kong
OOCL Norfolk	4,578	Owned	N/A	2009	Hong Kong
OOCL San Francisco	5,714	Owned	Trans-Pacific	2000	Hong Kong
OOCL Savannah	4,578	Owned	Asia-Australia	2010	Hong Kong
OOCL Scandinavia	21,413	Owned	Asia-Europe	2017	Hong Kong
OOCL Seoul	8,063	Owned	Intra-Asia	2010	Hong Kong
OOCL Shanghai	5,770	Owned	Intra-Asia	1999	Hong Kong
OOCL United Kingdom	21,413	Owned	Asia-Europe	2017	Hong Kong
OOCL Washington	8,063	Owned	Asia-Europe	2010	Hong Kong
OOCL Asia	8,063	Finance Lease	Trans-Atlantic	2006	Hong Kong
OOCL Atlanta	8,063	Finance Lease	Intra-Asia	2005	Hong Kong
OOCL Australia	4,583	Finance Lease	Intra-Asia	2006	Hong Kong
OOCL Berlin	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Brisbane	4,578	Finance Lease	Intra-Asia	2009	Hong Kong
OOCL Brussels	13,208	Finance Lease	Asia-Europe	2013	Hong Kong
OOCL Busan	4,578	Finance Lease	Intra-Asia	2008	Hong Kong
OOCL Egypt	13,208	Finance Lease	Asia-Europe	2013	Hong Kong
OOCL Europe	8,063	Finance Lease	Trans-Atlantic	2006	Hong Kong
OOCL France	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Genoa	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Germany	21,413	Finance Lease	Asia-Europe	2017	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Intra-Asia	2004	Hong Kong
OOCL Ho Chi Minh City	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Hong Kong	21,413	Finance Lease	Asia-Europe	2017	Hong Kong

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL Houston	4,578	Finance Lease	Intra-Asia	2007	Hong Kong
OOCL Japan	21,413	Finance Lease	Asia-Europe	2017	Hong Kong
OOCL Kobe	4,578	Finance Lease	Intra-Europe	2007	Hong Kong
OOCL Korea	13,208	Finance Lease	Trans-Pacific	2014	Hong Kong
OOCL Malaysia	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Montreal	4,402	Finance Lease	Trans-Atlantic	2003	Hong Kong
OOCL New Zealand	4,578	Finance Lease	Intra-Asia	2009	Hong Kong
OOCL Panama	4,578	Finance Lease	Asia-Australia	2008	Hong Kong
OOCL Poland	13,208	Finance Lease	Intra-Asia	2013	Hong Kong
OOCL Rotterdam	8,063	Finance Lease	Asia-Europe	2004	Hong Kong
OOCL Singapore	13,208	Finance Lease	Intra-Asia	2014	Hong Kong
OOCL Southampton	8,063	Finance Lease	Trans-Pacific	2007	Hong Kong
OOCL Taipei	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Texas	4,578	Finance Lease	Asia-Australia	2008	Hong Kong
OOCL Tokyo	8,063	Finance Lease	Trans-Pacific	2007	Hong Kong
OOCL Utah	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Yokohama	4,578	Finance Lease	Intra-Asia	2007	Hong Kong
OOCL Zhoushan	4,583	Finance Lease	Intra-Asia	2006	Hong Kong
Allise P	5,044	Chartered	Asia-Australia	2007	Liberia
AS Riccarda	1,500	Chartered	Intra-Asia	2012	Portugal
AS Savonia	1,679	Chartered	Intra-Asia	2000	Liberia
Brighton	6,350	Chartered	Trans-Pacific	2008	United Kingdom
Buxharmony	2,702	Chartered	Intra-Asia	2007	Liberia
Cape Tainaro	11,037	Chartered	Trans-Pacific	2016	Malta
Colette	2,732	Chartered	Intra-Asia	2002	Marshall Island
Conmar Bay	1,036	Chartered	Intra-Europe	2012	Antigua and Barbuda
CSL Virginia	5,043	Chartered	Trans-Atlantic	2005	Cyprus
E.R. Montpellier	2,824	Chartered	Asia-Australia	2006	Liberia
Express Athens	10,114	Chartered	Asia-Europe	2011	Liberia
Great	5,576	Chartered	Trans-Pacific	2004	Marshall Island
Iberian Express	1,118	Chartered	Intra-Asia	2008	Gibraltar
Ikaria	5,908	Chartered	Trans-Pacific	2002	Liberia
Irenes Rhythm	2,824	Chartered	Intra-Asia	2007	Malta
Kuo Tai	1,295	Chartered	Intra-Asia	1995	Panama
Mexico	4,992	Chartered	Trans-Pacific	2002	Liberia
Navi Baltic	1,421	Chartered	Intra-Europe	2009	Portugal
OOCL Antwerp	5,888	Chartered	Asia-Australia	2006	Panama
OOCL Dubai	5,888	Chartered	Asia-Australia	2006	Singapore
OOCL Italy	5,888	Chartered	Asia-Australia	2007	Singapore
OOCL Kaohsiung	5,888	Chartered	Asia-Australia	2006	Singapore
OOCL Kuala Lumpur	5,888	Chartered	Asia-Australia	2007	Singapore
OOCL Ningbo	8,063	Chartered	Intra-Asia	2004	Hong Kong
OOCL Oakland	5,888	Chartered	Asia-Australia	2007	Panama
OOCL Qingdao	8,063	Chartered	Intra-Asia	2004	Hong Kong
OOCL Rauma	1,421	Chartered	Intra-Europe	2009	Netherlands
OOCL Vancouver	5,888	Chartered	Trans-Pacific	2006	Panama

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
Orea	2,194	Chartered	Intra-Asia	2015	Malta
Ornella	1,714	Chartered	Intra-Asia	2012	Portugal
Pamina	5,047	Chartered	Asia-Australia	2005	Marshall Island
Pucon	6,541	Chartered	Asia-Europe	2006	Marshall Island
San Lorenzo	1,708	Chartered	Intra-Asia	2014	Cyprus
Santa Loukia	1,704	Chartered	Intra-Asia	2014	Malta
Seamax New Haven	8,084	Chartered	Trans-Pacific	2005	Marshall Island
ST Blue	2,535	Chartered	Intra-Asia	2011	Liberia
Suez Canal	5,610	Chartered	Trans-Pacific	2002	Liberia
Teng Yun He	1,702	Chartered	Intra-Asia	2000	China
TRF Kaya	2,824	Chartered	Intra-Asia	2007	Liberia
Tzini	1,756	Chartered	Intra-Asia	2013	Malta
Vega Fynen	1,118	Chartered	Intra-Asia	2006	Liberia
Warnow Chief	1,500	Chartered	Intra-Asia	2009	Cyprus
TOTAL 102 VESSELS	**698,401**				

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 688,520 units (1,146,548 TEU) as of 31st December 2017. Approximately 86.5% of the container fleet in TEU capacity was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2017 the Group owned, purchased on finance lease terms or leased under operating lease terms 37 trailer chassis.

10-Year Financial Summary

US$'000	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Consolidated Profit and Loss Data										
Revenue	6,530,855	4,350,195	6,033,402	6,011,836	6,459,059	6,231,583	6,521,589	5,953,444	5,297,693	**6,108,350**
Operating profit/(loss)	397,764	(332,237)	918,807	174,598	327,904	90,314	329,147	353,068	(138,227)	**232,170**
Finance costs	(81,016)	(35,347)	(29,091)	(26,179)	(32,877)	(41,019)	(54,000)	(63,642)	(79,393)	**(101,215)**
Profit/(loss) before taxation	322,546	(361,870)	898,776	162,457	310,134	66,999	294,583	307,208	(199,667)	**150,089**
Profit/(loss) for the year from continuing operations	297,569	(376,104)	869,817	139,354	296,317	47,133	270,438	283,851	(219,221)	**137,656**
Profit/(loss) for the year from discontinued operations	(22,040)	(24,501)	1,004,554	43,000	–	–	–	–	–	**–**
Profit/(loss) for the year	275,529	(400,605)	1,874,371	182,354	296,317	47,133	270,438	283,851	(219,221)	**137,656**
Profit/(loss) attributable to ordinary shareholders	272,337	(402,294)	1,866,780	181,645	295,387	47,036	270,538	283,851	(219,221)	**137,656**
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	47.1	(60.4)	137.8	22.1	47.2	7.5	43.2	45.4	(35.0)	**22.0**
from discontinued operations	(3.6)	(3.9)	160.5	6.9	–	–	–	–	–	**–**
Dividends (US cents)	11.00	–	283.80	7.00	11.84	1.88	10.90	11.45	–	**2.14**
Weighted average number of ordinary shares in issue ('000)	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	**625,793**
Consolidated Balance Sheet Data										
Property, plant and equipment	3,780,945	3,798,048	3,860,367	4,205,194	4,664,773	5,320,251	5,608,929	6,020,744	6,076,673	**6,251,457**
Liquid assets	2,077,087	1,354,387	4,132,897	2,413,132	2,339,531	2,411,085	2,689,754	2,548,976	2,186,946	**2,534,463**
Assets held for sale	–	1,268,254	–	–	–	–	53,047	–	–	**–**
Liabilities directly associated with assets classified as held for sale	–	(142,406)	–	–	–	–	–	–	–	**–**
Other net current (liabilities)/assets	342,756	(582,807)	(475,304)	(543,133)	(654,625)	(473,105)	(628,393)	(622,964)	(738,046)	**(671,309)**
Total assets	7,701,635	7,330,174	9,075,183	7,711,478	8,231,039	8,990,218	9,633,455	9,731,574	9,404,590	**10,069,296**
Long-term debt	2,218,251	2,135,967	2,416,367	2,233,095	2,325,777	3,265,555	3,595,625	3,663,100	3,489,272	**3,930,025**
Total long and short-term debt	2,372,146	2,568,022	2,664,122	2,672,206	2,881,530	3,533,865	3,984,502	4,101,719	4,090,737	**4,554,183**
Net debt/(liquid assets)	295,059	1,213,635	(1,468,775)	259,074	541,999	1,122,780	1,294,748	1,552,743	1,903,791	**2,019,720**
Ordinary shareholders' equity	4,387,071	3,944,684	5,548,446	4,233,468	4,481,815	4,470,807	4,634,752	4,797,510	4,519,286	**4,682,513**
Other Financial Information										
Depreciation	181,898	207,275	255,010	242,534	235,346	302,884	323,482	315,426	400,351	**428,482**
Capital expenditure	650,568	380,161	345,255	744,603	784,562	999,451	848,769	796,720	478,637	**618,690**
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.54	0.65	0.48	0.63	0.64	0.79	0.86	0.85	0.91	**0.97**
Net debt/(cash) to equity ratio	0.07	0.31	(0.26)	0.06	0.12	0.25	0.28	0.32	0.42	**0.43**
Return on average ordinary shareholders' equity (%)	6.4	(9.7)	39.3	3.7	6.8	1.1	5.9	6.0	(4.7)	**3.0**
Accounts payable as a % of revenue	12.8	13.8	12.6	11.8	12.1	14.5	14.5	12.6	13.1	**12.1**
Accounts receivable as a % of revenue	6.7	8.7	7.5	7.8	8.4	8.9	8.8	8.4	9.0	**9.7**
Net asset value per ordinary share (US$)	7.01	6.30	8.87	6.76	7.16	7.14	7.41	7.67	7.22	**7.48**

Note:

(1) The accounting policy on HKAS 12 'Income taxes' was changed in 2012 and the figures prior to 2010 have not been restated to reflect this change.

(2) The accounting policy on HKAS 19 (Amendment) 'Employee Benefits' was changed in 2013 and the figures prior to 2011 have not been restated to reflect this change.

Corporate Information

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Mr. Tung Lieh Cheung Andrew
Mr. Tung Lieh Sing Alan
(Chief Financial Officer)

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Professor Roger King

INDEPENDENT NON-EXECUTIVE DIRECTORS

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Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Mr. Cheng Wai Sun Edward
Mr. Kwok King Man Clement

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