Orient Overseas (International) Limited

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

2018
INTERIM REPORT

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Chairman's Statement

Against the backdrop of a healthy global economy, the industry experienced good levels of cargo growth, and benefitted from moderate improvements in freight rates in many trade lanes. As such, the slow and steady recovery that began in late 2016 continued to provide encouragement to our sector.

However, the financial results for the current reporting period reflect not only the positive growth story, but also some of the significant challenges that we have been facing.

Supply side growth continued at a significant pace, with total capacity levels remaining a risk factor in the future, even if newbuilding deliveries look likely to reduce markedly in the coming two to three years. Increased costs have also hurt profitability: the higher price of oil has increased fuel costs, and equipment repositioning costs have been amplified by the increasing imbalance between (1) strong headhaul growth and (2) stable to weakening backhaul growth.

In this context, I must report to you that Orient Overseas (International) Limited ("OOIL") and its subsidiaries (the "Group") recorded a loss attributable to shareholders of US$10.3 million for the six-month period ended 30th June 2018 (2017: profit of US$53.6 million).

Loss per ordinary share for the first half of 2018 was US1.6 cents, whereas the profit per ordinary share for the first half of 2017 was US8.6 cents.

The Board of Directors has decided not to propose an interim dividend for 2018.

The strong cargo volume growth seen in most East-West trade lanes, especially on Transpacific routes, is encouraging, not least because it is a trend that has now been sustained for over a year. While it is true that global economies still appear reasonably robust, not least the USA, the uncertainty caused by the threat of looming so-called trade wars justifies a degree of caution. It may well be that the impact on containerised transport will be less than some fear, on the grounds that goods transported in containers often tend to be higher volume but lower value. However, it would be naive to be too confident in offering any predictions about how the currently imminent trade wars will impact the industry. Restrictions on trade are clearly not a positive factor: we will need to wait to gauge what their negative influence might be.

On the 13th July 2018, it was announced that the joint offer made by COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"; SHA: 601919; HKEx: 1919) and Shanghai International Port (Group) Co., Ltd ("SIPG"; SHA: 600018) to acquire all the shares of OOIL has achieved the necessary level of shareholder acceptance to become unconditional.

In a rapidly consolidating industry, I believe that this transaction offers tremendous opportunities both to OOIL and to the wider COSCO group. Together with greater scale and with increased financial resources, we will be able to combine the complementary strengths of our two liner businesses and COSCO's terminal business, and thereby to create an industry leader, providing the widest of networks and the best of service to our customers, using ambitious growth targets and meaningful synergy benefits to create value for our shareholders, enhancing our business through information technology, and offering challenging and exciting careers to our employees.

We will achieve all these while maintaining the separate listing, branding, management and staff of the OOIL group. As I step down after 22 years as Chairman, I look forward with confidence to seeing the OOIL corporate culture of team work and our take it personally spirit play their part in the creation of a new industry champion, and offer every encouragement and wish every success to all those who will deliver this goal.

C C Tung
Chairman

Hong Kong, 3rd August 2018

Statement from the incoming Chairman of OOIL, Captain Xu Lirong

First of all, I would like to extend a warm welcome to OOIL for joining COSCO SHIPPING and express my heartfelt gratitude and great respect to Mr. Tung Chee Chen for his leadership and significant contributions to the impressive results achieved by OOIL over the past years.

In the face of intensifying market competition, mergers and acquisitions in the global container industry have gathered momentum in recent years. This transaction is a common choice for both sides to follow the development trend of container shipping industry and realize sustainable development. I believe that after OOIL becomes a member of COSCO SHIPPING, we can effectively combine the respective strengths of OOIL and COSCO SHIPPING Lines and optimize our global network, thereby achieving greater economies of scale and synergies. This will not only enable both companies to enhance the overall profitability and promote the sustainable development but will also allow us to offer customers more product choices. They can thus experience our better services. The transaction marks an important milestone for the future development of both companies, which will ultimately translate into our firm commitment to customers and shareholders.

Indeed, we have formulated specific measures originated from route network planning, container management, and procurement management to ensure the realization of synergy.

OOIL is a well-managed and highly esteemed company. Adhering to its corporate spirit of "take it personally", OOIL has achieved outstanding operating performance and gained a remarkable reputation for years. Besides, OOIL possesses a dedicated work team and loyal customers, which are apparently our valuable resources. We have made "six undertakings to preserve the integrity of OOIL". It is an important decision which reflects our full confidence in the management of OOIL and the quality of its employees.

As the new chairman of the Board of OOIL, I am very honored to work together with the staff of OOIL who share the same values with us and are committed to creating values for customers and shareholders.

As a famous international financial center, trade center and shipping center, Hong Kong provides a superior trade environment coupled with supportive policies, sound legal system and robust offshore financial system, which facilitate the global expansion of outstanding enterprises. I am fully confident that Hong Kong will make further achievements in establishing itself as an international shipping center and creating new opportunities for enterprises in the shipping industry.

In the future, we will adhere to the "six undertakings" and dedicate to improve OOIL's brand value. OOIL will surely continue to maintain high operating standards, high standards of services and leading IT capability. The strengths of OOIL's international, professional and high-caliber talent team will be retained and further unleashed, so that the management and operating capability of the company will be strengthened in tandem with its fascinating growth. OOIL will thus become more competitive and effective, exert greater influence in the market, and provide customers with first-class products and services as before. At the same time, we and OOIL will adhere to the concept of "Trust Together", promptly combining our respective strengths to drive greater synergies between both companies. Our core competitiveness, operational efficiency and profitability will be further enhanced, which allows us to create greater values for shareholders.

I believe that with common values of both companies, inspirations from each other and joint efforts of entire staff, OOIL will embrace a brighter future!

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2018 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a loss attributable to equity holders of US$10.3 million compared to a US$53.6 million profit for the corresponding period of 2017.

OOIL INTERIM RESULTS ANALYSIS

US$'000	**2018**	Restated 2017
(Loss)/profit before tax from operating activities	**(73,280)**	24,558
Investment income from Hui Xian	**23,197**	21,180
Revaluation of Wall Street Plaza	**39,944**	27,689
(Loss)/profit Before Tax for the Period Ended 30th June	**(10,139)**	73,427
Taxation	**(35,551)**	(20,290)
(Loss)/profit From Continuing Operations	**(45,690)**	53,137
Profit From Discontinued Operation	**35,370**	469
(Loss)/profit Attributable to Equity Holders	**(10,320)**	53,606

The loss attributable to equity holders for the first half of 2018 included investment income of US$23.2 million from Hui Xian, and a net fair value gain of US$39.9 million on Wall Street Plaza.

Loss from operating activities for the first half of the year was US$73.3million, as compared to US$24.6 million profit for the first six months of 2017. Results of the Group's operations arise from its business of container transportation and logistics conducted through the "OOCL" brand, augmented by earnings from the Group's liquidity management and investment activities at holding company level.

CONTAINER TRANSPORT

In terms of volumes and revenues, the market saw a continuing trend of slow but steady improvement throughout the period, consistent with the industry's ongoing gradual return to better trading conditions than those seen in the tremendously tough environment of 2016.

Compared to the first half of 2017, OOCL liner liftings increased by 6.0% while load factor reduced by 3.1%. Revenue levels per TEU increased by 3.5%. Management's view is that reduction in load factor is acceptable at a time of very significant available capacity and of double digit increases in volumes – driving the load factor higher might easily have compromised revenue per TEU growth.

Cargo volume growth on the two main East-West trades, Trans-Pacific and Asia-Europe, continued on a positive trend. While it is right to acknowledge that decent cargo volumes before Chinese New Year led to some excessively optimistic expectations of the year, and that the opposite was due during the slower weeks after Chinese New Year, overall the trend on the East-West trade lanes is one of reasonable robustness in cargo volumes, particularly on the Trans-Pacific routes. Intra-Asia volume growth remained more muted, but nonetheless displayed meaningful improvement over 2017, thanks to better economic conditions in some countries and, for OOCL, thanks to restructuring of our network.

Bunker costs were materially higher, with the price per ton of Singapore 380 bunker fuel being approximately 50% higher at the end of June 2018 compared to the end of June 2017. While freight rates and volumes have generally improved over the same period, they have not done so at the same rapid pace, and as such fuel price is clearly a risk factor in terms of the overall financial outcome for the year. That being said, fuel prices still remain below the levels seen in previous years, where prices in excess of US$600 per ton were not uncommon.

Trans-Pacific Trade

This trade lane continues to be highly competitive. In this context, in spite of strong cargo volume growth against the background of a robust and seemingly continuously strengthening US economy, a trend line drawn for the rate environment would be mostly flat as against the same period in 2017. Certainly, no shipping company would argue that it wouldn't prefer rates to be higher, but given how much additional capacity has been introduced to the market in recent years, it is arguably quite encouraging that rates have at least held, and in some cases marginally improved, year on year.

Our own volume growth continues to outpace the market. This is certainly due in part simply to our having greater available capacity, both through our own vessels and in space taken aboard the vessels of other members of the Ocean Alliance. However, our perception is that we continue to benefit from risk management carried out by many of our larger customers – that is to some extent based on the strength of our balance sheet, but also on a desire by customers not to be too reliant on too few carriers in case of event risk, such as cyber attacks or other technical problems.

Trans-Pacific liftings increased by 11.3% compared to the same period last year, with revenue increasing by 3.2% per TEU.

Contract rates for 2018-2019 are in general at or slightly above the levels agreed for 2017-2018. First signs are that spot freight rates during the Peak Season (July to September) could be reasonably strong, which, if sustained, could lead to a more financially satisfactory outcome in the second half of the year.

Notwithstanding the above, the likely commencement of some form of trade war between China and the USA could bring about a brake on the encouraging cargo volume growth levels that have been seen in recent months. It is too early to call what the impact of the trade wars might be, but even through the most positive lens, trade wars must at least cap growth prospects for international trade. Whether they can really shrink existing volumes remains to be seen, but this must certainly be noted as a risk factor.

Asia-Europe Trade

Similar to what was seen on the Trans-Pacific trade, volumes and rates on the Asia-Europe trade have both continued their slow recovery from the nadir of 2016.

Liftings increased by 16.7%, with revenue per TEU declining by 4.9%. The significant volume improvement is driven by the same factors that have improved our liftings on the Trans-Pacific trade.

Better volumes in the market as a whole appear to be driven by more robust European economies, after several years of rather flat growth. In general, economic data emerging from Europe appears to be healthier than it has been for some years. Some doubts linger, for example as to whether a slight slowdown in recent data is the result of a genuine deterioration in the environment, or whether it is more prosaically merely the result of the unusually cold weather that prevailed throughout much of Europe for several weeks in the first half. Still, we seem to have moved firmly away from the highly volatile situation endured by the Asia-Europe trade lanes in recent years, where there was negative cargo volume growth on occasion.

At the time of writing, it seems unlikely that trade wars would impact the growth of the Asia-Europe trades, not least because of the recent signing of a free trade agreement between the EU and Japan. However, the fallout from trade wars between the US and China, and between the US and EU is impossible to predict.

Intra-Asia and Australasia Trade

Industry-wide data for the Intra-Asia trade shows improvement on recent years. The larger economies of North Asia, which had been producing lower growth than before, seems to have improved somewhat, and we note better data coming out of Korea, China and even now Japan, which for many years has been in low growth or even decline mode.

As such, some of the service cuts we made in 2016 and 2017 might need to be reversed in order to benefit from improved market conditions.

Other areas of our Intra-Asia and Australasia trades have performed differently. The Australian trades, for example, have shown great strength, reflecting that country's improved economic environment and the turnaround in commodity markets. Trade with the Middle East continues to be challenging on certain routes.

Trans-Atlantic Trade

An important but relatively smaller trade, the Trans-Atlantic trade saw an increase in headhaul (westbound) volumes, with liftings up by 0.9% as against the same period last year. The robust US economy will have been a contributing factor behind this continuing if unspectacular growth. However, backhaul was weaker, shrinking slightly by 1.5%. Average revenue per TEU increased by 1.0%.

The trade continues to be less balanced than in the past, with more volume heading west than east, although if European economic data continues to improve, this trend towards increasing imbalance may change.

That being said, the threat of a trade war between the US and the EU could bring some challenges to the Transatlantic trades.

Bunker Price

The average price of bunker recorded by OOCL in the first half of 2018 was US$383 per ton compared with US$306 per ton for the corresponding period in 2017. As a result of the rise in fuel oil & diesel oil prices, bunker costs increased by 26% in the first half of 2018 when compared with the corresponding period of 2017.

LOGISTICS

OOCL Logistics revenue and contribution for the first half of 2018 increased by 10.1% and 13.7% respectively compared with the same period last year. Profit increased by 113% compared with the same period last year.

The contribution from International Supply Chain Management Service increased by 5.5% while contribution from Import/Export Services increased by 20.2% and is attributed to FCL, FFW, CHB, Depot and AFFW business growth. The growth of our warehouse business, including better utilisation improvements of existing warehouse facilities, as well as CCL warehousing, system sales and 4PL business were all key contributing activities contributing to the 28.7% growth in Domestic Logistics business.

Moving forward, we will be focusing our effort and resources in developing our rail transport services, depot business, air freight forwarding network, enterprise logistics software, and upgrading our logistics capability in the ASEAN and European markets to raise profitability.

VESSELS

During the first half of 2018, the Group took delivery of the sixth and the last of the 21,413 TEU series new-build vessel from Samsung Heavy Industries in South Korea, namely the 'OOCL Indonesia'. All six vessels of the 21,413 TEU series have been deployed in the Asia-Europe service and they mark an important milestone for the Group.

As at 30th June 2018, no new-build vessels are pending for delivery; and no orders for new buildings were placed in the first half of 2018.

OTHER ACTIVITIES

The other activities of the Group consist of support functions, including centralised treasury and management of the Group's liquidity and investments. The Group's investments include its long-standing ownership of Wall Street Plaza, and 0.5% direct holding in Hui Xian REIT, the first RMB – denominated REIT listed in Hong Kong. During the first half of 2018, the Group has disposed 29,625,000 units of Hui Xian REIT.

Wall Street Plaza continues to record good results and have a high occupancy rate. Based on an independent valuation, it has been re-valued upwards by US$40 million as at 30th June 2018 to reflect an assessed market value of US$310 million. After offsetting a total of US$0.1 million improvement to the building spent in the first six months of the year, the net fair value gain for the first half of 2018 was US$39.9 million.

The Group invests in Beijing Oriental Plaza directly through holdings in the Hui Xian REIT. In the first half of 2018, Hui Xian Holdings Limited, the original developer company of Hui Xian REIT, declared a cash dividend and dividend in specie to its shareholders, of which the Group's shares amounted to US$22.6 million. In addition, the Group also received a distribution of US$0.6 million from its direct holding of Hui Xian REIT. As at 30th June 2018, the Group's total investment in Hui Xian was valued at US$37.1 million.

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2018, the Group had total liquid assets amounting US$2.2 billion and total indebtedness of US$4.2 billion. Net debt as at 30th June 2018 was therefore US$2.0 billion, which remains at the same level as in 2017 year-end.

The Group continues to have sufficient borrowing capacity and remains comfortably within its target of keeping its net debt to equity ratio below 1:1.

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

The liquid assets of the Group are predominantly cash deposits placed with a variety of banks and with tenors ranging from overnight to up to six months. We review the list of approved banks and exposure limits on each bank on a regular basis.

Given the inherently volatile nature of shipping industry earnings and experience with fluctuations in asset values, the Group maintains a portion of its liquidity reserves in a portfolio of longer tenor investments. The Group's investment portfolio of US$606.8 million as at 30th June 2018 is predominantly comprised of investment grade bonds.

CURRENCY EXPOSURE AND RELATED HEDGES

The Group's principal income is mainly comprised of freight revenues, receipts from terminal operations and rental income from investment properties, all of which are denominated in US dollars. About 65% of cost items are also US-dollar based. Certain costs, such as terminal charges, transportation charges and administrative expenses for regional offices, are expended in domestic currencies. The Group's policy is to hedge, where appropriate, the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

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

EMPLOYEE INFORMATION

As at 30th June 2018, the Group had 10,209 full-time equivalent employees. Salary and benefit levels are maintained at competitive levels and employees are rewarded on a performance-related basis within the general policy and framework of the Group's salary and discretionary bonus schemes. These schemes, based on the performance of the Company and individual employees, are regularly reviewed. Other benefits are also provided including medical insurance and retirement funds. In support of the continuous development of individual employees, training and development programmes are offered for different levels of employee. Social and recreational activities are arranged for our employees around the world.

SAFETY, SECURITY AND ENVIRONMENTAL PROTECTION

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

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

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

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

OOIL Group also recognises that businesses must take responsibility for their industry's effects on the environment. In our commitment to further build on our Environmental, Social and Governance (ESG) profile, OOIL was the first Hong Kong-based enterprise in the international transportation and logistics industry to take part in the United Nations Global Compact (UNGC). Through our business strategies, operation, corporate culture, and continual engagement in the United Nation's Sustainable Development Goals (SDG), 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 anticorruption to tackle global environmental and social challenges we face across industries.

OOCL is dedicated to environmental protection and committed to data integrity standards. Each year, OOCL ensures that such standards are consistent and upheld by certifying our environmental data through independent business assurance service providers. Accredited by Lloyd's Register (LR), this is the fifth consecutive year that OOCL has achieved dual reporting standards through the use of Clean Cargo Working Group (CCWG) and ISO 14064-1:2006 verification tools. In order to reach higher standards and transparency in OOCL's Greenhouse Gas (GHG) reporting, we not only meet the verification requirements of the GHG Scopes 1 and 2 inventory, but also took a further step forward to meet Scope 3 which focuses on indirect emissions associated to air travel by employees of our Hong Kong office and terminals, and as defined in the "Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard". Our Group Sustainability Report is published on an annual basis. This report covers the significant environmental, economic and social aspects of the business arising from the principal activities of OOIL and its subsidiaries. This year, the scope of our report has been adjusted to prepare for the commencement of the Environmental, Social and Governance (ESG) Reporting Guide set out in Appendix 27 of the Main Board Listing Rules from The Stock Exchange of Hong Kong Limited.

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

- "2017 Hong Kong Awards for Environmental Excellence (HKAEE) Gold Award" in the transport and logistics sector and the "Outstanding Green Leadership Award" that recognises our excellence performance in embracing green management and innovation towards environmental sustainability;

- "2017 BOCHK Corporate Environmental Leadership Awards – Gold Award" in the service sector for our efforts in promoting environmental and low-carbon best practices;

- "Green Shipping Award" from Seatrade Maritime Awards Asia for our efforts in green technology investment, carbon management, compliance to environmental regulations and promotion in environmental awareness; and

- "Outstanding Performance in Port State Control Inspection" for the year 2017 by the Marine Department of the Hong Kong SAR Government (HKSARG) and Hong Kong Shipowners Association (HKSOA).

OOCL continues to achieve one of the best records for the Green Flag Program organised by the Port of Long Beach and Port of Los Angeles in the United States, achieving full voluntary compliance in vessel speed reduction for our vessels. OOCL signed the Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT) to voluntarily use fuel with a sulphur content of less than 0.5% when our vessels berth at the participating ports in Shenzhen. Furthermore, in collaboration with the Yantian International Container Terminal and China Ocean Shipping Agency Shenzhen, two of our vessels, namely the OOCL Poland and OOCL Ho Chi Minh City, were arranged to undergo initial shore power testing at the Yantian terminal. By switching to shore power when at berth, OOCL was proud to lead the way in helping to improve the air quality at the port community. Through membership with organisations such as the Clean Cargo Working Group, the Business Environment Council and the World Wildlife Fund, OOIL Group is committed to playing its part in addressing climate change and environmental protection in Hong Kong and the regions in which we operate.

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") has resolved not to declare the payment of an interim dividend for the six months ended 30th June 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST

As at 30th June 2018, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the "Shares"). The interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows as at 30th June 2018:

Name	Direct interests	Other interests	Total number of Shares (Long position)	Percentage
Tung Chee Chen	–	429,950,088 *(Notes 1 and 2)*	429,950,088	68.70%
Chow Philip Yiu Wah	133,100 *(Note 4)*	20,000 *(Notes 3 and 4)*	153,100	0.024%
Simon Murray	10,000 *(Note 4)*	–	10,000	0.002%

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 had an indirect interest in 429,950,088 Shares, in which Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), wholly-owned subsidiaries of Thelma, had direct interests in 350,722,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 429,950,088 Shares were held by Mr. Tung Chee Chen through Tung Holdings (Trustee) Inc. ("THTI").

2. Fortune Crest and Gala Way together were referred to as the controlling shareholders. On 7th July 2017, Fortune Crest and Gala Way entered into an irrevocable undertaking to accept the Offer (as defined below) in respect of 350,722,656 Shares and 79,227,432 Shares that they respectively owned (the "Irrevocable Undertaking"). Further information on results of the Offer is set out in below section "Voluntary Conditional General Cash Offer".

3. 20,000 Shares were held by the spouse of Mr. Chow Philip Yiu Wah.

4. Each of Mr. Chow Philip Yiu Wah (and his spouse) and Mr. Simon Murray accepted the Offer and ceased to hold any interests in the Shares of the Company as at the date of this report.

Save as disclosed above, as at 30th June 2018, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed in below section "Substantial Shareholders' Share Interest", as at 30th June 2018, 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.

SUBSTANTIAL SHAREHOLDERS' SHARE INTEREST

As at 30th June 2018, the following persons (other than the Directors or the Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interests	Number of Shares interested (Long position)	Percentage
Artson Global Limited*	Trustee	429,950,088 *(Note 1)*	68.70%
Hanberry Global Limited#	Trustee	429,950,088 *(Note 2)*	68.70%
Thelma Holdings Limited*	Indirect	429,950,088 *(Note 3)*	68.70%
Tung Chee Hwa	Indirect	429,975,319 *(Note 4)*	68.70%
Archmore Investment Limited*	Beneficiary of a trust	429,950,088 *(Note 5)*	68.70%
Edgemont Holdings Limited*	Indirect	429,950,088 *(Note 6)*	68.70%
Javier Global Limited*	Indirect	429,950,088 *(Note 7)*	68.70%
Bartlock Assets Ltd.#	Beneficiary of a trust	429,950,088 *(Note 8)*	68.70%
Flowell Development Inc.	Beneficiary of a trust	429,950,088 *(Note 9)*	68.70%
Izone Capital Limited*	Beneficiary of a trust	429,950,088 *(Note 10)*	68.70%
Jeference Capital Inc.*	Beneficiary of a trust	429,950,088 *(Note 11)*	68.70%
Tung Holdings (Trustee) Inc.*	Voting	429,950,088 *(Note 12)*	68.70%
Fortune Crest Inc.*	Direct	350,722,656 *(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, had an indirect interest in the same Shares in which Thelma had 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, had an indirect interest in the same Shares in which Thelma had an interest.

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

4. Mr. Tung Chee Hwa has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which had 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) owned 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 had an indirect interest in 429,950,088 Shares.

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

7. Javier Global Limited, a company which is wholly owned by Mr. Tung Chee Chen, had an indirect interest in the same Shares in which Edgemont, a wholly-owned subsidiary of Javier, had an interest.

8. Bartlock Assets Ltd., a company which is wholly owned by Mr. Tung Chee Hwa, has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which had an indirect interest in 429,950,088 Shares.

9. Flowell Development Inc., a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which had an indirect interest in 429,950,088 Shares.

10. Izone Capital Limited, a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which had an indirect interest in 429,950,088 Shares.

11. Jeference Capital Inc., a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which had an indirect interest in 429,950,088 Shares.

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

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

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

15. On 7th July 2017, Fortune Crest and Gala Way entered into the Irrevocable Undertaking. Further information on results of the Offer is set out in below section "Voluntary Conditional General Cash Offer".

* For those companies marked with "*", Mr. Tung Chee Chen was either a director of these companies or a director of a company which was a corporate director of these companies as at 30th June 2018.

\# For those companies marked with "#", Mr. Tung Lieh Cheung Andrew was a director of these companies as at 30th June 2018.

Save as disclosed herein, as at 30th June 2018, the Company had not been notified by any person (other than the Directors or the Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the six-month period ended 30th June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

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

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

Throughout the period from 1st January 2018 to 30th June 2018, 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 assumed the roles of both Chairman and Chief Executive Officer of the Company.	The executive members of the Board consisted of chief executive officer of the principal division of the Group and there was an effective separation of the roles between the chief executive of its principal division and the Chief Executive Officer of the Company. The Board considered that further separation of the roles of the Chief Executive Officer and Chairman would represent duplication and was not necessary.

- **Recommended Best Practices**
  - the remuneration of senior management is disclosed in bands
  - operational results, instead of financial results, are announced and published quarterly

Securities Transactions by Directors

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Code and the Model Code throughout the period from 1st January 2018 to 30th June 2018.

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

Below is the change of a Director's information since the date of the 2017 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. TUNG Lieh Sing Alan, the then Executive Director of the Company, was appointed as an advisory committee member of New College of The University of Hong Kong.

VOLUNTARY CONDITIONAL GENERAL CASH OFFER

On 7th July 2017, it was jointly announced by Faulkner Global Holdings Limited ("COSCO SHIPPING Offeror"), Shanghai Port Group (BVI) Development Co., Limited ("SIPG Offeror", collectively with COSCO SHIPPING Offeror the "Joint Offerors"), COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and the Company that UBS AG Hong Kong Branch, on behalf of the Joint Offerors, made a voluntary conditional general cash offer to acquire all of the issued Shares of the Company at an offer price in cash of HK$78.67 per Share of the Company (the "Offer") subject only to the satisfaction or waiver of the pre-conditions (the "Pre-Conditions").

On 29th June 2018, the Joint Offerors, COSCO SHIPPING Holdings and the Company jointly announced that all the Pre-Conditions were satisfied. A composite document (the "Composite Document") accompanied with a form of acceptance and transfer in respect of the Offer was despatched to all shareholders of the Company on 6th July 2018. Fortune Crest and 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 accepted the Offer on 13th July 2018 under the Irrevocable Undertaking, as a result of which the Offer became unconditional in all respects as announced by the Joint Offerors, COSCO SHIPPING Holdings and the Company on 13th July 2018.

Immediately after the close of the Offer on 27th July 2018, COSCO SHIPPING Offeror has acquired 553,985,207 Shares of the Company (representing approximately 88.53% of the issued share capital of the Company) and SIPG Offeror has acquired 61,953,536 Shares of the Company (representing approximately 9.90% of the issued share capital of the Company) as disclosed in the joint announcement dated 27th July 2018 by the Joint Offerors, COSCO SHIPPING Holdings and the Company. Accordingly, COSCO SHIPPING Offeror has become the direct controlling shareholder of the Company.

Further information is set out in the joint announcements dated 7th July 2017, 29th June 2018, 13th July 2018 and 27th July 2018, and the Composite Document dated 6th July 2018.

DIRECTORS

There were the following changes to the Board of the Company on 3 August 2018:

- Mr. XU Lirong, Mr. HUANG Xiaowen, Mr. WANG Haimin, Mr. ZHANG Wei, Mr. YAN Jun, Ms. WANG Dan, Mr. IP Sing Chi, Ms. CUI Hongqin, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip and Ms. CHEN Ying were appointed as Directors of the Company with effect from 3 August 2018, 3:00 p.m.;

- Mr. TUNG Chee Chen, Mr. TUNG Lieh Sing Alan, Professor Roger KING, Mr. Simon MURRAY, Mr. CHENG Wai Sun Edward and Mr. KWOK King Man Clement resigned from all their positions in the Company with effect from 3 August 2018, 3:15 p.m.

- The composition of the Board of the Company is as follows:

  Executive Directors – Mr. XU Lirong *(Chairman)*, Mr. HUANG Xiaowen *(Chief Executive Officer)*, Mr. WANG Haimin, Mr. ZHANG Wei and Mr. TUNG Lieh Cheung Andrew

  Non-Executive Directors – Mr. YAN Jun, Ms. WANG Dan, Mr. IP Sing Chi and Ms. CUI Hongqin

  Independent Non-Executive Directors – Mr. CHOW Philip Yiu Wah, Professor WONG Yue Chim Richard, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip and Ms. CHEN Ying

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 16 to 40, which comprises the condensed consolidated balance sheet of Orient Overseas (International) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2018 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3rd August 2018

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2018

US$'000	Note	2018	Restated 2017
Revenue	5	**3,115,056**	2,832,496
Operating costs		**(2,870,409)**	(2,592,239)
Gross profit		**244,647**	240,257
Fair value gain from an investment property		**39,944**	27,689
Other operating income		**50,843**	44,055
Business and administrative expenses		**(267,916)**	(221,421)
Other (losses)/gains, net		**(16,980)**	16,360
Operating profit	6	**50,538**	106,940
Finance costs	8	**(68,748)**	(43,114)
Share of profits of joint ventures		**1,470**	2,046
Share of profits of associated companies		**6,601**	7,555
(Loss)/profit before taxation		**(10,139)**	73,427
Taxation	9	**(35,551)**	(20,290)
(Loss)/profit for the period from continuing operations		**(45,690)**	53,137
Discontinued operation:			
Profit for the period from discontinued operation	12	**35,370**	469
(Loss)/profit for the period		**(10,320)**	53,606
(Loss)/profit attributable to:			
Equity holders of the Company		**(10,320)**	53,606
(Loss)/earnings per ordinary share (US cents)			
– from continuing operations		**(7.3)**	8.5
– from discontinued operation		**5.7**	0.1
Basic and diluted	11	**(1.6)**	8.6

The notes on pages 22 to 40 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June 2018

US$'000	2018	Restated 2017
(Loss)/profit for the period	**(10,320)**	53,606
Other comprehensive (loss)/income:		
Item that will not be subsequently reclassified to profit or loss:		
Remeasurement gains on defined benefit schemes	**5,296**	9,028
Investments at fair value through other comprehensive income		
– Change in fair value	**(21,360)**	–
	(16,064)	9,028
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	**–**	4,400
Currency translation adjustments		
– Foreign subsidiaries	**(4,781)**	2,462
– Associated companies	**(1,410)**	3,273
– Joint ventures	**(100)**	(10)
– Release of reserve upon partial disposal of a joint venture	**(120)**	–
Total items that have been reclassified or may be reclassified subsequently to profit or loss	**(6,411)**	10,125
Other comprehensive (loss)/income for the period, net of tax	**(22,475)**	19,153
Total comprehensive (loss)/income for the period	**(32,795)**	72,759
Total comprehensive (loss)/income for the period attributable to equity holders of the Company arises from:		
Continuing operations	**(68,165)**	72,290
Discontinued operation	**35,370**	469
	(32,795)	72,759

The notes on pages 22 to 40 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2018

US$'000	Note	30th June 2018	31st December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	**5,821,814**	6,251,457
Investment property	13	**310,000**	270,000
Prepayments of lease premiums	13	**7,775**	7,972
Joint ventures		**7,736**	10,833
Associated companies		**139,868**	148,840
Intangible assets	13	**38,622**	49,204
Deferred taxation assets		**1,407**	1,476
Pension and retirement assets		**7,853**	243
Restricted bank balances		**59,848**	60,414
Investments at fair value through other comprehensive income		**24,016**	–
Available-for-sale financial assets		**–**	45,383
Investments at amortised cost		**213,589**	–
Held-to-maturity investments		**–**	217,889
Other non-current assets		**169,769**	40,863
		6,802,297	7,104,574
Current assets			
Inventories		**116,157**	102,157
Debtors and prepayments	14	**623,081**	589,936
Amounts due from associated companies		**9,109**	–
Amounts due from joint ventures		**2,571**	6,007
Investments at amortised cost		**6,503**	–
Held-to-maturity investments		**–**	17,040
Portfolio investments at fair value through profit or loss		**386,700**	294,720
Derivative financial instruments	15	**–**	1,825
Tax recoverable		**9,259**	8,637
Restricted bank balances		**3,179**	3,425
Cash and bank balances		**1,526,195**	1,940,975
		2,682,754	2,964,722
Assets held for sale	12	**453,473**	–
		3,136,227	2,964,722
Total assets		**9,938,524**	10,069,296
EQUITY			
Equity holders			
Share capital	16	**62,579**	62,579
Reserves	17	**4,573,967**	4,619,934
Total equity		**4,636,546**	4,682,513

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2018

US$'000	Note	**30th June 2018**	31st December 2017
LIABILITIES			
Non-current liabilities			
Borrowings	19	**3,634,320**	3,930,025
Deferred taxation liabilities		**87,191**	65,221
Pension and retirement liabilities		**39**	38
Other non-current liabilities		**–**	11,628
		3,721,550	4,006,912
Current liabilities			
Creditors and accruals	18	**818,098**	740,260
Amounts due to joint ventures		**3,677**	7,526
Borrowings	19	**594,481**	624,158
Current taxation		**6,903**	7,927
		1,423,159	1,379,871
Liabilities directly associated with assets classified as held for sale	12	**157,269**	–
		1,580,428	1,379,871
Total liabilities		**5,301,978**	5,386,783
Total equity and liabilities		**9,938,524**	10,069,296

C C Tung
Alan Tung
Directors

The notes on pages 22 to 40 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2018

US$'000	2018	2017
Cash flows from operating activities		
Cash generated from operations	**246,088**	238,340
Interest and financing charges paid	**(63,184)**	(41,739)
Hong Kong profits tax paid	**(35)**	–
Overseas taxes paid	**(9,408)**	(5,018)
Net cash from operating activities	**173,461**	191,583
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	**47,434**	80,711
Purchase of property, plant and equipment	**(131,350)**	(29,927)
Purchase of other non-current assets	**(31,171)**	(34,293)
(Increase)/decrease in portfolio investments at fair value through profit or loss	**(86,793)**	23,150
Proceeds on partial disposal of a joint venture	**1,230**	–
Net change in amounts due to joint ventures	**(413)**	(6,343)
Decrease in restricted bank balances and bank deposits maturing more than three months	**492**	378
Interest received	**26,697**	21,058
Dividends and distribution received from investments	**9,262**	8,175
Dividend received from joint ventures and associated companies	**9,067**	12,693
Net cash (used in)/from investing activities	**(155,545)**	75,602
Cash flows from financing activities		
Drawdown of loans	**–**	234,330
Repayment of loans	**(223,740)**	(311,142)
Capital element of finance lease rental payments	**(151,617)**	(61,601)
Net cash used in financing activities	**(375,357)**	(138,413)
Net (decrease)/increase in cash and cash equivalents	**(357,441)**	128,772
Cash and cash equivalents at beginning of period	**1,940,975**	1,625,219
Cash and cash equivalents of disposal group classified as held for sale	**(53,754)**	–
Currency translation adjustments	**(3,905)**	(1,665)
Cash and cash equivalents at end of period	**1,525,875**	1,752,326
Analysis of cash and cash equivalents		
Bank balances and bank deposits maturing within three months from the date of placement	**1,525,875**	1,752,326

The notes on pages 22 to 40 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2018

	Equity holders		
US$'000	**Share capital**	**Reserves**	**Total**
Balance at 31st December 2017	62,579	4,619,934	4,682,513
Adjustment on adoption of HKFRS 9	–	(13,172)	(13,172)
Restated balance at 1st January 2018	62,579	4,606,762	4,669,341
Total comprehensive loss for the period	–	(32,795)	(32,795)
Balance at 30th June 2018	**62,579**	**4,573,967**	**4,636,546**
Balance at 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the period	–	72,759	72,759
Balance at 30th June 2017	62,579	4,529,466	4,592,045

The notes on pages 22 to 40 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1. General Information

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

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

As at 30th June 2018, the ultimate parent company of the Group was Tung Holdings (Trustee) Inc., incorporated in the Republic of Liberia. On 13th July 2018, the ultimate parent company was changed to China COSCO SHIPPING Corporation Limited, a state-owned enterprise established in the People's Republic of China.

On 6th July 2018, the Group entered into the National Security Agreement pursuant to which the Group and COSCO SHIPPING Holdings Co., Ltd. committed to divest the subsidiaries which directly or indirectly operate the Long Beach Container Terminal ("U.S. Terminal Business"). The proposed sale of the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations". Analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business is presented in note 12.

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

This interim financial information was approved by the Board of Directors on 3rd August 2018.

2. Basis of Preparation

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

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2017 except for the adoption of new standards, amendments, improvement and interpretation to HKFRSs effective for the financial year ending 31st December 2018.

The adoption of revised HKFRSs

In 2018, the Group adopted the following new standards, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

(a) Impact on the financial statements

New standards, amendments, improvement and interpretation	
HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HKAS 40 (Amendment)	Transfer of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 Financial Instruments as set out below:

2. Basis of Preparation (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption

The adoption of HKFRS 9 Financial Instruments from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31st December 2017, but are recognised in the opening balance sheet on 1st January 2018.

The adjustments on the condensed consolidated balance sheet as at 1st January 2018 are summarised below:

US$'000 Balance sheet (extract)	Note	31st December 2017 As originally presented	Effect of adoption of HKFRS 9	1st January 2018 restated
Non-current assets				
Investments at fair value through other comprehensive income	(i)(a)	–	45,383	45,383
Investments at amortised cost	(i)(b),(ii)	–	217,617	217,617
Available-for-sale financial assets	(i)(a)	45,383	(45,383)	–
Held-to-maturity investments	(i)(b)	217,889	(217,889)	–
Current assets				
Debtors and prepayments	(ii)	589,936	(12,897)	577,039
Investments at amortised cost	(i)(b),(ii)	–	17,037	17,037
Held-to-maturity investments	(i)(b)	17,040	(17,040)	–
Total assets		10,069,296	(13,172)	10,056,124
Retained profit		4,267,850	(13,172)	4,254,678
Total equity		4,682,513	(13,172)	4,669,341

The total impact on the Group's retained profit as at 1st January 2018 is as follows:

US$'000	Note	
Closing retained profit as at 31st December 2017		4,267,850
Increase in provision for trade receivables and investments at amortised cost	(ii)	(13,172)
Opening retained profit as at 1st January 2018		4,254,678

2. Basis of Preparation (Continued)

(b) HKFRS 9 Financial Instruments – Impact of adoption

(i) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from the reclassification are:

(a) Equity investments previously classified as available-for-sale financial assets

The equity investments previously classified as available-for-sale financial assets were reclassified as investments at fair value through other comprehensive income as these investments are held as long-term strategic investments.

(b) Reclassification from held-to-maturity investments to investments at amortised cost

Bonds that would have previously been classified as held-to-maturity investments are now classified as investments at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(ii) Impairment of financial assets

The Group has adopted the new impairment models in which the recognition of impairment provision is based on expected credit losses rather than only incurred credit losses. The below financial assets are assessed to have impact under the HKFRS 9's new expected credit loss model:

- Trade receivables
- Investments at amortised cost

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The loss allowance for trade receivables as at 31st December 2017 reconcile to the opening loss allowance on 1st January 2018 as follows:

US$'000	Trade receivables
At 31st December 2017 – calculated under HKAS 39	16,061
Amounts restated through opening retained profit	12,897
Opening loss allowance as at 1st January 2018 – calculated under HKFRS 9	**28,958**

Investments at amortised cost

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The adoption of the expected credit loss model resulted in the recognition of a loss allowance at US$275,000 on 1st January 2018.

2. Basis of Preparation (Continued)

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

New standards, amendment, improvement and interpretation to existing standards		Effective for accounting periods beginning on or after
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 2015 – 2017 Reporting Cycle, HK(IFRIC) – Int 23, HKFRS 9 (Amendment) and HKFRS 17 are not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on HKFRS 16 has been carried out.

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 20(b) and note 12 will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2017.

3.1 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 that are measured at fair value at 30th June 2018.

US$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	**48,897**	**–**	**–**	**48,897**
– Debt securities	**331,796**	**–**	**–**	**331,796**
– Funds and other investments	**–**	**6,007**	**–**	**6,007**
Investments at fair value through other comprehensive income				
– Other investments	**–**	**–**	**24,016**	**24,016**
Total assets	**380,693**	**6,007**	**24,016**	**410,716**

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

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments at fair value through profit or loss				
– 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

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

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

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

- Dealer quotes.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Marketability discount rate derived from management's judgment is applied to estimate the fair value of unlisted equity security classified as investments at fair value through other comprehensive income.

There were no changes in valuation techniques during the period.

Instruments included in level 3 mainly comprise unlisted equity securities classified as investments at fair value through other comprehensive income.

The following table presents the changes in level 3 instruments:

	US$'000
Opening balance at 31st December 2017	**45,383**
Disposal	**(1)**
Currency translation adjustments	**(6)**
Fair value change recognised in other comprehensive income	**(21,360)**
Closing balance at 30th June 2018	**24,016**

	US$'000
Opening balance at 31st December 2016	32,889
Fair value change recognised in other comprehensive income	4,400
Closing balance at 30th June 2017	37,289

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

	Carrying amounts		Fair values	
US$'000	**30th June 2018**	31st December 2017	**30th June 2018**	31st December 2017
Non-current bank loans	**1,519,082**	1,807,166	**1,517,932**	1,805,997
Non-current finance lease obligations	**2,115,238**	2,122,859	**2,063,394**	2,095,766
Investments at amortised cost	**220,092**	–	**220,589**	–
Held-to-maturity investments	**–**	234,929	**–**	242,672

3. Financial Risk Management (Continued)

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

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

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

4. Critical Accounting Estimates and Judgements

Estimates and judgements used 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 applied in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2017.

5. Revenue

US$'000	2018	Restated 2017
Container transport and logistics	**3,101,854**	2,817,890
Rental income	**13,202**	14,606
	3,115,056	2,832,496

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

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

6. Operating Profit

US$'000	2018 Continuing operations	2018 Discontinued operation	Restated 2017 Continuing operations	Restated 2017 Discontinued operation
Operating profit is arrived at after crediting:				
Interest income from banks	15,331	213	10,406	5
Interest income from investments at amortised cost/ held-to-maturity investments	5,281	–	5,688	–
Gross rental income from an investment property	13,202	–	14,606	–
Income from investments at fair value through other comprehensive income/ available-for-sale financial assets				
– Dividend income	22,590	–	21,180	–
Fair value gain on foreign exchange forward contract	92	–	895	–
Gain on bunker price derivative contracts	876	–	–	–
Gain on partial disposal of a joint venture	896	–	–	–
Gain on disposal of property, plant and equipment	1,523	–	–	27
Income from portfolio investments at fair value through profit or loss				
– Fair value gain (realised and unrealised)	–	–	6,388	–
– Interest income	6,075	–	5,696	–
– Distribution	610	–	–	–
– Dividend income	138	–	349	–
Exchange gain	–	6	11,926	–
and after charging:				
Depreciation				
Owned assets	128,907	14,723	138,156	11,141
Leased assets	68,166	3,445	54,888	3,446
Operating lease rental expense				
Vessels and equipment	117,231	–	120,399	–
Terminals and berths	2,800	27,843	2,484	26,714
Land and buildings	17,064	–	16,446	–
Rental outgoings in respect of an investment property	7,758	–	7,439	–
Loss on bunker price derivative contracts	–	–	1,847	–
Loss on disposal of property, plant and equipment	–	576	810	–
Loss on disposal of investments at amortised cost	827	–	–	–
Loss on disposal of investments at fair value through other comprehensive income/ available-for-sale financial assets	1	–	192	–
Fair value loss on portfolio investments at fair value through profit or loss (realised and unrealised)	9,500	–	–	–
Amortisation of intangible assets	10,791	–	5,491	–
Amortisation of prepayments of lease premiums	121	–	108	–
Exchange loss	9,382	–	–	–

7. Key Management Compensation

US$'000	2018	2017
Salaries and other employee benefits	**2,586**	2,174
Estimated money value of other benefits	**77**	76
Pension costs – defined contribution plans	**241**	200
	2,904	2,450

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

8. Finance Costs

US$'000	2018	Restated 2017
Interest expense	**(68,874)**	(49,379)
Amount capitalised under assets	**126**	6,265
Net interest expense	**(68,748)**	(43,114)

9. Taxation

US$'000	2018	Restated 2017
Current taxation		
Hong Kong profits tax	**(613)**	(64)
Overseas taxation	**(7,491)**	(8,957)
	(8,104)	(9,021)
Deferred taxation		
Hong Kong profits tax	**158**	(262)
Overseas taxation	**(27,605)**	(11,007)
	(27,447)	(11,269)
	(35,551)	(20,290)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. These rates range from 11% to 35% (2017: 11% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2017: 16.5%).

10. Interim Dividend

US$'000	2018	2017
Interim dividend: nil (2017: US2.14 cents) per ordinary share	**–**	13,392

The Board of Directors does not recommend the payment of an interim dividend for 2018 (2017: interim dividend of US2.14 cents per ordinary share).

11. (Loss)/Earnings Per Ordinary Share

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

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

US$'000	2018	Restated 2017
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's (loss)/profit from continuing operations attributable to equity holders of the Company	**(45,690)**	53,137
(Loss)/earnings per share from continuing operations attributable to equity holders of the Company (US cents)	**(7.3)**	8.5
Group's profit from discontinued operation attributable to equity holders of the Company	**35,370**	469
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	**5.7**	0.1

12. Discontinued Operation

Analysis of the results, cash flows and assets and liabilities of the U.S. Terminal Business is as follows:

(a) Discontinued operation

US$'000	2018	2017
(i) Results		
Revenue	**62,455**	65,637
Operating costs	**(9,765)**	(50,143)
Gross profit	**52,690**	15,494
Other operating income	**213**	5
Business and administrative expenses	**(14,473)**	(12,870)
Other (losses)/gains, net	**(570)**	27
Operating profit	**37,860**	2,656
Finance costs	**(1,848)**	(1,917)
Profit before taxation	**36,012**	739
Taxation	**(642)**	(270)
Profit for the period	**35,370**	469
(ii) Cash flows		
Operating cash flows	**22,177**	18,882
Investing cash flows	**2,056**	(456)
Financing cash flows	**(7,786)**	(7,684)
Total cash flows	**16,447**	10,742

Note:
The intra-group revenue of US$107.7 million (2017: US$79.1 million) has been eliminated.

12. Discontinued Operation (Continued)

(b) Assets held for sale

US$'000	30th June 2018
ASSETS	
Non-current assets	
Property, plant and equipment	370,615
Current assets	
Inventories	5,155
Debtors and prepayments	23,949
Cash and bank balances	53,754
	82,858
Total assets	453,473

(c) Liabilities directly associated with assets held for sale

US$'000	30th June 2018
LIABILITIES	
Non-current liabilities	
Borrowings	99,739
Deferred taxation liabilities	6,552
Other non-current liabilities	11,242
	117,533
Current liabilities	
Creditors and accruals	24,070
Borrowings	15,666
	39,736
Total liabilities	157,269

Note:
The aggregate net book amounts of assets pledged as securities for loans and finance lease amounts to US$137.1 million.

12. Discontinued Operation (Continued)

(d) Operating lease commitments

The Group entered into the Preferential Assignment Agreement (the "Agreement") with the City of Long Beach ("COLB") for the use of the Middle Harbor Terminal (the "Terminal") in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st July 2011. As of 30th June 2018, the Group signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US$180,000 to US$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by early 2021 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 30th June 2018, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2017: 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.

(e) Capital commitments – Property, plant and equipment

US$'000	30th June 2018	31st December 2017
Contracted but not provided for	7,863	17,268

13. Capital Expenditure

US$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts					
At 31st December 2017	**6,251,457**	**270,000**	**7,972**	**49,204**	**6,578,633**
Currency translation adjustments	**(743)**	**–**	**(76)**	**–**	**(819)**
Fair value gain	**–**	**39,944**	**–**	**–**	**39,944**
Government grants	**(2,817)**	**–**	**–**	**–**	**(2,817)**
Additions	**162,952**	**56**	**–**	**866**	**163,874**
Classified as assets held for sale (note 12)	**(370,615)**	**–**	**–**	**–**	**(370,615)**
Disposals	**(3,179)**	**–**	**–**	**(657)**	**(3,836)**
Depreciation and amortisation	**(215,241)**	**–**	**(121)**	**(10,791)**	**(226,153)**
At 30th June 2018	**5,821,814**	**310,000**	**7,775**	**38,622**	**6,178,211**
At 31st December 2016	6,076,673	220,000	7,818	60,143	6,364,634
Currency translation adjustments	1,044	–	146	–	1,190
Fair value gain	–	27,689	–	–	27,689
Additions	307,516	2,311	–	2,486	312,313
Disposals	(1,926)	–	–	–	(1,926)
Depreciation and amortisation	(207,631)	–	(108)	(5,491)	(213,230)
At 30th June 2017	6,175,676	250,000	7,856	57,138	6,490,670

14. Debtors and Prepayments

US$'000	30th June 2018	31st December 2017
Trade receivables	**393,136**	399,673
Less: provision for impairment	**(24,962)**	(16,061)
Trade receivables – net	**368,174**	383,612
Other debtors	**94,835**	86,291
Other prepayments	**147,450**	107,756
Utility and other deposits	**12,622**	12,277
	623,081	589,936

14. Debtors and Prepayments (Continued)

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

US$'000	30th June 2018	31st December 2017
Below one month	**331,885**	344,374
Two to three months	**21,665**	27,608
Four to six months	**6,969**	7,523
Over six months	**7,655**	4,107
	368,174	383,612

15. Derivative Financial Instruments

US$'000	30th June 2018	31st December 2017
Assets		
Current assets		
Bunker price derivative contracts	**–**	1,825

16. Share Capital

US$'000	30th June 2018	31st December 2017
Authorised:		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000
Issued and fully paid:		
625,793,297 (2017: 625,793,297) ordinary shares of US$0.10 each	**62,579**	62,579

17. Reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2017	**172,457**	**88,547**	**4,696**	**43,344**	**43,040**	**4,267,850**	**4,619,934**
Adjustment on adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**(13,172)**	**(13,172)**
Restated balance at 1st January 2018	**172,457**	**88,547**	**4,696**	**43,344**	**43,040**	**4,254,678**	**4,606,762**
Total comprehensive loss for the period	**–**	**–**	**–**	**(21,360)**	**(6,411)**	**(5,024)**	**(32,795)**
Balance at 30th June 2018	**172,457**	**88,547**	**4,696**	**21,984**	**36,629**	**4,249,654**	**4,573,967**
Balance at 31st December 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707
Total comprehensive income for the period	–	–	–	4,400	5,725	62,634	72,759
Balance at 30th June 2017	172,457	88,547	4,696	35,252	32,804	4,195,710	4,529,466
Total comprehensive income for the period	–	–	–	8,092	10,236	85,528	103,856
Transaction 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

18. Creditors and Accruals

US$'000	**30th June 2018**	31st December 2017
Trade payables	**203,610**	179,189
Other creditors	**140,077**	113,216
Accrued expenses	**453,917**	420,654
Deferred revenue	**20,494**	27,201
	818,098	740,260

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

US$'000	**30th June 2018**	31st December 2017
Below one month	**103,988**	138,973
Two to three months	**88,905**	32,483
Four to six months	**5,687**	1,309
Over six months	**5,030**	6,424
	203,610	179,189

19. Borrowings

US$'000	30th June 2018	31st December 2017
Non-current		
Bank loans		
– Secured	**1,266,357**	1,531,192
– Unsecured	**252,725**	275,974
Finance lease obligations	**2,115,238**	2,122,859
	3,634,320	3,930,025
Current		
Bank loans		
– Secured	**257,135**	256,258
– Unsecured	**46,498**	33,998
Finance lease obligations	**290,848**	333,902
	594,481	624,158
Total borrowings	**4,228,801**	4,554,183

20. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2018	Restated 31st December 2017
Contracted but not provided for	**300,688**	267,148

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2018			
2018/19	**174,227**	**34,711**	**208,938**
2019/20	**69,813**	**29,252**	**99,065**
2020/21	**62,448**	**17,524**	**79,972**
2021/22	**32,568**	**11,375**	**43,943**
2022/23	**6,848**	**9,472**	**16,320**
2023/24 onwards	**1,242**	**14,525**	**15,767**
	347,146	**116,859**	**464,005**
As 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

21. Segment Information

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

Operating segments

The segment results for the six months ended 30th June 2018 are as follows:

	Continuing operations				Discontinued operation			
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Discontinued operation	Elimination	Sub-total	Group
Revenue	3,101,854	13,438	(236)	3,115,056	170,105	(107,650)	62,455	3,177,511
Operating profit/(loss)	(11,152)	61,690	–	50,538	37,860	–	37,860	88,398
Finance costs	(68,748)	–	–	(68,748)	(1,848)	–	(1,848)	(70,596)
Share of profits of joint ventures	1,470	–	–	1,470	–	–	–	1,470
Share of profits of associated companies	6,601	–	–	6,601	–	–	–	6,601
Profit/(loss) before taxation	(71,829)	61,690	–	(10,139)	36,012	–	36,012	25,873
Taxation	(5,342)	(30,209)	–	(35,551)	(642)	–	(642)	(36,193)
(Loss)/profit for the period	(77,171)	31,481	–	(45,690)	35,370	–	35,370	(10,320)
Capital expenditure	162,657	56	–	162,713	1,161	–	1,161	163,874
Depreciation	197,073	–	–	197,073	18,168	–	18,168	215,241
Amortisation	10,912	–	–	10,912	–	–	–	10,912

The segment results for the six months ended 30th June 2017 are as follows:

	Continuing operations				Discontinued operation			
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Discontinued operation	Elimination	Sub-total	Group
Revenue	2,817,890	14,835	(229)	2,832,496	144,707	(79,070)	65,637	2,898,133
Operating profit	19,120	87,820	–	106,940	2,656	–	2,656	109,596
Finance costs	(43,114)	–	–	(43,114)	(1,917)	–	(1,917)	(45,031)
Share of profits of joint ventures	2,046	–	–	2,046	–	–	–	2,046
Share of profits of associated companies	7,555	–	–	7,555	–	–	–	7,555
Profit/(loss) before taxation	(14,393)	87,820	–	73,427	739	–	739	74,166
Taxation	(7,016)	(13,274)	–	(20,290)	(270)	–	(270)	(20,560)
Profit/(loss) for the period	(21,409)	74,546	–	53,137	469	–	469	53,606
Capital expenditure	309,476	2,311	–	311,787	526	–	526	312,313
Depreciation	193,044	–	–	193,044	14,587	–	14,587	207,631
Amortisation	5,599	–	–	5,599	–	–	–	5,599

21. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities as at 30th June 2018 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	7,175,457	2,150,310	9,325,767
Joint ventures	10,307	–	10,307
Associated companies	148,977	–	148,977
	7,334,741	2,150,310	9,485,051
Assets held for sale (note 12)	453,473	–	453,473
Total assets	7,788,214	2,150,310	9,938,524
Segment liabilities	(5,037,236)	(107,473)	(5,144,709)
Liabilities directly associated with assets held for sale (note 12)	(157,269)	–	(157,269)
Total liabilities	(5,194,505)	(107,473)	(5,301,978)

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

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)

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, investments at fair value through other comprehensive income, investments at amortised cost, portfolio investments at fair value through profit or loss and held-to-maturity investments together with cash and bank balances that are managed at corporate level. Liabilities under the segment of "Others" primarily include creditors and accruals and deferred taxation liabilities related to property and corporate level activities.

21. Segment Information (Continued)

Geographical information

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

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

US$'000	Revenue	Capital expenditure
Six months ended 30th June 2018		
Continuing operations		
Asia	**2,251,962**	**5,366**
North America	**337,811**	**20,265**
Europe	**447,702**	**244**
Australia	**77,581**	**37**
Unallocated*	**–**	**136,801**
	3,115,056	**162,713**
Discontinued operation		
North America	**62,455**	**1,161**
	3,177,511	**163,874**
Six months ended 30th June 2017		
Continuing operations:		
Asia	2,014,511	2,707
North America	341,685	43,418
Europe	395,545	162
Australia	80,755	–
Unallocated*	–	265,500
	2,832,496	311,787
Discontinued operation		
North America	65,637	526
	2,898,133	312,313

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