Orient Overseas (International) Limited

(Incorporated in Bermuda with members' limited liability)
Stock code: 0316.HK

2019
INTERIM REPORT

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Chairman's Statement

On behalf the Board of Directors, I am pleased to report, at the first anniversary of its joining COSCO SHIPPING Group, Orient Overseas (International) Limited ("OOIL") and its subsidiaries (the "Group") achieved a profit attributable to shareholders of US$139.0 million for the six-month period ended 30th June 2019 (2018: loss of US$10.3 million). The profit per ordinary share for the first half of 2019 was US22.2 cents, whereas the loss per ordinary share for the first half of 2018 was US1.6 cents. The Board of Directors is pleased to announce an interim dividend of US6.66 cents per ordinary share.

In the first half of 2019, despite an economic environment filled with uncertainties, and with seemingly slowing growth in terms of demand for container shipping services, OOIL's financial outcome for the period is a meaningful improvement from the same period last year, and represents a pattern of steady progress in results throughout the second half of 2018 that continued through the first half of 2019. The good results are attributed to the joint efforts of the management team and all staff of OOIL under the guiding principle of "outperform the market, drive innovation, lead the times".

In this period, container shipping industry has been quicker in responding to ever changing demands in its response to the underlying condition of our ever-changing markets and more complicated global economic and trade situations. In terms of medium and long-term supply growth, the containership orderbook, as a percentage of the total fleet, is at low levels not seen for more than a decade. Moreover, there are reports that scrapping of vessels has been greater this year than in the same period in 2018, a trend that may continue once IMO 2020 low sulphur regulations come in and render older vessels less economic. In the short term where reduced levels of demand have caused existing operations to be unprofitable, the industry's supply will have to react quicker to meet the changing demand.

Since last July, we have implemented "Dual Brand" strategy for achieving synergy benefits and improving service quality. It is pleasing to note that our efforts to generate significant synergy savings through co-operation within the COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"; SHA: 601919; HKEx: 1919) group are bearing fruit. In accordance with our "Dual Brand" strategy, OOCL continues, with our "We take it personally" spirit, to grow ever closer to our customers, and to be customer focused, creating value for them through our sales process, through our customer service, through our documentation processes and our global network support. We have also achieved significant synergy benefits through network planning, equipment pooling, procurement and IT. During the period, we have continued to grow OOCL, beginning new services to Latin America, the Caribbean and Africa in order to provide more globalized service to customers, and OOCL's total liner liftings increased by 3.2% compared to the first half of 2018. Meanwhile, our unit cost (excluding bunker cost) has been on a downward trend as the result of synergies gradually achieved in cost saving.

At the time of writing, we edge closer to the conclusion of the sale of our container terminal in Long Beach, California. The transaction announced by us on 29th April 2019 not only generates meaningful cash proceeds now, but also ensures that OOCL will continue to have access to a highly automated and efficient terminal that meets our needs.

CargoSmart has announced the execution of Global Shipping Business Network ("GSBN") Services Agreements with various Maritime Industry operators to accelerate the digital transformation of the industry. GSBN initial preparatory efforts to explore and test the feasibility and value of using blockchain technologies are underway and showing promise.

The continuing growth of the Group and its good trading performance, together with achieving the projected synergy benefits, will drive even greater success. Thanks are due to all OOIL staff for their contribution both to the Group itself and to the wider COSCO SHIPPING Holdings group. Together, with the OOCL "We take it personally" spirit, a world-class container shipping integrated service provider is being built, which is a goal that will surely provide great benefit to shareholders, customers and employees alike.

Captain Xu Lirong
Chairman

23rd August 2019

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2019 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to equity holders of US$139.0 million compared to a US$10.3 million loss for the corresponding period of 2018.

OOIL INTERIM RESULTS ANALYSIS

US$'000	2019	2018
Profit/(loss) before tax by activity:		
Container Transport and Logistics	**70,536**	(71,829)
Other Activities	**53,826**	61,690
Profit/(loss) Before Tax for the Period Ended 30th June	**124,362**	(10,139)
Taxation	**(7,629)**	(35,551)
Profit/(loss) From Continuing Operations	**116,733**	(45,690)
Profit From Discontinued Operation	**22,245**	35,370
Profit/(loss) Attributable to Equity Holders	**138,978**	(10,320)

Results of the Group's continuing operations arise from its business of container transportation and logistics conducted through the "OOCL" brand, augmented by earnings from the Group's liquidity management and investment activities at holding company level.

CONTAINER TRANSPORT

The first half of 2019 was characterised by a robust overall performance from most trade lanes. The outlook of the Group continues to be cautious optimism. In the first half of the year, OOCL expanded its coverage of the emerging markets by adding new routes between Middle East/India subcontinent and North Europe, Asia to Latin America as well, and services to and from Africa.

Significant synergy savings through cooperation with COSCO SHIPPING Holdings have produced good results over the past year and on track to achieving our target by the end of this year. Key synergy areas include Fleet and Network Planning, Commercial, Procurement, Equipment Pooling, and IT. Synergies with COSCO helped to push down our unit cost.

Compared to the first half of 2018, OOCL liner liftings increased by 3.2%, but revenue levels increased by 6.5%. Market growth did indeed slow down in some trade lanes, but in many cases this slow down in volume growth was outpaced by an improvement in the freight rates.

There was a small reduction in volumes on the key Trans-Pacific trade, but this is from high previous levels, and after some significant growth in the previous few years. It is too early to take this as a sign of a sustained downward trend. Growth on the Asia-Europe trade was better in terms of volumes than in terms of rates, which is consistent with a performance that was less strong than the performance seen on the Trans-Pacific trade. Outcomes across the various Intra-Asia and Australasian trades were mixed, but overall we saw good levels of revenue growth. Our Trans-Atlantic trade performed well.

Bunker price has, overall, remained at an acceptable level. The price of fuel rose from a low at the turn of the year, but never reached the heights of the second half of 2018. That being said, considerable uncertainty over the future levels of fuel prices remains, partly because of global economics and the potential for conflicts in certain areas, but also because of the as yet unquantified impact of the introduction of the IMO 2020 rules that will affect the quality, and therefore the cost, of the fuel that may be used to power vessels.

Trans-Pacific Trade

This trade lane continues to be highly competitive, but overall has performed well.

Volume growth may have been slightly negative, and rightly there is caution about what the outcome of the ongoing trade discussions between the USA and China may be, but it appears that, thus far, the apparent strength of the US economy has continued to support high volumes.

Trans-Pacific liftings decreased by 2.0% compared to the same period last year, with revenue increasing by 5.8%. The industry reacted to the difficult conditions of mid-2018 by restructuring networks and by reducing capacity on unprofitable routes. Following this, the sudden threat of the imposition of new and/or higher tariffs on the importation of certain goods in the US drove an increase in demand, which helped maintain volumes and rates. In response, some additional capacity has recently been introduced in the form of extra loaders to help satisfy customer demand, but overall it remains the case that supply and demand are more or less in balance.

Contract rates for 2019-2020 are above the levels agreed for 2018-2019. First signs are that spot freight rates during the Peak Season (July to September) could be reasonably strong. Although these increases are certainly welcome, they only represent one more step back up from the very low levels seen in 2016 towards a more normalised level: they should not be read as implying that markets are booming.

Asia-Europe Trade

The Asia-Europe trade has seen more swings in its performance in the first half of 2019 than the Trans-Pacific trade. Some periods of relative strength were followed by rather more periods of relative weakness.

Liftings increased by 8.5%, with revenue increasing by 5.0%, compared to the same period in 2018. The increase in liftings is certainly welcome, but the lower increase in revenue is a reminder that there is still some need for caution for the outlook for this trade. In general, the European economies are not performing as strongly as the US economy (with France and the UK doing better than most of the others), and there is therefore some caution about how strong the trading environment might be in the second half.

OOCL deploys 21K TEU vessels on the Asia-Europe trade, providing a low cost base that in turn helps ensure better trading outcomes throughout the cycle.

At the time of writing, it seems that the European economies are not seeing any material impact from the various global trade discussions underway. However, the fallout from any changes arising from trade discussions between the US and China, and then potentially later between the US and EU, is impossible to predict.

The uncertainty over Brexit does not directly affect the Asia-Europe trade. However, if European economies suffer any adverse impact, then this might in turn have an effect, not least through consumer sentiment, on volumes going on the Asia-Europe headhaul.

Intra-Asia and Australasia Trade

Many of the shorter-haul routes in the Intra-Asia trade have performed relatively better than in previous years. The longer-haul routes between Asia and the Middle East, and Asia and the Indian subcontinent have been more challenging trading environments.

There has been much market discussion about the impact of the China/US trade discussions on Intra-Asia trade. So far, the impact has been limited, other than there has been some degree of increase in capacity on some of the trade lanes that serve for example Vietnam and Thailand. We continue to monitor these developments closely.

The Australian trade lanes have performed less well than in recent years. This reflects the slowdown in growth seen in some parts of the Australian economy. We note lower retail sales and softening real estate prices.

Despite the challenged demand growth in some areas, we are able to be nimble in responding to customer needs. This agility of reaction also helps us improve utilisation and cost structure. Furthermore, we have been able to group some services together on some Middle Eastern routes, and, without changing total capacity provision in any material way, use our largest 21K TEU vessels in order to reduce the cost structure on a route that has recently often suffered from low demand growth and sub-optimal freight rates. Network and capacity restructuring is helping us to address some of the current challenges, but we will retain an active approach in managing our exposure to this key trade.

Trans-Atlantic Trade

The Trans-Atlantic Trade is relatively smaller for OOCL, as it is for the industry as a whole. However, it has seen some very solid performance in this half, driven not least by the strong US economy, and relative stability (if less strong growth) in the European economies.

We will follow developments closely on this trade lane, ready to adapt if any changes to our network become necessary to address the impact of trade discussions between the US and the EU.

Bunker Cost

The average cost of bunker recorded by OOCL in the first half of 2019 was US$441 per ton compared with US$403 per ton for the corresponding period in 2018. The rise in both the fuel oil and diesel oil price has resulted in the increase of bunker costs by 3% in the first half of 2019 compared with the corresponding period last year.

With the International Maritime Organization's (IMO) Low Sulphur Cap 2020 regulation being effective on 1st January 2020, we anticipate that the cost of fuel will rise with effect from the last quarter of 2019.

LOGISTICS

OOCL Logistics revenue and contribution for the first half of 2019 decreased by 2.1% and 6.9% respectively compared with the same period last year.

The contribution from International Supply Chain Management Service decreased by 2.9% due to downsizing of some major retail customers. Contribution from Import/Export Services decreased by 4.5%. The contribution of depot business dropped by 21.5% due to tariff rate reduction. Lowering utilization of existing warehouses during the transition of replacing loss-making customers and large startup cost of new warehouses, as well as fierce price-cutting competition in transportation business were all key activities contributing to the 16.0% drop in Domestic Logistics contribution.

Moving forward, we will be focusing more efforts on depot business development, freight forwarding network and capability enhancement, enterprise logistics software upgrade, and logistics capability enhancement in the India subcontinent and European markets to boost revenue opportunities and enhance profitability.

VESSELS

In the first half of 2019, no new-build vessel was delivered, and no new order was placed by the Group. Currently, the six 21,413 TEU G-Class vessels delivered in 2017-2018 are among the largest containerships in our fleet.

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.

Wall Street Plaza continues to record good results and maintain high occupancy rate. Based on an independent valuation as at 30th June 2019, the assessed market value remained at US$310 million.

The profit attributable to equity holders for the first half of 2019 included investment income of US$8.4 million from Hui Xian.

In the first half of 2019, Hui Xian Holdings Limited, the original developer company of Hui Xian REIT, declared a cash dividend to its shareholders, of which the Group's shares amounted to US$7.9 million. In addition, the Group also received a distribution of US$0.5 million from its direct holding of Hui Xian REIT. As at 30th June 2019, the Group's total investment in Hui Xian was valued at US$30.1 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 2019, the Group had total liquid assets amounting to US$2.0 billion and total indebtedness of US$3.9 billion. Net debt as at 30th June 2019 was therefore US$1.9 billion, which remains at the same level as in 2018 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 lease liabilities which are mainly denominated in US dollar. The Group's borrowings are closely monitored to ensure a smooth repayment of the borrowings to reach maturity. The profile of the Group's long-term liabilities is set out in Note 17 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 the exposure limits of each bank on a regular basis.

Given the inherently volatile nature of shipping industry earnings and the fluctuations of its 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$576.8 million as at 30th June 2019 is predominantly comprised of investment grade bonds.

CURRENCY EXPOSURE AND RELATED HEDGES

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.

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

EMPLOYEE INFORMATION

As at 30th June 2019, the Group had 10,276 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

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

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

We also actively collaborate with various governments and relevant authorities around the world as part of our efforts against activities 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 that are 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 programmes 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 also a member of the Maritime Anti-Corruption Network (MACN), which aims to work within the industry to eliminate all forms of maritime corruption and foster fair trade practices through collective initiatives.

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 sixth 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 the pursuit of reaching higher standards and transparency in the OOIL Group's Greenhouse Gas (GHG) reporting, we are very pleased to announce that our achievements not only meet the GHG Scopes 1 to 3 inventory verification requirements, but our expanded reporting scope to certify the transparency, accuracy, completeness, consistency and relevance of the GHG data covering OOCL's global offices and OOCL Logistics global business activities and as defined in the "Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard" has been completed. 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. To continue with our commitment in aligning with international sustainability guidelines and principles, this report is also prepared with reference to the Sustainability Reporting Guidelines of Global Reporting Initiative (GRI) as well as the Six Capitals Framework set out in the International Integrated Reporting Framework by the International Integrated Reporting Council ("IIRC") which reflects the value creation process of our business while serving the interests of our stakeholders.

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:

- "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;

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

- "A rating" in the BICEPS (Boosting Initiatives for Collaborative Emissions-reduction with the Power of Shippers) assessment for our excellent sustainability efforts and performance; and

- Four "Hong Kong Voluntary Observing Ship Awards" from the Hong Kong Observatory (HKO) for our efforts in supporting various HKO initiatives.

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 clean fuel with a sulphur content of less than 0.5% when our vessels berth at the participating ports in Shenzhen. Through our memberships with environment-focused organisations such as the Clean Cargo Working Group, the Business Environment Council and the World Wildlife Fund, we are committed to doing our part in addressing climate change and environmental protection issues in Hong Kong as well as other regions in which we operate.

Other Information

INTERIM DIVIDEND

The Board of Directors of the Company (the "Board") is pleased to announce an interim dividend of US6.66 cents (HK$0.519 at the exchange rate of US$1: HK$7.8) per ordinary share for the six months ended 30th June 2019 to be paid on 25th October 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 24th September 2019. Shareholders should complete the dividend election form (if applicable) and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited (the "Branch Share Registrar") at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 16th October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20th September 2019 to 24th September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19th September 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2019, 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 2019:

(a) Long positions in the Shares, underlying Shares and debentures of the Company:

Nil.

(b) Long Positions in the shares, underlying shares and debentures of associated corporation of the Company:

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held as personal interest	Number of outstanding share options granted	Total number of interested shares	Percentage
COSCO SHIPPING Ports Limited	Zhang Wei	Beneficial owner	306,896	1,500,000 *(Note)*	1,806,896	0.06%

Note:

The share options were granted on 19th June 2018 under the share option scheme of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") at an exercise price of HK$7.27 per share. These share options are exercisable from 19th June 2020 to 18th June 2023. According to the terms of the COSCO SHIPPING Ports share option scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19th June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19th June 2022. Details of the vesting conditions for the share options are set out in the section headed "11. Performance Target before the Options can be granted and vested — Performance Conditions for the vesting of Share Options" in the circular of the COSCO SHIPPING Ports dated 18th May 2018. No consideration was paid by the grantees for the acceptance of the share option.

Save as disclosed above, as at 30th June 2019, 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.

SUBSTANTIAL SHAREHOLDERS' SHARE INTERESTS

As at 30th June 2019, 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
Faulkner Global Holdings Limited	Beneficial owner	469,344,972	75%
COSCO SHIPPING Holdings (Hong Kong) Limited	Interest of controlled corporation	469,344,972 *(Note 1)*	75%
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	469,344,972 *(Note 2)*	75%
China Ocean Shipping Company Limited	Interest of controlled corporation	469,344,972 *(Note 3)*	75%
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	469,344,972 *(Notes 3 & 4)*	75%
Shanghai Port Group (BVI) Development Co., Limited	Beneficial owner	61,953,536	9.90%
Shanghai International Port Group (HK) Co., Ltd.	Interest of controlled corporation	61,953,536 *(Note 5)*	9.90%
Shanghai International Port (Group) Co., Ltd.	Interest of controlled corporation	61,953,536 *(Note 6)*	9.90%
PSD Investco Inc.	Beneficial owner	38,513,150	6.15%
Green Amber Investment Limited	Interest of controlled corporation	38,513,150 *(Note 7)*	6.15%
Silk Road Fund Co., Ltd.	Interest of controlled corporation	38,513,150 *(Note 8)*	6.15%
Buttonwood Investment Platform Ltd.	Interest of controlled corporation	38,513,150 *(Note 9)*	6.15%

Notes:

1. COSCO SHIPPING Holdings (Hong Kong) Limited ("COSCO SHIPPING HK") holds 100% of the shares of Faulkner Global Holdings Limited ("Faulkner") and, accordingly, has an indirect interest in the same Shares in which Faulkner has an interest.

2. COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") holds 100% of the shares of COSCO SHIPPING HK and, accordingly, has an indirect interest in the same Shares in which COSCO SHIPPING HK has an interest.

3. China Ocean Shipping Company Limited ("China Ocean") directly and indirectly holds 37.89% of the shares of COSCO SHIPPING Holdings in aggregate, and, accordingly, has an indirect interest in the same Shares in which COSCO SHIPPING Holdings has an interest.

4. China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING") directly holds 8.33% of the shares of COSCO SHIPPING Holdings and 100% of the shares of China Ocean. Accordingly, China COSCO SHIPPING, by itself and through its subsidiaries, holds 46.22% of the shares of COSCO SHIPPING Holdings in aggregate and has an indirect interest in the same Shares in which China Ocean and COSCO SHIPPING Holdings have interests. Both China Ocean and China COSCO SHIPPING are state-owned enterprises established in the People's Republic of China.

5. Shanghai International Port Group (HK) Co., Ltd. ("SIPG HK") holds 100% of the shares of Shanghai Port Group (BVI) Development Co., Limited ("SIPG BVI") and, accordingly, has an indirect interest in the same Shares in which SIPG BVI has an interest.

6. Shanghai International Port (Group) Co., Ltd. holds 100% of the shares of SIPG HK and, accordingly, has an indirect interest in the same Shares in which SIPG HK has an interest.

7. Green Amber Investment Limited ("Green Amber") holds 100% of the shares of PSD Investco Inc. ("PSD") and, accordingly, has an indirect interest in the same Shares in which PSD has an interest.

8. Silk Road Fund Co., Ltd. ("Silk Road Fund") holds 100% of the shares of Green Amber and, accordingly, has an indirect interest in the same Shares in which Green Amber has an interest.

9. Buttonwood Investment Platform Ltd. holds 65% of the shares of Silk Road Fund and, accordingly, has an indirect interest in the same Shares in which Silk Road Fund has an interest.

Save as disclosed herein, as at 30th June 2019, the Company has not been notified by any person (other than the Directors or the Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the six-month period ended 30th June 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2019, 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 and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the period from 1st January 2019 to 30th June 2019, the Company complied with the SEHK Code, save for the following:

- **Code Provision**

Code provision	Deviation	Considered reason for deviation
Chairman of the board should attend the annual general meeting.	Mr. XU Lirong, the Chairman of the Board, did not attend the annual general meeting of the Company held on 17th May 2019 (the "AGM").	Mr. XU Lirong had prior business engagement and was unable to attend the AGM and delegated to Mr. TUNG Lieh Cheung Andrew, an Executive Director of the Company, to chair the AGM.

- **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 2019 to 30th June 2019.

Changes in composition of the Board and Board Committees

Professor WONG Yue Chim Richard, an Independent Non-Executive Director of the Company, retired as an Independent Non-Executive Director of the Company with effect from 17th May 2019 after the conclusion of the AGM and also ceased as the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. CHOW Philip Yiu Wah, an Independent Non-Executive Director of the Company, was appointed as the chairman of the Audit Committee of the Company with effect from 17th May 2019 after the conclusion of the AGM.

Mr. YANG Liang Yee Philip, an Independent Non-Executive Director of the Company, was appointed as a member of the Remuneration Committee of the Company with effect from 17th May 2019 after the conclusion of the AGM.

Mr. SO Gregory Kam Leung was appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company with effect from 17th May 2019 after the conclusion of the AGM.

Other Information

Board of Directors

The composition of the Board as at the date of this interim report is set out below:

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

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

Independent Non-Executive Directors
Mr. CHOW Philip Yiu Wah
Dr. CHUNG Shui Ming Timpson
Mr. YANG Liang Yee Philip
Ms. CHEN Ying
Mr. SO Gregory Kam Leung

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

Below are the changes of Directors' information since the date of the 2018 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. HUANG Xiaowen, an Executive Director and the Chief Executive Officer of the Company, ceased as an executive director and the chairman of the board of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed in both Shanghai and Hong Kong) on 23rd April 2019, and ceased as a non-executive director and the chairman of the board of COSCO SHIPPING Ports (a company listed in Hong Kong) on 25th April 2019.

Mr. ZHANG Wei, an Executive Director of the Company, was re-designated from the vice chairman to the chairman of the board of COSCO SHIPPING Ports (a company listed in Hong Kong) on 25th April 2019.

Dr. CHUNG Shui Ming Timpson, an Independent Non-Executive Director of the Company, ceased as an independent non-executive director of China Construction Bank Corporation (a company listed in both Shanghai and Hong Kong) on 21st June 2019.

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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 members' limited liability)

Introduction

We have reviewed the interim financial information set out on pages 15 to 42, which comprises the interim condensed consolidated balance sheet of Orient Overseas (International) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2019 and the interim condensed consolidated profit and loss account, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated cash flow statement and the interim 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, 23rd August 2019

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2019

US$'000	Note	2019	2018
Revenue	5	**3,300,533**	3,115,056
Operating costs		**(2,897,848)**	(2,870,409)
Gross profit		**402,685**	244,647
Fair value gain from an investment property		**–**	39,944
Other operating income		**43,402**	50,843
Business and administrative expenses		**(276,743)**	(267,916)
Other gains/(losses), net		**28,939**	(16,980)
Operating profit	6	**198,283**	50,538
Finance costs	8	**(82,124)**	(68,748)
Share of profits of joint ventures		**2,115**	1,470
Share of profits of associated companies		**6,088**	6,601
Profit/(loss) before taxation		**124,362**	(10,139)
Taxation	9	**(7,629)**	(35,551)
Profit/(loss) for the period from continuing operations		**116,733**	(45,690)
Discontinued operation:			
Profit for the period from discontinued operation	12	**22,245**	35,370
Profit/(loss) for the period		**138,978**	(10,320)
Profit/(loss) attributable to:			
Equity holders of the Company		**138,978**	(10,320)
Earnings/(loss) per ordinary share (US cents)			
– from continuing operations		**18.7**	(7.3)
– from discontinued operation		**3.5**	5.7
Basic and diluted	10	**22.2**	(1.6)

The notes on pages 21 to 42 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June 2019

US$'000	2019	2018
Profit/(loss) for the period	**138,978**	(10,320)
Other comprehensive (loss)/income:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement (losses)/gains on defined benefit schemes	**(629)**	5,296
Investments at fair value through other comprehensive income		
– Change in fair value	**(8,095)**	(21,360)
Total items that will not be subsequently reclassified to profit or loss	**(8,724)**	(16,064)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
– Foreign subsidiaries	**(316)**	(4,781)
– Associated companies	**(189)**	(1,410)
– Joint ventures	**35**	(100)
– 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	**(470)**	(6,411)
Other comprehensive loss for the period, net of tax	**(9,194)**	(22,475)
Total comprehensive income/(loss) for the period	**129,784**	(32,795)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company arising from:		
Continuing operations	**107,539**	(68,165)
Discontinued operation	**22,245**	35,370
	129,784	(32,795)

The notes on pages 21 to 42 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2019

US$'000	Note	30th June 2019	31st December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,211,789**	5,880,057
Right-of-use assets	13	**2,790,009**	–
Investment property	13	**310,000**	310,000
Prepayments of lease premiums	13	**–**	7,452
Investments in joint ventures and associated companies		**141,186**	148,616
Intangible assets	13	**38,972**	32,428
Restricted bank balances		**57,549**	58,001
Investments at fair value through other comprehensive income		**15,490**	24,422
Investments at amortised cost		**183,305**	189,391
Other non-current assets		**78,962**	156,308
		6,827,262	6,806,675
Current assets			
Inventories		**109,134**	119,710
Debtors and prepayments	14	**664,121**	634,229
Amounts due from joint ventures and associated companies		**8,776**	478
Amounts due from fellow subsidiaries		**8,861**	12,969
Amounts due from related companies		**899**	690
Investments at amortised cost		**40,367**	33,568
Portfolio investments at fair value through profit or loss		**353,094**	378,257
Tax recoverable		**8,182**	6,966
Restricted bank balances		**51,490**	3,121
Cash and bank balances		**1,302,713**	1,584,465
		2,547,637	2,774,453
Assets held for sale	12	**1,317,290**	472,732
		3,864,927	3,247,185
Total assets		**10,692,189**	10,053,860
EQUITY			
Equity holders			
Share capital	15	**62,579**	62,579
Reserves	16	**4,708,204**	4,672,551
Total equity		**4,770,783**	4,735,130

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2019

US$'000	Note	30th June 2019	31st December 2018
LIABILITIES			
Non-current liabilities			
Borrowings	17	**1,016,868**	3,695,834
Lease liabilities	17	**2,302,993**	–
Deferred taxation liabilities		**109,752**	106,827
Pension and retirement liabilities		**1,620**	3,200
		3,431,233	3,805,861
Current liabilities			
Creditors and accruals	18	**883,275**	838,185
Amounts due to joint ventures		**1,798**	2,441
Amounts due to fellow subsidiaries		**12,627**	5,843
Amounts due to related companies		**10,913**	10,371
Borrowings	17	**367,424**	501,922
Lease liabilities	17	**250,899**	–
Derivative financial instruments	19	**–**	5,565
Current taxation		**7,262**	7,494
Dividend payable		**48,181**	–
		1,582,379	1,371,821
Liabilities directly associated with assets classified as held for sale	12	**907,794**	141,048
		2,490,173	1,512,869
Total liabilities		**5,921,406**	5,318,730
Total equity and liabilities		**10,692,189**	10,053,860

Wang Haimin
Tung Lieh Cheung Andrew
Directors

The notes on pages 21 to 42 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2019

US$'000	2019	2018
Cash flows from operating activities		
Cash generated from operations	451,253	246,088
Interest and financing charges paid	(95,651)	(63,184)
Hong Kong profits tax paid	(142)	(35)
Overseas taxes paid	(6,280)	(9,408)
Net cash from operating activities	349,180	173,461
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	13,501	47,434
Purchase of property, plant and equipment	(51,589)	(131,350)
Purchase of other non-current assets	(22,791)	(31,171)
Decrease/(increase) in portfolio investments at fair value through profit or loss	42,268	(86,793)
Deposit paid for investment in an entity	(1,678)	–
Proceeds on partial disposal of a joint venture	–	1,230
Net change in amounts due from joint ventures	(494)	(413)
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months	(572,307)	492
Interest received	30,325	26,697
Dividends and distribution received from investments	754	9,262
Dividends received from joint ventures and associated companies	7,032	9,067
Net cash used in investing activities	(554,979)	(155,545)
Cash flows from financing activities		
Drawdown of loans	151,692	–
Repayment of loans	(577,749)	(223,740)
Capital element of finance lease rental payments	–	(151,617)
Repayment of lease liabilities	(173,415)	–
Net cash used in financing activities	(599,472)	(375,357)
Net decrease in cash and cash equivalents	(805,271)	(357,441)
Cash and cash equivalents at beginning of period	1,584,465	1,940,975
Increase in cash and cash equivalents of disposal group classified as held for sale	(1,397)	(53,754)
Currency translation adjustments	526	(3,905)
Cash and cash equivalents at end of period	778,323	1,525,875
Analysis of cash and cash equivalents		
Cash and bank balances	1,302,713	1,526,195
Bank deposits maturing more than three months from the date of placement	(524,390)	(320)
Cash and cash equivalents at end of period	778,323	1,525,875

The notes on pages 21 to 42 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2019

	Equity holders		
US$'000	**Share capital**	**Reserves**	**Total**
Balance at 31st December 2018	**62,579**	**4,672,551**	**4,735,130**
Adjustment on adoption of HKFRS 16 (note 2(b))	**–**	**(46,306)**	**(46,306)**
Restated balance at 1st January 2019	**62,579**	**4,626,245**	**4,688,824**
Total comprehensive income for the period	**–**	**129,784**	**129,784**
Transactions with owners			
Employee share-based compensation	**–**	**356**	**356**
2018 final dividend	**–**	**(48,181)**	**(48,181)**
Balance at 30th June 2019	**62,579**	**4,708,204**	**4,770,783**
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

The notes on pages 21 to 42 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 members' 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 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

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 China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the People's Republic of China (the "PRC").

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 Long Beach Container Terminal ("U.S. Terminal Business").

On 29th April 2019, the Group entered into the Sale and Purchase Agreement with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of the Company which operates the U.S. Terminal Business, for the consideration of US$1,780 million (subject to certain post-completion adjustments).

The 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 dollar, unless otherwise stated.

This interim financial information was approved by the Board of Directors on 23rd August 2019.

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 2018 except for the adoption of new standard, amendments, improvement and interpretation to HKFRSs effective for the financial year ending 31st December 2019.

The adoption of revised HKFRSs

In 2019, the Group adopted the following new standard, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

(a) Impact on the financial statements

New standard, amendments, improvement and interpretation	
HKAS 19 (Amendment)	Employee Benefits
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRSs	Annual Improvements 2015 – 2017 Reporting Cycle
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new standard, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out below.

2. Basis of Preparation (Continued)

The adoption of revised HKFRSs (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption

The adoption of HKFRS 16 from 1st January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provision in HKFRS 16, comparative figures have not been restated. The reclassification and adjustments arising from the new standard are therefore not reflected in the restated consolidated balance sheet as at 31st December 2018, but are recognised in the opening consolidated balance sheet on 1st January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 3.7%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets related to the following types of assets:

US$'000	30th June 2019	1st January 2019
Terminal leases	20,677	22,064
Land and buildings	108,838	109,067
Container vessels	2,562,509	2,692,013
Others	97,985	101,350
	2,790,009	2,924,494

2. Basis of Preparation (Continued)

The adoption of revised HKFRSs (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

The adjustments on the consolidated balance sheet as at 1st January 2019 are summarised below:

US$'000 Consolidated balance sheet (extract)	31st December 2018 as originally presented	Effect of adoption of HKFRS 16	1st January 2019 as restated
Non-current assets			
Property, plant and equipment	5,880,057	(2,706,146)	3,173,911
Right-of-use assets	–	2,924,494	2,924,494
Prepayments of lease premiums	7,452	(7,452)	–
Current assets			
Debtors and prepayments	634,229	(191)	634,038
Assets held for sale	472,732	819,133	1,291,865
Total assets	10,053,860	1,029,838	11,083,698
Non-current liabilities			
Borrowings	3,695,834	(2,227,981)	1,467,853
Lease liabilities	–	2,407,860	2,407,860
Current liabilities			
Creditors and accruals	838,185	(3,048)	835,137
Borrowings	501,922	(210,798)	291,124
Lease liabilities	–	267,601	267,601
Liabilities directly associated with assets classified as held for sale	141,048	842,510	983,558
Total liabilities	5,318,730	1,076,144	6,394,874
Retained profit	4,357,737	(46,306)	4,311,431
Total equity	4,735,130	(46,306)	4,688,824

2. Basis of Preparation (Continued)

The adoption of revised HKFRSs (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease".

The Group leases various vessels, offices, and terminals. Rental contracts are typically made for fixed periods of 2 to 40 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At 31st December 2018, the Group had non-cancellable operating lease commitments for continuing operations of US$419.6 million. As part of the transition, the Group assessed and applied following adjustments before discounting lease payments at the lessee's incremental borrowing rate:

– Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognised in the consolidated profit and loss account as incurred.

– Low-value leases will continue to be recognised on straight-line basis as expenses.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise containers and small items of office furniture.

2. Basis of Preparation (Continued)

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

New standard and amendments to existing standards		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1st January 2020
HKFRS 3 (Amendment)	Definition of a Business	1st January 2020
HKFRS 17	Insurance Contracts	1st January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of HKAS 1 and HKAS 8 (Amendments), HKFRS 3 (Amendment), HKFRS 10 and HKAS 28 (Amendments) and HKFRS 17 are not expected to have a significant effect on the consolidated financial statements of the Group.

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 2018.

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).

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 30th June 2019.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	37,443	–	–	37,443
– Debt securities	309,474	–	–	309,474
– Funds and other investments	–	6,177	–	6,177
Investments at fair value through other comprehensive income				
– Other investments	–	–	15,490	15,490
Total assets	346,917	6,177	15,490	368,584

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2018.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	49,589	–	–	49,589
– Debt securities	322,948	–	–	322,948
– Funds and other investments	–	5,720	–	5,720
Investments at fair value through other comprehensive income				
– Other investments	–	–	24,422	24,422
Total assets	372,537	5,720	24,422	402,679
Liability				
Derivative financial instruments	–	5,565	–	5,565
Total liability	–	5,565	–	5,565

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

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.

There were no changes in valuation techniques during the period.

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

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments.

	US$'000
At 31st December 2018	24,422
Currency translation adjustments	11
Disposals	(848)
Fair value change recognised in other comprehensive income	(8,095)
At 30th June 2019	**15,490**

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

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

	Carrying amounts		Fair values	
US$'000	30th June 2019	31st December 2018	30th June 2019	31st December 2018
Non-current borrowings	(1,016,868)	(3,695,834)	(1,016,868)	(3,660,397)
Investments at amortised cost	223,672	222,959	228,985	223,530

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
- Lease liabilities
- 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 2018.

5. Revenue

US$'000	2019	2018
Container transport and logistics	3,287,572	3,101,854
Others	12,961	13,202
	3,300,533	3,115,056

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

	2019		2018	
US$'000	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Operating profit is arrived at after crediting:				
Interest income from banks	22,093	1,008	15,331	213
Interest income from investments at amortised cost	5,103	–	5,281	–
Gross rental income from an investment property	12,961	–	13,202	–
Dividend income from investments at fair value through other comprehensive income	7,900	–	22,590	–
Fair value gain on foreign exchange forward contracts	1,436	–	92	–
Gain on bunker price derivative contracts	5,538	–	876	–
Gain on partial disposal of a joint venture	–	–	896	–
Gain on disposal of property, plant and equipment	4,743	–	1,523	–
Income from portfolio investments at fair value through profit or loss				
– Fair value gain (realised and unrealised)	17,105	–	–	–
– Interest income	6,619	–	6,075	–
– Distribution	549	–	610	–
– Dividend income	246	–	138	–
Reversal of previous impairment on investments at amortised cost	2,260	–	–	–
Exchange gain	1,127	–	–	6
and after charging:				
Rental outgoings in respect of an investment property	7,700	–	7,758	–
Loss on disposal of property, plant and equipment	–	–	–	576
Loss on disposal of intangible assets	3,270	–	–	–
Loss on disposal of investments at amortised cost	–	–	827	–
Loss on disposal of investments at fair value through other comprehensive income	–	–	1	–
Fair value loss on portfolio investments at fair value through profit or loss (realised and unrealised)	–	–	9,500	–
Exchange loss	–	–	9,382	–

7. Key Management Compensation

US$'000	2019	2018
Salaries and other employee benefits	2,911	2,586
Estimated money value of other benefits	20	77
Pension costs – defined contribution plans	271	241
Share-based compensation	5	–
	3,207	2,904

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	2019	2018
Interest expense		
– Bank loans	33,271	29,788
– Lease liabilities (2018: finance lease obligations)	48,853	39,086
	82,124	68,874
Amount capitalised under assets	–	(126)
Net interest expense	82,124	68,748

9. Taxation

US$'000	2019	2018
Current taxation		
Hong Kong profits tax	243	613
Overseas taxation	4,433	7,491
	4,676	8,104
Deferred taxation		
Hong Kong profits tax	(28)	(158)
Overseas taxation	2,981	27,605
	2,953	27,447
	7,629	35,551

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 5% to 46% (2018: 11% to 35%) and the rate applicable for Hong Kong profits tax is 16.5% (2018: 16.5%).

10. Earnings/(Loss) Per Ordinary Share

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

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

US$'000	2019	2018
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit/(loss) from continuing operations attributable to equity holders of the Company	116,733	(45,690)
Earnings/(loss) per share from continuing operations attributable to equity holders of the Company (US cents)	18.7	(7.3)
Group's profit from discontinued operation attributable to equity holders of the Company	22,245	35,370
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	3.5	5.7

11. Interim Dividend

US$'000	2019	2018
Interim dividend: US6.66 cents (2018: nil) per ordinary share	41,678	–

The Board of Directors declares the payment of an interim dividend of US6.66 cents per ordinary share for 2019 (2018: nil).

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

(i) Results

US$'000	2019	2018
Revenue	67,612	62,455
Other operating income	1,008	213
	68,620	62,668
Operating profit	44,932	37,860
Finance costs	(22,687)	(1,848)
Profit before taxation	22,245	36,012
Taxation	–	(642)
Profit for the period	22,245	35,370

Note:

The U.S. Terminal Business was classified as discontinued operation as at 30th June 2018 pursuant to the divestment mentioned in note 1.

The Directors consider it is more appropriate to reflect only the revenue and the results arising from transactions with third parties under the discontinued operation and the inter-company profits are under continuing operations in 2019.

12. Discontinued Operation (Continued)

(a) Discontinued operation (Continued)

(ii) Cash flows

US$'000	2019	2018
Operating cash flows	80,356	22,177
Investing cash flows	(2,553)	2,056
Financing cash flows	(76,406)	(7,786)
Total cash flows	**1,397**	16,447

(b) Assets held for sale

US$'000	30th June 2019	31st December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	349,297	371,547
Right-of-use assets (note d)	877,402	–
	1,226,699	371,547
Current assets		
Inventories	6,392	5,360
Debtors and prepayments	23,108	34,711
Amount due from immediate holding company	–	401
Amount due from a fellow subsidiary	5,961	7,381
Cash and bank balances	55,130	53,733
	90,591	101,586
Total assets (before intra-group elimination)	1,317,290	473,133
Less: Intra-group elimination	–	(401)
Total assets	**1,317,290**	472,732

12. Discontinued Operation (Continued)

(c) Liabilities directly associated with assets held for sale

US$'000	30th June 2019	31st December 2018
LIABILITIES		
Non-current liabilities		
Borrowings	–	91,822
Lease liabilities (note d)	862,576	–
Other non-current liabilities	3,808	10,513
	866,384	102,335
Current liabilities		
Creditors and accruals	24,635	22,730
Amount due to an intermediate holding company	81,505	34,908
Amounts due to fellow subsidiaries	32,297	32,620
Borrowings	–	15,778
Lease liabilities (note d)	16,380	–
	154,817	106,036
Total liabilities (before intra-group elimination)	1,021,201	208,371
Less: Intra-group elimination	(113,407)	(67,323)
Total liabilities	907,794	141,048

Note:

Assets held for sale and liabilities directly associated with assets held for sale above are presented before elimination of intra-group balances of US$nil (31st December 2018: US$0.4 million) and US$113.4 million (31st December 2018: US$67.3 million) respectively. The aggregate net book amount of assets pledged as securities for loans and finance leases amounted to US$58.3 million (31st December 2018: US$137.1 million).

(d) Right-of-use assets and lease liabilities

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 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 2019, the Group signed several Amendments to Preferential Assignment Agreement 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.

On adoption of HKFRS 16, the Group recognised lease liabilities of US$879.0 million and right-of-use assets of US$877.4 million as at 30th June 2019 in relation to the Agreement and certain terminal equipment which had previously been classified as operating leases or finance leases under the principles of HKAS 17. During the six months ended 30th June 2019, the Group recognised finance costs of US$21.4 million on lease liabilities under discontinued operation.

13. Capital Expenditure

US$'000	Property, plant and equipment	Right-of-use assets	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts						
At 31st December 2018	5,880,057	–	310,000	7,452	32,428	6,229,937
Adjustment on adoption of HKFRS 16 (note 2(b))	(2,706,146)	2,924,494	–	(7,452)	–	210,896
Restated balance at 1st January 2019	3,173,911	2,924,494	310,000	–	32,428	6,440,833
Currency translation adjustments	13	115	–	–	–	128
Additions	133,229	15,633	–	–	18,542	167,404
Reclassification	52,737	(52,737)	–	–	–	–
Classified as assets held for sale (note 12)	(36,019)	–	–	–	–	(36,019)
Disposals	(7,165)	(93)	–	–	(3,270)	(10,528)
Depreciation and amortisation	(104,917)	(97,403)	–	–	(8,728)	(211,048)
At 30th June 2019	3,211,789	2,790,009	310,000	–	38,972	6,350,770
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

14. Debtors and Prepayments

US$'000	30th June 2019	31st December 2018
Trade receivables	**404,966**	379,067
Less: provision for impairment	**(35,668)**	(29,525)
Trade receivables – net	**369,298**	349,542
Other debtors	**135,887**	122,299
Other prepayments	**142,969**	148,493
Utility and other deposits	**15,967**	13,895
	664,121	634,229

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 dates of invoices, is as follows:

US$'000	30th June 2019	31st December 2018
Below one month	**264,052**	269,210
Two to three months	**88,040**	67,182
Four to six months	**11,951**	7,770
Over six months	**5,255**	5,380
	369,298	349,542

15. Share Capital

US$'000	30th June 2019	31st December 2018
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 ordinary shares of US$0.10 each	**62,579**	62,579

16. Reserves

US$'000	Share premium	Employee share-based compensation reserve	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2018	172,457	–	88,547	4,696	22,413	26,701	4,357,737	4,672,551
Adjustment on adoption of HKFRS 16 (note 2(b))	–	–	–	–	–	–	(46,306)	(46,306)
Restated balance at 1st January 2019	172,457	–	88,547	4,696	22,413	26,701	4,311,431	4,626,245
Total comprehensive income/(loss) for the period	–	–	–	–	(8,095)	(470)	138,349	129,784
Transactions with owners								
Employee share-based compensation	–	356	–	–	–	–	–	356
2018 final dividend	–	–	–	–	–	–	(48,181)	(48,181)
Balance at 30th June 2019	172,457	356	88,547	4,696	14,318	26,231	4,401,599	4,708,204
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

17. Borrowings/Lease Liabilities

US$'000	30th June 2019	31st December 2018
Borrowings		
Non-current		
Bank loans		
– Secured	885,495	1,240,877
– Unsecured	131,373	226,976
Finance lease obligations	–	2,227,981
	1,016,868	3,695,834
Current		
Bank loans		
– Secured	327,953	242,126
– Unsecured	39,471	48,998
Finance lease obligations	–	210,798
	367,424	501,922
Total borrowings	1,384,292	4,197,756
Lease liabilities		
Non-current	2,302,993	–
Current	250,899	–
	2,553,892	–

18. Creditors and Accruals

US$'000	30th June 2019	31st December 2018
Trade payables	170,502	193,382
Other creditors	166,733	162,251
Accrued expenses	510,334	443,200
Deferred revenue	26,210	25,923
Contract liabilities	9,496	13,429
	883,275	838,185

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

US$'000	30th June 2019	31st December 2018
Below one month	126,699	109,641
Two to three months	35,038	75,285
Four to six months	3,732	2,524
Over six months	5,033	5,932
	170,502	193,382

19. Derivative Financial Instruments

US$'000	30th June 2019	31st December 2018
Liability		
Current liability		
Bunker price derivative contracts	–	5,565

20. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2019	31st December 2018
Contracted but not provided for	65,628	91,618

20. Commitments (Continued)

(b) Capital commitments – Investment in a joint venture

US$'000	30th June 2019	31st December 2018
Contracted but not provided for	8,123	–

(c) Lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
At 30th June 2019			
2019/20	54,830	2,636	57,466

As previously disclosed in the 2018 Annual Report and under previous lease standard, 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 2018			
2019	134,796	38,710	173,506
2020	67,996	28,818	96,814
2021	46,789	18,576	65,365
2022	19,273	14,096	33,369
2023	4,950	13,226	18,176
2024 onwards	3,702	28,682	32,384
	277,506	142,108	419,614

21. Significant Related Party Transactions

The Company is controlled by COSCO SHIPPING, the ultimate parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries (other than the Group) (collectively referred to as "COSCO SHIPPING Group") and related entities of COSCO SHIPPING (including joint ventures and associated companies), other government-related entities and their subsidiaries, entities in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies and related entities of COSCO SHIPPING (including joint ventures and associated companies) for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the interim financial information.

21. Significant Related Party Transactions (Continued)

In addition to the related party information and transactions disclosed elsewhere in the interim financial information, the following is a summary of significant related party transactions conducted in the ordinary course of business between the Group and COSCO SHIPPING Group and related entities of COSCO SHIPPING (including joint ventures and associated companies) during the period.

US$'000	2019	2018
Revenues		
Container transport income	49,272	–
Freight forwarding income	732	–
Terminal handling and storage income	19,123	–
Rental income		
Vessels	3,259	–
Containers	3,349	–
IT service income	652	–
Interest income	26	–
Expenses		
Cargo transportation costs	37,569	–
Freight forwarding expenses	3,678	–
Terminal charges	46,700	–
Expenses relating to short-term leases and leases with low-value assets		
Vessels	21,433	–
Containers	3,168	–
Land and buildings	176	–
Slot hire expenses	31,844	–
Purchase of bunker	119,820	–
Crew expenses	587	–

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual costs incurred, or as mutually agreed between the Group and COSCO SHIPPING Group.

22. 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.

Operating segments

The segment results for the six months ended 30th June 2019 are as follows:

	Continuing operations				
US$'000	**Container transport and logistics**	**Others**	**Sub-total**	**Discontinued operation**	**Total**
Revenue	3,287,572	12,961	3,300,533	67,612	3,368,145
Other operating income	8,325	35,077	43,402	1,008	44,410
	3,295,897	48,038	3,343,935	68,620	3,412,555
Revenue from contracts with customers:					
At a point in time	242,213	–	242,213	–	242,213
Over time	3,045,359	–	3,045,359	67,612	3,112,971
	3,287,572	–	3,287,572	67,612	3,355,184
Revenue from other source:					
Rental income	–	12,961	12,961	–	12,961
	3,287,572	12,961	3,300,533	67,612	3,368,145
Other operating income	8,325	35,077	43,402	1,008	44,410
	3,295,897	48,038	3,343,935	68,620	3,412,555
Operating profit	144,457	53,826	198,283	44,932	243,215
Finance costs (note 8)	(82,124)	–	(82,124)	(22,687)	(104,811)
Share of profits of joint ventures	2,115	–	2,115	–	2,115
Share of profits of associated companies	6,088	–	6,088	–	6,088
Profit before taxation	70,536	53,826	124,362	22,245	146,607
Taxation (note 9)	(6,257)	(1,372)	(7,629)	–	(7,629)
Profit for the period	64,279	52,454	116,733	22,245	138,978
Capital expenditure	163,843	–	163,843	3,561	167,404
Depreciation of property, plant and equipment	104,912	5	104,917	–	104,917
Depreciation of right-of-use assets	97,403	–	97,403	–	97,403
Amortisation	8,728	–	8,728	–	8,728

22. Segment Information (Continued)

Operating segments (Continued)

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

	Continuing operations				
US$'000	Container transport and logistics	Others	Sub-total	Discontinued operation	Total
Revenue	3,101,854	13,202	3,115,056	62,455	3,177,511
Other operating income	2,949	47,894	50,843	213	51,056
	3,104,803	61,096	3,165,899	62,668	3,228,567
Revenue from contracts with customers:					
At a point in time	252,575	–	252,575	–	252,575
Over time	2,849,279	–	2,849,279	62,455	2,911,734
	3,101,854	–	3,101,854	62,455	3,164,309
Revenue from other source:					
Rental income	–	13,202	13,202	–	13,202
	3,101,854	13,202	3,115,056	62,455	3,177,511
Other operating income	2,949	47,894	50,843	213	51,056
	3,104,803	61,096	3,165,899	62,668	3,228,567
Operating profit/(loss)	(11,152)	61,690	50,538	37,860	88,398
Finance costs (note 8)	(68,748)	–	(68,748)	(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	25,873
Taxation (note 9)	(5,342)	(30,209)	(35,551)	(642)	(36,193)
(Loss)/profit for the period	(77,171)	31,481	(45,690)	35,370	(10,320)
Fair value gain from an investment property	–	39,944	39,944	–	39,944
Capital expenditure	162,657	56	162,713	1,161	163,874
Depreciation of property, plant and equipment	197,073	–	197,073	18,168	215,241
Amortisation	10,912	–	10,912	–	10,912

22. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 30th June 2019 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	**7,635,954**	**1,588,983**	**9,224,937**
Joint ventures	**9,379**	**–**	**9,379**
Associated companies	**140,583**	**–**	**140,583**
	7,785,916	**1,588,983**	**9,374,899**
Assets held for sale (note 12)	**1,317,290**	**–**	**1,317,290**
Total assets	**9,103,206**	**1,588,983**	**10,692,189**
Segment liabilities	**(4,852,840)**	**(160,772)**	**(5,013,612)**
Liabilities directly associated with assets classified as held for sale (note 12)	**(907,794)**	**–**	**(907,794)**
Total liabilities	**(5,760,634)**	**(160,772)**	**(5,921,406)**

The segment assets and liabilities at 31st December 2018 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	7,401,147	2,030,887	9,432,034
Joint ventures	9,418	–	9,418
Associated companies	139,676	–	139,676
	7,550,241	2,030,887	9,581,128
Assets held for sale (note 12)	472,732	–	472,732
Total assets	8,022,973	2,030,887	10,053,860
Segment liabilities	(5,058,132)	(119,550)	(5,177,682)
Liabilities directly associated with assets classified as held for sale (note 12)	(141,048)	–	(141,048)
Total liabilities	(5,199,180)	(119,550)	(5,318,730)

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 and portfolio investments at fair value through profit or loss 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 property and corporate level activities.

22. 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 2019		
Continuing operations		
Asia	**2,359,599**	**29,307**
Europe	**503,193**	**273**
North America	**356,151**	**8,129**
Australia	**81,590**	**10**
Unallocated*	**–**	**126,124**
	3,300,533	**163,843**
Discontinued operation		
North America	**67,612**	**3,561**
	3,368,145	**167,404**
Six months ended 30th June 2018		
Continuing operations		
Asia	2,251,962	5,366
Europe	337,811	20,265
North America	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

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