



Orient Overseas (International) Limited

(Incorporated in Bermuda with members' limited liability)

Stock code: 0316.HK



2020 INTERIM REPORT

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Chairman's Statement

I am pleased to report that, amid some of the most challenging economic and operating circumstances in living memory, Orient Overseas (International) Limited ("OOIL") and its subsidiaries (the "Group") achieved a profit attributable to shareholders of US\$102.1 million for the six-month period ended 30th June 2020 (2019: US\$139.0 million). The profit per ordinary share for the first half of 2020 was US16.3 cents, compared to US22.2 cents in the first half of 2019. The Board of Directors is pleased to announce an interim dividend of US4.89 cents per ordinary share.

To have achieved such a positive outcome is a remarkable feat, considering the global recession caused by the sudden outbreak of the COVID-19 pandemic in the first half of the year. The Group's financial strengths, as well as our adept handling of unforeseen and demanding situations, have enabled us to navigate these uncharted waters relatively smoothly.

We saw extremely radical changes to many growth forecasts for 2020 cargo volume, after the impact of the pandemic on container shipping started to materialise. Faced with dire predictions of dramatically falling demand from our customer base, OOCL reacted by paying careful attention to customer demand and reviewing and calibrating our services accordingly on a timely basis. The container shipping sector has recent experience of significant falls in demand that hurt the industry badly, both in 2009 and 2016, and so OOCL has prioritised cost management during the anticipated tough conditions of 2020. This adaptability is one of the factors that has allowed OOCL to resist the headwinds of the pandemic, and to produce these solid results. Since May, demand on some trade appears to have improved somewhat, with OOCL providing additional capacity to support our customers' requirements. However, this tentative demand recovery is far from secure, and we will continue to monitor the situation closely.

The financial outcome has also been helped by a fall in fuel prices, although it is not known how long this will last, as well as by a low interest rate environment and a reduction in the Group's debt.

OOIL continues to benefit from its co-operation with the wider COSCO SHIPPING group. The ability to keep costs under control, through for example our effective joint management of our container boxes, has been a key attribute of our success. In addition, our close co-operation has also allowed us to plan multiple adjustments to our network offering, in line with the huge changes seen in expected customer demand. The many synergies achieved through our joint efforts are one of the underpinning drivers of our highly successful Dual Brand strategy.

I would like to thank all OOCL staff for their contribution both to OOCL itself and to the wider COSCO SHIPPING group. OOCL's "We Take it Personally" spirit is truly showing its value as we traverse the challenges of this extraordinary time. Through office closures, national and regional lockdowns, changes in scheduling and disruptions to various parts of the supply chain, our colleagues have clearly demonstrated the strengths that make OOCL such a valued partner in this business.

Looking forward, the pandemic will have long-lasting effects, and the epidemic prevention and control measures adopted in many countries have become part of daily life. Thanks to the tremendous efforts of all parts of society, as well as economic stimulus packages, many economies have re-emerged from lockdowns and have restarted activity. Against the difficult backdrop, China has managed to expand its GDP 3.2% year on year in the second quarter of 2020, a sign that production activity is steadily improving, which gives us some degree of hope for a more widespread recovery. While the pandemic could continue to bring uncertainties in the rest of the year, tensions in global trade relationships or other factors such as oil prices could also have an impact on our business in the coming months. In this situation, the only rational response is to remain cautious.

Despite the challenges, we remain confident in our long-term future. The order we placed in March this year to build five 23K TEU vessels is a tremendous display of our enduring confidence in container shipping. We are playing a leading role in the digitalisation of our industry and building on very solid foundations in providing integrated container logistics services, which will help us to respond better to the evolution of our customers' requirements in the post-epidemic era. OOIL is among the best-placed groups to handle whatever difficulties may be faced by our industry.

Captain Xu Lirong
Chairman

21st August 2020

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2020 Orient Overseas (International) Limited and its subsidiaries (the “Group”) recorded a profit attributable to equity holders of US\$102.1 million compared to US\$139.0 million for the corresponding period of 2019.

OOIL INTERIM RESULTS ANALYSIS

US\$'000	2020	2019
Profit Before Tax by Activity:		
Container Transport and Logistics	102,101	70,536
Other Activities	2,953	53,826
Profit Before Tax for the Period Ended 30th June	105,054	124,362
Taxation	(2,889)	(7,629)
Profit From Continuing Operations	102,165	116,733
Profit From Discontinued Operation	–	22,245
Non-Controlling Interests	(83)	–
Profit Attributable to Equity Holders	102,082	138,978

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 operating conditions of the first half of 2020 were challenging, with COVID-19 affecting all trades. Following the initial spread of the virus across the world, market and customer forecasts suggested massive reductions in expected levels of demand, which resulted in multiple adjustments to services on our network. While conditions so far have not been as severely impacted as feared, our outlook remains cautious.

Compared to the first half of 2019, OOCL total liner liftings decreased by 2.6%, but revenue per TEU increased by 6.0%, allowing total revenue to increase by 3.2%. Negative market growth occurred on several trades, but in some cases this drop in liftings was outpaced by an improvement in the freight rates.

In terms of overall liftings, for the first half of 2020, we observed only a small reduction in liftings on the Trans-Pacific trade as a whole. Liftings declined on the Asia-Europe trade, as well as on the Intra-Asia and Australasian trades, but increased on our Trans-Atlantic trade. Revenue increased on our Trans-Pacific, Asia-Europe, and Australasian trades, and was slightly down for our Trans-Atlantic business. Revenue per TEU increased for majority of the tradelanes as compared to 2019.

Despite IMO2020 rules requiring vessels to use the more expensive and higher quality VLSFO as from 1 January 2020, global economic conditions and excess oil supply drove bunker prices to markedly lower levels for much of the period. Notwithstanding this reduction in a key component of our operating costs, considerable uncertainty still exists over the future levels of fuel prices, especially during these extraordinary times.

Management Discussion and Analysis

Trans-Pacific Trade

This trade overall has performed well, clearly better than expectations given the exceptional circumstances during the first half of 2020.

Despite the extended shutdown in China during Chinese New Year, and the lockdowns in many parts of North America forcing the temporary closure of retail stores that use our services, volume growth for OOCL has only been slightly negative. This is due in part to the economic slowdown not being as bad as predicted, and to government support provided to individuals and corporates. The specifics of our customer portfolio, and our reputation as a creditworthy counterparty with reliable and efficient customer service also helped us to maintain business activity.

Trans-Pacific liftings decreased by only 0.3% compared to the same period last year, with revenue increasing by 0.1%.

Contract rates for 2020-2021 are above the levels agreed for 2019-2020. The spot market on many Trans-Pacific routes have been relatively strong in recent weeks, especially for the Pacific Southwest routes. Current conditions remain good, but visibility over future months is low, given the inherent uncertainty caused by COVID-19 and its economic impact.

Asia-Europe Trade

The Asia-Europe trade has also performed better than expected. However, the relatively less robust European economies (as compared to the US) provided a less resilient backdrop than we saw on the Trans-Pacific trades.

Furthermore, lockdowns in several European countries were very severe, which had immediate impact in terms of onward transportation of containers and in terms of economic sentiment. It is unclear how quickly economic activity will recover in the second half, even if there have been some encouraging data points, for example UK retail sales improved significantly in June 2020.

In the first half of 2020, liftings decreased by 2.3%, but revenue increased by 8.1%, compared to the same period in 2019.

At this stage, the impact of Brexit and of potential changes in the EU-US trading relationship appear minor as compared to the impact of COVID-19.

Intra-Asia and Australasia Trade

There was a drop in liftings of over 5% on the Intra-Asian (including Australasian) trades, but an increase of over 5% in terms of total revenue in these areas. Volumes and revenues were much strong in Australian and New Zealand business as compared to Intra-Asian activity. While Australian volumes to some extent mirrored the patterns seen in the US and Europe of not being as badly impacted as expected (although impacted nonetheless), volumes on certain Intra-Asian tradelanes such as China-Middle East and China-Indian-Pakistan suffered more from specific circumstances (e.g. strict lockdowns in India, effect of automotive industry slowdown in Japan etc.).

Trans-Atlantic Trade

The European and American economies were deeply affected by COVID-19, and while OOCL added to its service offering on this trade, resulting in improved volumes, revenues declined slightly.

Bunker Cost

Bunker prices had experienced significant volatility during the first half of 2020. Not long after the International Maritime Organization's (IMO) Low Sulphur Cap regulation went into effect on 1st January 2020, bunker prices rose to more than US\$600. However, with the rapid spread of COVID-19 outbreak that began in late January and eventually becoming a global pandemic, the price dropped sharply where crude oil futures plunged below zero for the first time in history on 20th April 2020. Both the Fuel oil and Diesel oil prices had also dropped to historical lows in May but began to steadily increase in June.

The average price of bunker recorded by OOCL in the first half of 2020 was US\$424 per ton compared with US\$441 per ton for the corresponding period in 2019. The price drop in fuel oil and diesel oil led to the decrease in bunker costs by 11.3% in the first half of 2020 when compared to the corresponding period in 2019.

LOGISTICS

For the first half of 2020, OOCL Logistics revenue increased by 5.3% while contribution dropped by 12.2% compared with the same period last year.

The contribution from International Supply Chain Management Service (ISCMS) decreased by 23.9% because many retail shops and outlets were forced to close due to the COVID-19 outbreak and city lockdowns which significantly reduced the volume in the first half of the year. Although the volume of Import/Export Services increased but the overall contribution decreased slightly by 4.9% due to the increased procurement costs. There was a 28.5% improvement on Domestic Logistics contribution after effective cost control initiatives, improved utilisation of warehousing resources and new customers being secured.

Looking forward, we are cautiously optimistic that the ISCMS volume for the second half of the year will recover as countries gradually relax lockdown measures and restore the health of the economy. In fact, the volume has already been picking up since June. The focus for Import/Export Services is to further increase volume and improve profitability. For Domestic Logistics, strict cost control and expansion of customer base will continue in order to further improve our performance.

Furthermore, our depot footprint will continue to grow in South East Asia in the second half of the year. In terms of region development, logistics capabilities will be further strengthened in Europe, Latin America and the USA.

VESSELS

During the first half of 2020, OOCL placed orders for two 23,000 TEU vessels from Dalian COSCO KHI Ship Engineering Co., Ltd. and three 23,000 TEU vessels from Nantong COSCO KHI Ship Engineering Co., Ltd. in China. The expected delivery for these five vessels will be in the year 2023.

OTHER ACTIVITIES

The other activities of the Group consist of property investments and other investing activities. The latter includes centralised treasury and investments department to manage the Group's liquidity and investments. The Group's property 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.

Net profit for investment was dropped in first half of 2020 as compared to first half of 2019. The decrease in net profit was mainly due to the fair value loss on portfolio investments due to the impact of COVID-19 and the reduction in interest income from bonds due to the disposal and redemption of bonds.

The performance of Wall Street Plaza was adversely affected by COVID-19 in the first half of 2020. Based on an independent valuation, it has been re-valued downwards by US\$10 million as at 30th June 2020 to reflect an assessed market value of US\$300 million.

In the first half of 2020, 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\$0.4 million from its direct holding of Hui Xian REIT. As at 30th June 2020, the Group's total investment in Hui Xian was valued at US\$16.8 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.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2020, the Group had total liquid assets amounting to US\$2.4 billion and total indebtedness of US\$3.4 billion. Net debt as at 30th June 2020 was therefore US\$1.0 billion, which remains at the same level as in 2019 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 Notes 17 and 18 to the Financial Information.

The liquid assets of the Group are predominantly cash deposits placed with a variety of banks and with tenors ranging from overnight to up to 1 year. 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\$310.5 million as at 30th June 2020 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 2020, the Group had 10,436 full-time 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 International Ship and Port Facility Security (ISPS) Code, but also doing much more by embracing many other industry best practices and voluntary initiatives. We 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. 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.

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 various aspects of this subject.

The Group also recognises that businesses must take responsibility for their industry's effects on the environment. In our commitment to further build on our Environmental, Social and Governance (ESG) profile, we continue to engage in the United Nations' Sustainable Development Goals (SDG) across our business strategies, operation, and corporate culture. We are committed to supporting the Ten Principles of the United Nations Global Compact (UNGC) that sets out fundamental responsibilities in areas such as human rights, labour, environment and anticorruption to tackle global environmental and social challenges. 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), OOCL has achieved excellent reporting standards through the use of the Clean Cargo Working Group (CCWG) verification tool. Our Group Sustainability Report is published on an annual basis and it 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 the:

- “Fuel Efficiency Award” from Seatrade Maritime Awards Asia for our efforts in fuel savings and efficiency improvements with the input of our workforce; and
- “2019 Hong Kong Awards for Environmental Excellence (HKAEE) Gold Award” in the transport and logistics sector which recognises our excellent performance in embracing green management and innovation towards environmental sustainability.

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. Through our memberships with environment-focused organisations such as the Clean Cargo Working Group and the Business Environment Council, we are committed to doing our part in addressing climate change and environmental protection issues in countries and regions in which we operate.

In view of the latest COVID-19 situation, the Company had rolled out various measures to protect the health and safety of our employees at workplace and made necessary adjustments from time to time. A centralised platform has been set up to keep our employees updated on the latest development, as well as the respective Business Continuity Plans.

Other Information

INTERIM DIVIDEND

The Board of Directors of the Company (the “Board”) is pleased to announce an interim dividend of US4.89 cents (HK\$0.381 at the exchange rate of US\$1: HK\$7.8) per ordinary share for the six months ended 30th June 2020 to be paid on 23rd October 2020 to the shareholders of the Company whose names appear on the register of members of the Company on 22nd September 2020. 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 14th October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18th September 2020 to 22nd September 2020, 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 17th September 2020.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS

As at 30th June 2020, 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 2020:–

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

Nil.

(b) Long positions in the shares of associated corporations of the Company:

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held as personal interest	Total number of shares interested	Approximate percentage of total issued share capital of relevant class of shares of associated corporation
COSCO SHIPPING Holdings Co., Ltd.	YANG Zhijian	Beneficial owner	100,000 (H Shares)	100,000 (H Shares)	0.00388% (Note 1)
COSCO SHIPPING Development Co., Ltd.	YANG Zhijian	Beneficial owner	400,000 (H Shares)	400,000 (H Shares)	0.01088% (Note 2)
	FENG Boming	Beneficial owner	29,100 (A Shares)	29,100 (A Shares)	0.00037% (Note 2)
COSCO SHIPPING Ports Limited	FENG Boming	Beneficial owner	30,000	30,000	0.00095% (Note 3)

(c) Long positions in the underlying shares and debentures of associated corporation of the Company:

Name of associated corporation	Name of Director	Capacity	Date of grant	Exercise price per A share	Number of outstanding share options granted (Note 4)	Total number of shares interested	Approximate percentage of total issued share capital of relevant class of shares of associated corporation (Note 1)
COSCO SHIPPING Holdings Co., Ltd. (A Shares)	YANG Zhijian	Beneficial owner	29th May 2020	RMB3.50	936,000	936,000	0.00967%
	FENG Boming	Beneficial owner	29th May 2020	RMB3.50	936,000	1,466,000	0.01515%
		Interest of spouse	3rd June 2019	RMB4.10	530,000		

Notes:

- (1) The shareholding percentage in COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") was calculated on the basis of 2,580,600,000 H shares of COSCO SHIPPING Holdings in issue and 9,678,929,227 A shares of COSCO SHIPPING Holdings in issue as at 30th June 2020 (as the case may be).
- (2) The shareholding percentage in COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development") was calculated on the basis of 3,676,000,000 H shares of COSCO SHIPPING Development in issue and 7,932,125,000 A shares of COSCO SHIPPING Development in issue as at 30th June 2020 (as the case may be).
- (3) The shareholding percentage in COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") was calculated on the basis of 3,161,958,830 shares of COSCO SHIPPING Ports in issue as at 30th June 2020.
- (4) According to the terms of the Share Option Incentive Scheme of COSCO SHIPPING Holdings (the "Scheme") and its amendments approved on 18th May 2020, the Scheme is valid for 10 years from 30th May 2019 and the share options shall be vested 24 months after the date of grant (the "Vesting Period"). Subject to the fulfilment of the relevant conditions of exercise, these share options shall be exercisable in three batches after the expiry of the Vesting Period, i.e. (a) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant; (b) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant; and (c) the exercise period of 34% of the share options will commence on the first trading day after expiration of the 48-month period from the date of grant and ending on the last trading day of the 84-month period from the date of grant. Details of the Scheme are set out in the announcements dated 3rd June 2019 and 30th March 2020 of COSCO SHIPPING Holdings (A shares). No consideration was paid by the grantees for acceptance of the share options.

Save as disclosed above, as at 30th June 2020, 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 corporations (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.

Other Information

SUBSTANTIAL SHAREHOLDERS' SHARE INTERESTS

As at 30th June 2020, 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 Holding Company Ltd.	Interest of controlled corporation	38,513,150 (Note 9)	6.15%

Notes:

1. COSCO SHIPPING Holdings (Hong Kong) Limited (“COSCO SHIPPING HK”) held 100% of the shares of Faulkner Global Holdings Limited (“Faulkner”) and, accordingly, had an indirect interest in the same Shares in which Faulkner had an interest.
2. COSCO SHIPPING Holdings held 100% of the shares of COSCO SHIPPING HK and, accordingly, had an indirect interest in the same Shares in which COSCO SHIPPING HK had an interest.
3. China Ocean Shipping Company Limited (“China Ocean”) held 37.89% of the shares of COSCO SHIPPING Holdings by itself and its subsidiaries, and, accordingly, had an indirect interest in the same Shares in which COSCO SHIPPING Holdings had an interest. China COSCO SHIPPING Corporation Limited (“COSCO SHIPPING”) held 8.33% of the shares of COSCO SHIPPING Holdings. Both China Ocean and COSCO SHIPPING are state-owned enterprises established in the People’s Republic of China.
4. COSCO SHIPPING held 100% of the shares of China Ocean and, accordingly, had an indirect interest in the same Shares in which China Ocean had an interest.
5. Shanghai International Port Group (HK) Co., Ltd. (“SIPG HK”) held 100% of the shares of Shanghai Port Group (BVI) Development Co., Limited (“SIPG BVI”) and, accordingly, had an indirect interest in the same Shares in which SIPG BVI had an interest.
6. Shanghai International Port (Group) Co., Ltd. held 100% of the shares of SIPG HK and, accordingly, had an indirect interest in the same Shares in which SIPG HK had an interest.
7. Green Amber Investment Limited (“Green Amber”) held 100% of the shares of PSD Investco Inc. (“PSD”) and, accordingly, had an indirect interest in the same Shares in which PSD had an interest.
8. Silk Road Fund Co., Ltd. (“Silk Road Fund”) held 100% of the shares of Green Amber and, accordingly, had an indirect interest in the same Shares in which Green Amber had an interest.
9. Buttonwood Investment Holding Company Ltd. held 65% of the shares of Silk Road Fund and, accordingly, had an indirect interest in the same Shares in which Silk Road Fund had an interest.

Save as disclosed herein, as at 30th June 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s Shares.

PRE-EMPTIVE RIGHTS

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

Other Information

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 2020 to 30th June 2020, the Company complied with the SEHK Code, save for the following:

- **Code Provision**
 - Mr. Xu Lirong, Chairman of the Board, did not attend the annual general meeting of the Company held on 15th May 2020 due to prior business engagement and delegated to Mr. Chow Philip Yiu Wah to chair the meeting.
- **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 2020 to 30th June 2020.

Changes of Directors, Chief Executive Officer and Company Secretary

There were the following changes to the Board, the Chief Executive Officer and the Company Secretary of the Company during the six-month period ended 30th June 2020:

- Mr. Wang Haimin resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 10th August 2020;
- Mr. Huang Xiaowen was appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 10th August 2020;
- Ms. Lammy Lee retired as the Company Secretary of the Company with effect from 5th August 2020; and
- Mr. Xiao Junguang was appointed as the Company Secretary of the Company with effect from 5th August 2020.

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. YANG Zhijian
Mr. FENG Boming

Non-Executive Directors

Mr. TUNG Lieh Cheung Andrew
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 changes of Directors' information since the date of the 2019 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. FENG Boming, an Executive Director of the Company, ceased to be a director of COSCO SHIPPING Bulk Co., Ltd. on 28th May 2020 and a non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed in both Shanghai and Hong Kong) on 22nd June 2020. Mr. Feng was appointed as a non-executive director of Qingdao Port International Co., Ltd. (a company listed in both Shanghai and Hong Kong) on 10th June 2020.

Mr. IP Sing Chi, a Non-Executive Director of the Company, ceased to be an independent non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed in both Shanghai and Hong Kong) on 22nd June 2020.

Ms. CUI Hongqin, a Non-Executive Director of the Company, was appointed as the chairman of the board of Rongshi International Holding Company Limited on 15th June 2020.

Dr. CHUNG Shui Ming Timpson, an Independent Non-Executive Director of the Company, ceased to be an independent non-executive director of Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (a company listed in Hong Kong) on 9th June 2020.

Mr. YANG Liang Yee Philip, an Independent Non-Executive Director of the Company, was appointed as an independent non-executive director of COSCO SHIPPING Ports Limited (a company listed in Hong Kong) on 29th April 2020.

Ms. CHEN Ying, an Independent Non-Executive Director of the Company, was appointed as an independent director of China Shipbuilding Industry Company Limited (a company listed in Shanghai) on 11th August 2020.

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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 16 to 38, 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 2020 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, 21st August 2020

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2020

US\$'000	Note	2020	2019
Revenue	5	3,430,496	3,300,533
Operating costs		(3,005,815)	(2,897,848)
Gross profit		424,681	402,685
Other operating income		46,601	43,402
Business and administrative expenses		(300,128)	(276,743)
Other (losses)/gains, net		(16,080)	28,939
Operating profit	6	155,074	198,283
Finance costs	8	(55,895)	(82,124)
Share of profits of joint ventures		1,587	2,115
Share of profits of associated companies		4,288	6,088
Profit before taxation		105,054	124,362
Taxation	9	(2,889)	(7,629)
Profit for the period from continuing operations		102,165	116,733
Discontinued operation:			
Profit for the period from discontinued operation	12	–	22,245
Profit for the period		102,165	138,978
Profit attributable to:			
Equity holders of the Company		102,082	138,978
Non-controlling interests		83	–
		102,165	138,978
Earnings per ordinary share (US cents)	10		
From continuing operations		16.3	18.7
From discontinued operation		–	3.5
Basic and diluted		16.3	22.2

The notes on pages 22 to 38 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June 2020

US\$'000	2020	2019
Profit for the period	102,165	138,978
Other comprehensive (loss)/income:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement losses on defined benefit schemes	(10,278)	(629)
Investments at fair value through other comprehensive income		
Change in fair value	(7,820)	(8,095)
Total items that will not be subsequently reclassified to profit or loss	(18,098)	(8,724)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
Foreign subsidiaries	(3,719)	(316)
Associated companies	(1,974)	(189)
Joint ventures	(54)	35
Release of reserve upon step acquisition from joint venture to subsidiary	652	-
Total items that have been reclassified or may be reclassified subsequently to profit or loss	(5,095)	(470)
Other comprehensive loss for the period, net of tax	(23,193)	(9,194)
Total comprehensive income for the period	78,972	129,784
Total comprehensive income attributable to:		
Equity holders of the Company	78,876	129,784
Non-controlling interests	96	-
	78,972	129,784

The notes on pages 22 to 38 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2020

US\$'000	Note	30th June 2020	31st December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,365,386	3,162,424
Right-of-use assets	13	2,536,072	2,830,674
Investment property	13	300,000	310,000
Investments in joint ventures and associated companies		140,972	147,828
Intangible assets	13	23,204	30,824
Deferred taxation assets		6,259	5,083
Restricted bank balances		337	56,795
Investments at fair value through other comprehensive income		7,874	15,694
Investments at amortised cost		118,869	147,420
Other non-current assets		63,060	49,371
		6,562,033	6,756,113
Current assets			
Inventories		118,649	113,485
Debtors and prepayments	14	578,327	656,122
Amounts due from related parties		38,550	12,146
Investments at amortised cost		64,434	43,886
Portfolio investments at fair value through profit or loss		127,171	152,923
Tax recoverable		7,860	8,121
Restricted bank balances		59,472	3,499
Cash and bank balances		2,050,340	3,455,570
		3,044,803	4,445,752
Total assets		9,606,836	11,201,865
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	4,778,963	4,864,828
		4,841,542	4,927,407
Non-controlling interests		216	-
Total equity		4,841,758	4,927,407

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2020

US\$'000	Note	30th June 2020	31st December 2019
LIABILITIES			
Non-current liabilities			
Borrowings	17	929,016	1,033,141
Lease liabilities	18	1,879,563	2,309,083
Deferred taxation liabilities		146,745	150,479
Pension and retirement liabilities		17,686	11,494
		2,973,010	3,504,197
Current liabilities			
Creditors and accruals	19	1,124,373	1,034,577
Amounts due to related parties		17,559	38,028
Borrowings	17	199,630	394,996
Lease liabilities	18	401,717	253,869
Current taxation		48,789	47,522
Dividend payable		–	1,001,269
		1,792,068	2,770,261
Total liabilities		4,765,078	6,274,458
Total equity and liabilities		9,606,836	11,201,865

Huang Xiaowen
Yang Zhijian
Directors

The notes on pages 22 to 38 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2020

US\$'000	2020	2019
Cash flows from operating activities		
Cash generated from operations	519,449	451,253
Interest and financing charges paid	(47,432)	(95,651)
Income tax paid	(7,010)	(6,422)
Net cash from operating activities	465,007	349,180
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets and decrease in portfolio investments at fair value through profit or loss	35,971	55,769
Purchase of property, plant and equipment and other non-current assets	(184,876)	(74,380)
Acquisition of a subsidiary	2,924	-
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months	68,011	(572,307)
Interest received	36,883	30,325
Movements of other investing activities	15,402	5,614
Net cash used in investing activities	(25,685)	(554,979)
Cash flows from financing activities		
Drawdown of loans	99,550	151,692
Repayment of loans	(400,825)	(577,749)
Repayment of lease liabilities	(304,169)	(173,415)
Dividends paid to equity holders of the Company	(1,168,293)	-
Capital contribution from non-controlling interests	120	-
Net cash used in financing activities	(1,773,617)	(599,472)
Net decrease in cash and cash equivalents	(1,334,295)	(805,271)
Cash and cash equivalents at beginning of period	2,272,570	1,584,465
Net change in cash and cash equivalents of disposal group classified as held for sale	-	(1,397)
Currency translation adjustments	(3,409)	526
Cash and cash equivalents at end of period	934,866	778,323
Analysis of cash and cash equivalents		
Cash and bank balances	2,050,340	1,302,713
Bank deposits maturing more than three months from the date of placement	(1,115,474)	(524,390)
Cash and cash equivalents at end of period	934,866	778,323

The notes on pages 22 to 38 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2020

US\$'000	Equity holders			Non-controlling interests	Total
	Share capital	Reserves	Sub-total		
Balance at 1st January 2020	62,579	4,864,828	4,927,407	-	4,927,407
Total comprehensive income for the period	-	78,876	78,876	96	78,972
Transactions with owners					
Employee share-based compensation	-	2,283	2,283	-	2,283
2019 final dividend	-	(16,834)	(16,834)	-	(16,834)
2019 special dividend	-	(150,190)	(150,190)	-	(150,190)
Capital contribution from non-controlling interests	-	-	-	120	120
Balance at 30th June 2020	62,579	4,778,963	4,841,542	216	4,841,758
Balance at 1st January 2019	62,579	4,626,245	4,688,824	-	4,688,824
Total comprehensive income for the period	-	129,784	129,784	-	129,784
Transactions with owners					
Employee share-based compensation	-	356	356	-	356
2018 final dividend	-	(48,181)	(48,181)	-	(48,181)
Balance at 30th June 2019	62,579	4,708,204	4,770,783	-	4,770,783

The notes on pages 22 to 38 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”).

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

This interim financial information was approved by the Board of Directors on 21st August 2020.

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 and portfolio investments at fair value through profit or loss which are carried at fair value and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “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 2019 except for the adoption of amendments to existing standards effective for the financial year ending 31st December 2020.

The adoption of revised standards

In 2020, the Group adopted the following amendments to existing standards below, which are relevant to its operations.

Amendments to existing standards	
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business

The adoption of the above amendments to existing standards does not have a material impact on the Group.

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
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions	1st June 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 HKFRS 16 (Amendment), HKFRS 17 and HKFRS 10 and HKAS 28 (Amendments) 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 2019.

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 2020:

US\$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	24,556	–	24,556
Debt securities	102,615	–	102,615
Investments at fair value through other comprehensive income			
Other investments	–	7,874	7,874
Total assets	127,171	7,874	135,045

The following table presents the Group's financial assets that are measured at fair value at 31st December 2019:

US\$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	37,673	–	37,673
Debt securities	115,250	–	115,250
Investments at fair value through other comprehensive income			
Other investments	–	15,694	15,694
Total assets	152,923	15,694	168,617

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

Specific valuation techniques used to value level 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 comprise unlisted equity securities classified as investments at fair value through other comprehensive income.

Notes to the Interim Financial Information

3. Financial Risk Management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments:

	US\$'000
At 1st January 2020	15,694
Fair value change recognised in other comprehensive income	(7,820)
At 30th June 2020	7,874
	US\$'000
At 1st January 2019	24,422
Currency translation adjustments	11
Disposals	(848)
Fair value change recognised in other comprehensive income	(8,095)
At 30th June 2019	15,490

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

	Carrying amounts		Fair values	
	30th June 2020	31st December 2019	30th June 2020	31st December 2019
Investments at amortised cost	183,303	191,306	192,187	199,305

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
- 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 2019.

5. Revenue

US\$'000	2020	2019
Container transport and logistics	3,416,666	3,287,572
Others	13,830	12,961
	3,430,496	3,300,533

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	2020 Continuing operations	2019 Continuing operations	Discontinued operation
Operating profit is arrived at after crediting:			
Interest income from banks	28,182	22,093	1,008
Interest income from investments at amortised cost	4,032	5,103	–
Gross rental income from an investment property	13,830	12,961	–
Dividend income from investments at fair value through other comprehensive income	7,903	7,900	–
Fair value gain on foreign exchange forward contracts	85	1,436	–
Gain on bunker price derivative contracts	–	5,538	–
Gain on disposal of property, plant and equipment	4,453	4,743	–
Income from portfolio investments at fair value through profit or loss			
Fair value gain (realised and unrealised)	–	17,105	–
Interest income	2,348	6,619	–
Distribution	392	549	–
Dividend income	103	246	–
Reversal of impairment on investments at amortised cost	–	2,260	–
Exchange gain	–	1,127	–
and after charging:			
Fair value loss from an investment property	10,000	–	–
Provision for impairment on trade receivables	22,361	6,276	8
Loss on written-off of right-of-use assets	58	–	–
Loss on written-off of intangible assets	–	3,270	–
Fair value loss on portfolio investments at fair value through profit or loss (realised and unrealised)	7,322	–	–
Loss on step acquisition from joint venture to subsidiary	164	–	–
Exchange loss	3,238	–	–

Notes to the Interim Financial Information

7. Key Management Compensation

US\$'000	2020	2019
Salaries and other employee benefits	4,811	2,911
Estimated money value of other benefits	15	20
Pension costs – defined contribution plans	432	271
Share-based compensation	320	5
	5,578	3,207

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	2020	2019
Interest expense		
Bank loans	16,317	33,271
Lease liabilities	39,928	48,853
	56,245	82,124
Amount capitalised under assets under construction	(350)	–
Net interest expense	55,895	82,124

9. Taxation

US\$'000	2020	2019
Current taxation		
PRC enterprise income tax	2,423	1,988
Hong Kong profits tax	(249)	243
Overseas taxation	5,710	2,445
	7,884	4,676
Deferred taxation		
PRC enterprise income tax	(488)	(742)
Hong Kong profits tax	(14)	(28)
Overseas taxation	(4,493)	3,723
	(4,995)	2,953
	2,889	7,629

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 35% (2019: 5% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2019: 16.5%).

10. Earnings Per Ordinary Share

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

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

	2020	2019
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to equity holders of the Company (US\$'000)	102,082	116,733
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	16.3	18.7
Group's profit from discontinued operation attributable to equity holders of the Company (US\$'000)	-	22,245
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	-	3.5

11. Dividends

US\$'000	2020	2019
Interim dividend: US4.89 cents (2019: US6.66 cents) per ordinary share	30,601	41,678

The Board of Directors declared a special dividend of US\$1,001.3 million on 6th December 2019. The declared special dividend was paid on 3rd February 2020.

The final and special dividends for 2019 of US\$16.8 million and US\$150.2 million respectively have been accounted for as an appropriation of retained profit in the six months ended 30th June 2020.

The Board of Directors declares the payment of an interim dividend of US4.89 cents (2019: US6.66 cents) per ordinary share for 2020 on 21st August 2020.

12. Discontinued Operation

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 Long Beach Container Terminal ("U.S. Terminal Business"), for a consideration of US\$1,780.0 million (subject to certain post-completion adjustments). The sale was completed on 24th October 2019.

Analysis of the results and cash flows of the U.S. Terminal Business for the six months ended 30th June 2019 is as follows:

(a) Results

US\$'000	2019
Revenue	67,612
Other operating income	1,008
	68,620
Operating profit	44,932
Finance costs	(22,687)
Profit for the period	22,245

Note:

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. The inter-company profits are presented under continuing operations.

Notes to the Interim Financial Information

12. Discontinued Operation (Continued)

(b) Cash flows

US\$'000	2019
Operating cash flows	80,356
Investing cash flows	(2,553)
Financing cash flows	(76,406)
Total cash flows	1,397

13. Capital Expenditure

US\$'000	Property, plant and equipment	Right-of-use assets	Investment property	Intangible assets	Total
Net book amounts					
At 1st January 2020	3,162,424	2,830,674	310,000	30,824	6,333,922
Currency translation adjustments	(672)	(865)	-	(1)	(1,538)
Fair value loss	-	-	(10,000)	-	(10,000)
Additions	159,612	17,335	-	1,998	178,945
Acquisition of a subsidiary*	33	225	-	-	258
Reclassification, disposals/written off	156,210	(211,369)	-	-	(55,159)
Depreciation and amortisation	(112,221)	(99,928)	-	(9,617)	(221,766)
At 30th June 2020	3,365,386	2,536,072	300,000	23,204	6,224,662
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, disposals/written off	45,572	(52,830)	-	(3,270)	(10,528)
Classified as assets held for sale	(36,019)	-	-	-	(36,019)
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

* During the six months ended 30th June 2020, the Group acquired the remaining interest of a joint venture and the company became a subsidiary of the Group.

14. Debtors and Prepayments

US\$'000	30th June 2020	31st December 2019
Trade receivables	366,787	396,007
Less: Provision for impairment	(56,910)	(34,837)
Trade receivables – net	309,877	361,170
Other debtors	101,248	134,034
Other prepayments	151,754	146,037
Utility and other deposits	15,448	14,881
	578,327	656,122

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 2020	31st December 2019
Below one month	219,953	273,168
Two to three months	79,786	75,440
Four to six months	6,934	8,224
Over six months	3,204	4,338
	309,877	361,170

15. Share Capital

US\$'000	30th June 2020	31st December 2019
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

Notes to the Interim Financial Information

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 1st January 2020	172,457	2,651	88,547	4,696	14,488	22,977	4,559,012	4,864,828
Total comprehensive income/(loss) for the period	-	-	-	-	(7,820)	(5,108)	91,804	78,876
Transactions with owners								
Employee share-based compensation	-	2,283	-	-	-	-	-	2,283
2019 final dividend	-	-	-	-	-	-	(16,834)	(16,834)
2019 special dividend	-	-	-	-	-	-	(150,190)	(150,190)
Balance at 30th June 2020	172,457	4,934	88,547	4,696	6,668	17,869	4,483,792	4,778,963
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

17. Borrowings

US\$'000	30th June 2020	31st December 2019
Non-current		
Bank loans		
Secured	737,377	921,503
Unsecured	191,639	111,638
	929,016	1,033,141
Current		
Bank loans		
Secured	160,308	355,525
Unsecured	39,322	39,471
	199,630	394,996
Total borrowings	1,128,646	1,428,137

18. Lease Liabilities

US\$'000	30th June 2020	31st December 2019
Non-current	1,879,563	2,309,083
Current	401,717	253,869
	2,281,280	2,562,952

19. Creditors and Accruals

US\$'000	30th June 2020	31st December 2019
Trade payables	162,532	202,306
Other creditors	143,711	168,643
Accrued expenses	778,376	612,662
Contract liabilities and deferred revenue	39,754	50,966
	1,124,373	1,034,577

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

US\$'000	30th June 2020	31st December 2019
Below one month	117,534	143,714
Two to three months	34,670	49,498
Four to six months	4,924	2,707
Over six months	5,404	6,387
	162,532	202,306

20. Commitments

(a) Capital commitments – Property, plant and equipment

US\$'000	30th June 2020	31st December 2019
Contracted but not provided for	785,533	1,699

(b) Capital commitments – Investment in an associated company

US\$'000	30th June 2020	31st December 2019
Contracted but not provided for	4,139	4,937

Notes to the Interim Financial Information

20. Commitments (Continued)

(c) Lease commitments

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

US\$'000	Vessels and equipment	Land and buildings	Total
At 30th June 2020			
Less than 1 year	74,116	1,073	75,189
Between 1 and 2 years	6,403	–	6,403
Between 2 and 5 years	11,509	–	11,509
Over 5 years	6,627	–	6,627
	98,655	1,073	99,728
<hr/>			
US\$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2019			
Less than 1 year	41,835	1,679	43,514
Between 1 and 2 years	2,332	–	2,332
Between 2 and 5 years	1,047	–	1,047
	45,214	1,679	46,893

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.

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 its related parties during the period.

21. Significant Related Party Transactions (Continued)

(a) Transactions with COSCO SHIPPING Group and related entities of COSCO SHIPPING (including joint ventures and associated companies)

US\$'000	2020	2019
Income		
Container transport income	44,149	49,272
Freight forwarding income	1,788	732
Terminal handling and storage income	1,682	19,123
Rental income		
Vessels	7,064	3,259
Containers	3,990	3,349
IT service income	16,083	652
Interest income	10	26
Expenses		
Cargo transportation costs	56,735	37,569
Freight forwarding expenses	7,866	3,678
Terminal charges (note ii)	56,769	46,700
Expenses relating to short-term leases and leases with low-value assets		
Vessels	35,534	21,433
Containers	1,138	3,168
Land and buildings	201	176
Slot hire expenses	29,193	31,844
Purchase of bunker	75,707	119,820
Crew expenses	517	587
Management service fee	150	–
Others		
Purchase of containers	25,845	–
Instalments of vessels under construction	77,840	–

(b) Transactions with joint ventures of the Group

US\$'000	2020	2019
Income		
Container transport income	69	97
Expenses		
Cargo transportation costs	3,394	3,240

Notes to the Interim Financial Information

21. Significant Related Party Transactions (Continued)

(c) Transactions with other related parties

US\$'000	2020	2019
Income		
Container transport income	2,769	3,725
Expenses		
Cargo transportation costs	8,256	8,984
Freight forwarding expenses	2	73
Terminal charges	15,524	18,440
Expenses relating to short-term leases and leases with low-value assets		
Containers	12	62
Slot hire expenses	-	365

Notes:

- (i) 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 the parties in concern.
- (ii) Terminal charges of US\$37.5 million (2019: US\$33.9 million) were transacted with the associated companies of COSCO SHIPPING during the six months ended 30th June 2020.

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 2020 are as follows:

US\$'000	Continuing operations		
	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
At a point in time	224,843	–	224,843
Over time	3,191,823	–	3,191,823
	3,416,666	–	3,416,666
Revenue from other source:			
Rental income	–	13,830	13,830
	3,416,666	13,830	3,430,496
Other operating income	25,087	21,514	46,601
	3,441,753	35,344	3,477,097
Operating profit	152,121	2,953	155,074
Finance costs	(55,895)	–	(55,895)
Share of profits of joint ventures	1,587	–	1,587
Share of profits of associated companies	4,288	–	4,288
Profit before taxation	102,101	2,953	105,054
Taxation	(5,425)	2,536	(2,889)
Profit for the period	96,676	5,489	102,165
Fair value loss from an investment property	–	(10,000)	(10,000)
Capital expenditure	178,944	1	178,945
Depreciation of property, plant and equipment	112,215	6	112,221
Depreciation of right-of-use assets	99,928	–	99,928
Amortisation	9,617	–	9,617

Notes to the Interim Financial Information

22. Segment Information (Continued)

Operating segments (Continued)

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

US\$'000	Continuing operations			Discontinued operation*	Total
	Container transport and logistics	Others	Sub-total		
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	(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	(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

* The amount of revenue for discontinued operation is presented after eliminating inter-segment revenue of US\$105.9 million for the six months ended 30th June 2019.

22. Segment Information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 30th June 2020 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	7,981,458	1,481,533	9,462,991
Joint ventures	7,596	–	7,596
Associated companies	136,249	–	136,249
Total assets	8,125,303	1,481,533	9,606,836
Segment liabilities	(4,610,613)	(154,465)	(4,765,078)

The segment assets and liabilities at 31st December 2019 are as follows:

US\$'000	Container transport and logistics	Others	Group
Segment assets	9,478,546	1,574,690	11,053,236
Joint ventures	10,964	–	10,964
Associated companies	137,665	–	137,665
Total assets	9,627,175	1,574,690	11,201,865
Segment liabilities	(5,115,615)	(1,158,843)	(6,274,458)

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 investment property and corporate level activities.

Notes to the Interim Financial Information

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 2020		
Continuing operations		
Asia	2,401,394	25,595
Europe	569,857	639
North America	368,296	329
Australia	90,949	13
Unallocated*	–	152,369
	3,430,496	178,945
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

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