Orient Overseas (International) Limited

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

INTERIM REPORT 2021

Contents

Chairman's Statement

I am pleased to report that, in a time of unprecedented market conditions, and despite a seemingly endless flow of operational challenges, Orient Overseas (International) Limited ("OOIL") and its subsidiaries (the "Group") achieved a profit attributable to shareholders of US$2,810.9 million for the six-month period ended 30th June 2021 (2020: US$102.1 million). This is the highest profit for a six-month period ever attained by the Group. The profit per ordinary share for the first half of 2021 was US442.4 cents, compared to US16.3 cents in the first half of 2020. The Board of Directors is pleased to announce an interim dividend of US$1.76 (2020: US4.89 cents) per ordinary share and a special dividend of US$2.65 (2020: nil) per ordinary share.

There can be no doubt that this is an outstandingly strong performance, driven by market conditions, and made possible by the responsiveness, preparations, skills and dedication of our staff.

After the lockdowns that immediately followed the onset of the COVID-19 pandemic in early 2020, we started to see signs of reopening and economic recovery as from the middle of last year, led at first by China and other Asian economies and then joined by other nations. This trend has continued very strongly throughout this reporting period. Demand in key importing economies has been considerably stronger than forecast, especially on Trans-Pacific routes. We have worked hard to inject additional capacity into key routes on our network in order to provide further space for our customers, and we continue to do so. Our customer relationships are hugely important to us. Not only have we been able to offer additional slots to our customers on busy tradelanes, but we have always prioritised respecting the contractual commitments we have with our customers, even during this extraordinary time, because we believe this to be a key factor in maintaining the long-term success of our business.

However, even with this increase in nominal supply, the level of total effective supply has been under severe pressure as a result of a long list of operational challenges, occurring all over the world, for different reasons and at different times. During the period we have seen port congestion, bad weather delays, labour disputes, shortages of truckers, the Suez Canal incident, insufficient rail capacity, empty box shortages in key locations, quarantine/social distancing in terminals, depots, yards, and for vessel crew, and a range of other difficulties. All these have combined to slow down the velocity of circulation of container boxes across the network, as well to slow down the progress of container ships travelling from port to port. The global container shipping system is one large, interconnected network: any material disruption rarely has only a localised effect, but rather has a ripple effect around the world.

Despite our efforts to increase capacity, supply and demand have been in severe imbalance as a result of both stronger-than-expected demand and also the numerous operational challenges.

These market forces have put upward pressure on freight rates on most tradelanes, and it is these market forces, in addition to our usual careful attention to cost control, that have driven the strong profitability that has been achieved during the period. It is important for shareholders to note that not only is this a record profit for us in a six-month period, but that profitability improved consistently during the first half of the year. At the time of writing, there is no change in this trend, with continuing demand growth and persistent operational challenges.

I would like to pay tribute to our entire staff, who have helped to overcome numerous obstacles during the period by embodying the *We Take it Personally* spirit that is a hallmark of our Group. From the sales teams trying to help meet customer demand, to network planners and operations staff adapting to constant changes arising through operational problems, and all other departments, each playing their essential part in working so hard to create the best outcome for all our stakeholders in these extraordinary market conditions.

In addition, I want to make special mention of our seafarers, who have played an immeasurably valuable role in supporting the supply chain of food, medicines, PPE and all other goods during the pandemic. They have, at times, faced difficulties and delays in returning home at the end of their contracts, and in obtaining vaccines against COVID-19. Our view is that supporting our seafarers is a key part of the social responsibilities of ESG, and, as signatories of the Neptune Declaration, not only do we want to express our most sincere gratitude to sea staff, but we want to encourage all parties to do what is necessary to resolve the challenges that make crew change and crew vaccination less easy than they could be.

Our overall cost structure remains well controlled. While container shipping does benefit from a considerable operating leverage effect, we did face increases in certain costs as a result of congestion, delays and increases in chartering costs and box hire. However, the effect of this needs to be balanced against the much improved revenue levels. Fuel prices did rise throughout the period, and certainly compared to last year, but remain within a relatively narrow range and far below historic highs. Our bottom line has also been helped by a low interest rate environment and by a continued reduction in the Group's debt.

OOIL continues to benefit from its co-operation with the wider COSCO SHIPPING Group. The many synergies achieved through our joint efforts are one of the underpinning drivers of our highly successful Dual Brand strategy. We were able to obtain additional space to offer to our customers by means of taking extra slots on COSCO SHIPPING Lines' services, including extra loaders, and we have suffered fewer problems of box availability than most liner companies, thanks to our shared container box fleet with COSCO SHIPPING Lines, and to the power of our joint procurement programmes.

Looking forward, the signs remain positive. Demand appears to be at healthy levels, with global GDP forecasts remaining strong, at 6.0% for 2021. We note that US data shows US GDP already back to above pandemic levels, and very importantly it still shows retail-sector inventory-to-sales ratios at historic lows, which means that there is an ongoing need for a high level of imports to satisfy local demand. The network continues to see multiple operational disruptions, reducing the ability of container shipping companies to satisfy the strong levels of customer demand. Longer-term, supply side growth, in terms of newbuildings, is relatively low for the remainder of 2021 and in 2022. We monitor the market continually for early signs of any change in circumstances, but for the time being, it would appear that the outlook for the remainder of 2021 and the early part of 2022 seems promising. Beyond that, in this time of COVID-19 and of the early stages of economy recovery, it is simply impossible to predict. However, we are confident of our long-term future, and of our ability to perform well in the new environment, whatever challenges it may throw at us.

OOIL, as part of the COSCO SHIPPING Group, continues to be at the forefront of container shipping. We are broadening our network, aiming to provide the best customer service, and developing more and more end-to-end capabilities. 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. As a key part of one of the world's leading container shipping groups, with the scale and capability to provide the best network for our customers, we will continue to be a *Vital Link to World Trade*.

Captain Xu Lirong
Chairman

20th August 2021

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2021, Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to equity holders of US$2,810.9 million compared to US$102.1 million for the corresponding period of 2020.

OOIL INTERIM RESULTS ANALYSIS

US$'000	2021	2020
Profit Before Taxation by Activity:		
Container Transport and Logistics	**2,823,254**	102,101
Other Activities	**12,674**	2,953
Profit Before Taxation	**2,835,928**	105,054
Taxation	**(24,872)**	(2,889)
Profit for the Period Ended 30th June	**2,811,056**	102,165
Non-Controlling Interests	**(199)**	(83)
Profit Attributable to Equity Holders	**2,810,857**	102,082

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

CONTAINER TRANSPORT

The first half of 2021 produced the best six-monthly result in the Group's history. Compared to the same period in 2020, OOCL's total liner liftings for the first half of 2021 increased by 19%, total revenue increased by 108%, and revenue per TEU increased by 74%.

These outcomes were driven by a combination of (1) strong demand from customers and (2) severe downward pressure on effective supply. Demand was boosted, especially in the US, by economies starting to recover from the effect of lockdowns caused by COVID-19. In terms of supply, various disruptions occurred across the entire network, including for example port congestion, vessel incidents, and labour shortages, all of which added further pressure to the already stretched supply of container vessels, container boxes, trucking and chassis. These market conditions led inexorably to a significant increase in freight rates.

Trans-Pacific Trade

Trans-Pacific liftings increased by 17% compared to the same period in 2020, with revenues increasing by 88%. Revenue per TEU improved by 61%. In the Trans-Pacific Eastbound, liftings for the first half of 2021 increased by 28% compared with the same period last year. Revenues increased by 112% and the revenue per TEU increased by 66%. In the Trans-Pacific Westbound, although there was a 1% reduction in the liftings for the first half of 2021, revenues and revenue per TEU increased by 12% and 13% respectively.

The Trans-Pacific trade has performed very strongly as the US economy seems to have been more resilient than anticipated to the effects of COVID-19 lockdowns, and to have recovered more quickly and more strongly. Demand was assisted by US government stimulus, as well as by a shift from spending on services to spending on goods, as a result of lockdowns limiting consumption choices. Despite wholesalers and retailers' efforts to re-stock following better-than-expected sales, inventory-to-retail sales levels continued to be at very low levels throughout the period, and remain so at the time of writing.

The new Trans-Pacific contract rates agreed for 2021-2022 increased year-on-year, in some cases significantly, as a result of these same market conditions. This year also saw increasing interest from our customer base and the market as a whole in longer-term contracts. Although these represent only a small portion of the total contracts negotiated, for those customers who have chosen this route and also for shipping companies, this provides increased future stability on a portion of business.

Asia/Europe Trade

The Asia/Europe trade performed very well, with liftings increasing by 20% and revenues by 183%, resulting in a 137% increase in revenue per TEU.

For much of the period, several of the key ports in Europe were heavily congested, which then spilled over into other ports. This resulted in significant delays to vessel schedules. The Suez Canal incident back in March created significant disruption in the supply chain, not only during the period when the Ever Given was blocking the canal, but also for months thereafter, leading to delayed vessels and a slowdown in the movement of laden container boxes to Europe, and then empty boxes heading back to Asia.

For the Asia-Europe Westbound headhaul, liftings in the first half of 2021 increased by 22%, and revenue per TEU increased by 221%. For the Asia-Europe Eastbound backhaul, liftings in the first half of 2021 increased by 15%, revenues increased by 49% and revenue per TEU increased by 30%.

Trans-Atlantic Trade

The Trans-Atlantic trade started the period more slowly than the other, larger East West routes. However, towards the end of the first half, the pickup became increasingly strong. Liftings on this tradelane remain at a similar level to the first half of 2020, whereas both revenue and revenue per TEU have increased by 36%. This reflects a similar (if delayed) dynamic to what we saw elsewhere, with terminal congestion (e.g. in Montreal and European hub ports) combining with better-than-forecast demand to create a strong rate environment.

Intra-Asia/Australasia Trade

Overall liftings increased by 24% on Intra-Asia (including Australasia) trades for the first half of 2021, revenues increased by 101% and the revenue per TEU increased by 61%.

In line with what was seen on the main East West routes, the Intra-Asia and Australasia tradelanes suffered from significant disruption. In addition to the well-known congestion in Yantian, which had and continues to have a global effect, these tradelanes had to contend with congestion in key South East Asian hubs, as well as in several ports in Australia and New Zealand.

Demand was stronger than expected, and in combination with pressure on effective supply caused by congestion, equipment availability and other issues, resulted in very strong operating performances, particularly on Middle Eastern, Indian Sub-Continent and Australasian routes.

Bunker Cost

The average price of bunker recorded by OOCL in the first half of 2021 was US$449 per ton compared with US$424 per ton for the corresponding period in 2020. The price increase, in combination with increased consumption in fuel oil and diesel oil led to an increase in total bunker costs of 26% for the first half of 2021 when compared to the corresponding period in 2020.

Bunker prices increased as the first signs of a global economic recovery emerged, in line with improving growth forecasts and the rollout of successful vaccination programmes.

LOGISTICS

For the first half of 2021, OOCL Logistics revenue and contribution increased significantly as compared with the same period last year.

The contribution from all business units recorded healthy increases, with International Business Units more than doubling their performance, as business volume handled improved significantly year on year. While Domestic Logistics continues to face fierce competition, the business unit achieved a revenue increase of over 15%.

Looking forward, building on our successful depot expansion in the last two years, we shall continue to grow our depot footprint in South East Asia. In terms of regional development, logistics capabilities will be further strengthened in various locations around the globe, in order to further enhance long-term competitive advantages for the Group.

VESSELS

In the first half of 2021, no new-build container vessel was delivered, and no new order was placed by the Group. The twelve 23,000 TEU container vessels ordered by the Group in 2020 are expected to be delivered starting 2023.

OTHER ACTIVITIES

The other activities of the Group consist of property investments and other investing activities. The latter includes a centralised treasury department that manages the Group's liquidity and investments. The Group's property investments include its long-standing ownership of Wall Street Plaza, and a 0.5% direct holding in Hui Xian REIT, the first RMB – denominated REIT listed in Hong Kong.

Based on an independent valuation as at 30th June 2021, the assessed market value of Wall Street Plaza remained at US$280.0 million.

In the first half of 2021, 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$6.7 million. In addition, the Group also received a distribution of US$0.3 million from its direct holding of Hui Xian REIT. As at 30th June 2021, the Group's total investment in Hui Xian was valued at US$8.1 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 2021, the Group had total liquid assets amounting to US$5.2 billion and total indebtedness of US$3.0 billion. Net cash as at 30th June 2021 was therefore US$2.2 billion, compared to a net cash of US$0.3 billion in 2020 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 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$198.5 million as at 30th June 2021 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 2021, the Group had 10,593 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 to 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 becomes 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.

OOCL signed the Gulf of Guinea Declaration on Suppression of Piracy, demanding that no seafarer should face the grave risks of kidnapping and violence when working in the Gulf of Guinea. We recognise the important steps taken and positive initiatives underway by coastal States in the region. We urge stakeholders to sign this pledge and join together in a coalition to end the threat of piracy in the Gulf of Guinea.

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 Quality Assurance (LRQA), 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. To continue with our commitment in aligning with international sustainability guidelines and principles, the report is prepared with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Standards and based on the reporting principles of materiality, quantitative, consistency and balance, which have been set out in the Environmental, Social and Governance (ESG) Reporting Guide on The Stock Exchange of Hong Kong Limited, Appendix 27 of Main Board Listing Rules.

Our report has been assured by the independent business assurance service provider, LRQA with respect to the extent of its coverage and information provided with reference to our adopted reporting standards. In doing so, this demonstrates our commitment to high standards in governance, credibility and transparency.

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, 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 in the 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.

In February, OOCL was pleased to sign the Neptune Declaration on Seafarer Wellbeing and Crew Change – an industry-wide initiative which calls for global action to remove crew change barriers and support the health, safety and well-being of seafarers around the world during the COVID-19 global health crisis. We believe this is a key part of the Social responsibilities of ESG, and we strongly urge stakeholders to take all necessary action to support Seafarers, who have played a vital and indispensable role in supporting the supply chain of food, medicines, PPE and all other goods during the pandemic.

INTERIM AND SPECIAL DIVIDENDS

The Board of Directors of the Company (the "Board") is pleased to announce an interim dividend of US$1.76 (HK$13.728 at the exchange rate of US$1: HK$7.8) per ordinary share and a special dividend of US$2.65 (HK$20.670 at the exchange rate of US$1: HK$7.8) for the six months ended 30th June 2021 to be paid on 8th October 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 8th September 2021. 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 29th September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6th September 2021 to 8th September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and the special dividends, 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 3rd September 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2021, the issued share capital of the Company consisted of 637,193,297 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 2021:–

(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)*
	FENG Boming	Interest of spouse	–	114,900 (A Shares)	0.00118% *(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	32,379	32,379	0.00098% *(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	0.00961%
	FENG Boming	Beneficial owner	29th May 2020	RMB3.50	936,000	1,291,100	0.01326%
		Interest of spouse	3rd June 2019	RMB4.10	355,100		

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 9,735,398,889 A shares of COSCO SHIPPING Holdings in issue as at 30th June 2021 (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 2021 (as the case may be).

(3) The shareholding percentage in COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") was calculated on the basis of 3,315,296,374 shares of COSCO SHIPPING Ports in issue as at 30th June 2021.

(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 2021, 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' INTERESTS

As at 30th June 2021, the following persons (other than the Directors or the Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested (Long position)	Percentage
Faulkner Global Holdings Limited	Beneficial owner	469,344,972	73.66%
COSCO SHIPPING Holdings (Hong Kong) Limited	Interest of controlled corporation	469,344,972 *(Note 1)*	73.66%
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	469,344,972 *(Note 2)*	73.66%
China Ocean Shipping Company Limited	Interest of controlled corporation	469,344,972 *(Note 3)*	73.66%
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	469,344,972 *(Notes 3 & 4)*	73.66%
Shanghai Port Group (BVI) Development Co., Limited	Beneficial owner	59,930,036	9.41%
Shanghai International Port Group (HK) Co., Ltd.	Interest of controlled corporation	59,930,036 *(Note 5)*	9.41%
Shanghai International Port (Group) Co., Ltd.	Interest of controlled corporation	59,930,036 *(Note 6)*	9.41%

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 37.72% 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 8.30% 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.

Save as disclosed herein, as at 30th June 2021, 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 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2021, 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.

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 2021 to 30th June 2021, the Company complied with the SEHK Code, save for the following 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 2021 to 30th June 2021.

Changes in Composition of the Board and the Board Committees

Mr. HUANG Xiaowen was appointed as the chairman of the Strategic Development Committee of the Company and Mr. YANG Zhijian, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip and Mr. SO Gregory Kam Leung were appointed as the members of the Strategic Development Committee of the Company, all with effect from 21st May 2021.

Ms. CUI Hongqin resigned as a Non-Executive Director and ceased as a member of the Risk Committee of the Company with effect from 24th May 2021.

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. YANG Zhijian
Mr. FENG Boming

Non-Executive Directors
Mr. TUNG Lieh Cheung Andrew
Mr. YAN Jun
Ms. WANG Dan
Mr. IP Sing Chi

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 2020 Annual Report, required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Mr. YAN Jun, a Non-Executive Director of the Company, was appointed as an external director of Ningbo Zhoushan Port Co., Ltd. (a company listed in Shanghai) on 20th November 2020.

Dr. CHUNG Shui Ming Timpson, an Independent Non-Executive Director of the Company, retired as an independent non-executive director of Glorious Sun Enterprises Limited (a company listed in Hong Kong) on 2nd June 2021.

Mr. YANG Liang Yee Philip, an Independent Non-Executive Director of the Company, ceased as a member of the Asian International Arbitration Centre in Malaysia on 31st January 2021 and the Korean Commercial Arbitration Board on 21st May 2021.

Ms. CHEN Ying, an Independent Non-Executive Director of the Company, was appointed as an external director of COSCO SHIPPING (Guangzhou) Co., Ltd. on 18th June 2021.

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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 17 to 40, 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 2021 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, 20th August 2021

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2021

US$'000	Note	2021	2020
Revenue	5	**6,987,582**	3,430,496
Operating costs		**(3,672,430)**	(3,005,815)
Gross profit		**3,315,152**	424,681
Other operating income		**27,712**	46,601
Business and administrative expenses		**(482,994)**	(276,950)
Net impairment losses on financial assets		**(6,837)**	(23,178)
Other gains/(losses), net		**1,973**	(16,080)
Operating profit	7	**2,855,006**	155,074
Finance costs	9	**(29,757)**	(55,895)
Share of profits of joint ventures		**2,280**	1,587
Share of profits of associated companies		**8,399**	4,288
Profit before taxation		**2,835,928**	105,054
Taxation	10	**(24,872)**	(2,889)
Profit for the period		**2,811,056**	102,165
Profit attributable to:			
Equity holders of the Company		**2,810,857**	102,082
Non-controlling interests		**199**	83
		2,811,056	102,165
Earnings per ordinary share (US cents)	11		
Basic and diluted		**442.4**	16.3

The notes on pages 23 to 40 form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June 2021

US$'000	2021	2020
Profit for the period	**2,811,056**	102,165
Other comprehensive income/(loss):		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement gains/(losses) on defined benefit schemes	**14,434**	(10,278)
Investments at fair value through other comprehensive income		
Change in fair value	**(6,688)**	(7,820)
Total items that will not be subsequently reclassified to profit or loss	**7,746**	(18,098)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
Foreign subsidiaries	**162**	(3,719)
Associated companies	**1,408**	(1,974)
Joint ventures	**102**	(54)
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	**1,672**	(5,095)
Other comprehensive income/(loss) for the period, net of tax	**9,418**	(23,193)
Total comprehensive income for the period	**2,820,474**	78,972
Total comprehensive income attributable to:		
Equity holders of the Company	**2,820,310**	78,876
Non-controlling interests	**164**	96
	2,820,474	78,972

The notes on pages 23 to 40 form an integral part of this interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2021

US$'000	Note	30th June 2021	31st December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	**3,744,709**	3,744,666
Right-of-use assets	13	**2,354,506**	2,303,265
Investment property	13	**280,000**	280,000
Investments in joint ventures and associated companies		**161,133**	154,835
Intangible assets	13	**10,083**	18,856
Deferred taxation assets		**8,175**	6,255
Pension and retirement assets		**2,516**	–
Restricted bank balances		**321**	321
Investments at fair value through other comprehensive income		**43**	7,895
Investments at amortised cost		**113,316**	113,295
Other non-current assets		**23,091**	21,344
		6,697,893	6,650,732
Current assets			
Inventories		**125,478**	94,778
Debtors and prepayments	14	**1,068,743**	681,126
Investments at amortised cost		**5,599**	34,117
Portfolio investments at fair value through profit or loss		**79,569**	100,560
Tax recoverable		**7,711**	8,520
Restricted bank balances		**2,590**	1,925
Cash and bank balances		**4,972,075**	3,072,795
		6,261,765	3,993,821
Total assets		**12,959,658**	10,644,553
EQUITY			
Equity holders			
Share capital	15	**63,719**	62,579
Reserves	16	**7,646,842**	5,579,535
		7,710,561	5,642,114
Non-controlling interests		**544**	380
Total equity		**7,711,105**	5,642,494

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2021

US$'000	Note	30th June 2021	31st December 2020
LIABILITIES			
Non-current liabilities			
Borrowings	17	**739,289**	820,325
Lease liabilities	18	**1,577,891**	1,669,163
Deferred taxation liabilities		**141,052**	143,121
Pension and retirement liabilities		**–**	15,447
Provision	19	**348,545**	348,545
		2,806,777	2,996,601
Current liabilities			
Creditors and accruals	20	**1,711,712**	1,387,711
Borrowings	17	**189,726**	213,270
Lease liabilities	18	**491,874**	367,085
Current taxation		**48,464**	37,392
		2,441,776	2,005,458
Total liabilities		**5,248,553**	5,002,059
Total equity and liabilities		**12,959,658**	10,644,553

Huang Xiaowen
Director

Yang Zhijian
Director

The notes on pages 23 to 40 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2021

US$'000	2021	2020
Cash flows from operating activities		
Cash generated from operations	**2,993,263**	519,449
Interest and financing charges paid	**(22,130)**	(47,432)
Income tax paid	**(16,577)**	(7,010)
Net cash from operating activities	**2,954,556**	465,007
Cash flows from investing activities		
Redemption on maturity of investments at amortised cost and decrease in portfolio investments at fair value through profit or loss	**49,848**	26,430
Proceeds from disposal of property, plant and equipment	**18,641**	9,541
Purchase of property, plant and equipment and other non-current assets	**(156,119)**	(184,876)
Acquisition of a subsidiary	**–**	2,924
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months	**(1,081,195)**	68,011
Interest received	**11,764**	36,883
Movements of other investing activities	**15,702**	15,402
Net cash used in investing activities	**(1,141,359)**	(25,685)
Cash flows from financing activities		
Drawdown of loans	**–**	99,550
Repayment of loans	**(105,608)**	(400,825)
Repayment of lease liabilities	**(136,423)**	(304,169)
Issue of shares	**119,101**	–
Dividends paid to equity holders of the Company	**(872,062)**	(1,168,293)
Capital contribution from non-controlling interests	**–**	120
Net cash used in financing activities	**(994,992)**	(1,773,617)
Net increase/(decrease) in cash and cash equivalents	**818,205**	(1,334,295)
Cash and cash equivalents at beginning of period	**1,398,109**	2,272,570
Currency translation adjustments	**545**	(3,409)
Cash and cash equivalents at end of period	**2,216,859**	934,866
Analysis of cash and cash equivalents		
Cash and bank balances	**4,972,075**	2,050,340
Bank deposits maturing more than three months from the date of placement	**(2,755,216)**	(1,115,474)
Cash and cash equivalents at end of period	**2,216,859**	934,866

The notes on pages 23 to 40 form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2021

	Equity holders			Non-controlling	
US$'000	Share capital	Reserves	Sub-total	interests	Total
At 1st January 2021	**62,579**	**5,579,535**	**5,642,114**	**380**	**5,642,494**
Total comprehensive income for the period	**–**	**2,820,310**	**2,820,310**	**164**	**2,820,474**
Transactions with owners					
Issue of shares (note 15)	**1,140**	**117,961**	**119,101**	**–**	**119,101**
Employee share-based compensation	**–**	**1,098**	**1,098**	**–**	**1,098**
2020 final dividend	**–**	**(320,253)**	**(320,253)**	**–**	**(320,253)**
2020 special dividend	**–**	**(551,809)**	**(551,809)**	**–**	**(551,809)**
At 30th June 2021	**63,719**	**7,646,842**	**7,710,561**	**544**	**7,711,105**
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 second special dividend	–	(150,190)	(150,190)	–	(150,190)
Capital contribution from non-controlling interests	–	–	–	120	120
At 30th June 2020	62,579	4,778,963	4,841,542	216	4,841,758

The notes on pages 23 to 40 form an integral part of this interim financial information.

Notes to the Interim Financial Information

1. General information

Orient Overseas (International) Limited (the "Company") is a 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, China.

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 20th August 2021.

2. Basis of preparation

The interim financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 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 2020 except for the adoption of amendment to existing standard effective for the financial year ending 31st December 2021.

The adoption of revised standard

In 2021, the Group adopted the following amendment to existing standard below, which is relevant to its operations.

Amendment to existing standard	
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions

The adoption of the above amendment to existing standard 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 beyond 30th June 2021	1st April 2021
HKAS 16 (Amendment)	Property, Plant and Equipment – Proceeds before Intended Use	1st January 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1st January 2022
HKAS 1 (Amendment)	Presentation of Financial Statements	1st January 2023
HKFRS 17	Insurance Contracts	1st January 2023
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), HKAS 16 (Amendment), HKAS 37 (Amendment), HKAS 1 (Amendment), HKFRS 17 and HKFRS 10 and HKAS 28 (Amendments) is 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 2020.

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 2021:

US$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	**21,022**	**–**	**21,022**
Debt securities	**58,547**	**–**	**58,547**
Investments at fair value through other comprehensive income			
Unlisted equity securities	**–**	**43**	**43**
Total	**79,569**	**43**	**79,612**

The following table presents the Group's financial assets that are measured at fair value at 31st December 2020:

US$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	20,156	–	20,156
Debt securities	80,404	–	80,404
Investments at fair value through other comprehensive income			
Unlisted equity securities	–	7,895	7,895
Total	100,560	7,895	108,455

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.

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 2021	7,895
Currency translation adjustments	(1)
Disposals	(1,163)
Fair value change recognised in other comprehensive income	(6,688)
At 30th June 2021	**43**

	US$'000
At 1st January 2020	15,694
Fair value change recognised in other comprehensive income	(7,820)
At 30th June 2020	7,874

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

	Carrying amounts		Fair values	
US$'000	30th June 2021	31st December 2020	30th June 2021	31st December 2020
Investments at amortised cost	118,915	147,412	128,303	157,911

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
- 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 2020.

5. Revenue

US$'000	2021	2020
Container transport and logistics	**6,975,320**	3,416,666
Others	**12,262**	13,830
	6,987,582	3,430,496

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

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

6. 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.

6. Segment information (Continued)

Operating segments

The segment results for the six months ended 30th June 2021 are as follows:

US$'000	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	6,975,320	–	6,975,320
Revenue from other source:			
Rental income	–	12,262	12,262
	6,975,320	12,262	6,987,582
Other operating income	13,613	14,099	27,712
	6,988,933	26,361	7,015,294
Operating profit	2,842,332	12,674	2,855,006
Finance costs	(29,757)	–	(29,757)
Share of profits of joint ventures	2,280	–	2,280
Share of profits of associated companies	8,399	–	8,399
Profit before taxation	2,823,254	12,674	2,835,928
Taxation	(23,612)	(1,260)	(24,872)
Profit for the period	2,799,642	11,414	2,811,056
Additions to non-current assets*	297,026	–	297,026
Depreciation of property, plant and equipment	127,731	6	127,737
Depreciation of right-of-use assets	109,945	–	109,945
Amortisation	9,160	–	9,160

6. Segment information (Continued)

Operating segments (Continued)

The segment results for the six months ended 30th June 2020 are as follows:

US$'000	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)
Additions to non-current assets*	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

* Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

6. Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 30th June 2021 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	**11,762,154**	**1,036,371**	**12,798,525**
Joint ventures	**11,154**	**–**	**11,154**
Associated companies	**149,979**	**–**	**149,979**
Total assets	**11,923,287**	**1,036,371**	**12,959,658**
Segment liabilities	**(5,101,240)**	**(147,313)**	**(5,248,553)**

The segment assets and liabilities at 31st December 2020 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	8,922,942	1,566,571	10,489,513
Joint ventures	10,053	–	10,053
Associated companies	144,987	–	144,987
Total assets	9,077,982	1,566,571	10,644,553
Segment liabilities	(4,856,120)	(145,939)	(5,002,059)

The segment of "Others" primarily includes assets and liabilities of property investment 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 investment and corporate level activities.

6. 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	Additions to non-current assets#
Six months ended 30th June 2021		
Asia	**5,588,573**	**13,358**
Europe	**877,285**	**1,336**
North America	**411,343**	**222**
Australia	**110,381**	**38**
Unallocated*	**–**	**282,072**
	6,987,582	**297,026**
Six months ended 30th June 2020		
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

Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

* Unallocated additions to non-current assets comprises additions to container vessels and capitalised dry-docking costs, containers and computer software costs.

7. Operating profit

US$'000	2021	2020
Operating profit is arrived at after crediting:		
Interest income from banks	15,026	28,182
Interest income from deposits in a fellow subsidiary	105	–
Interest income from investments at amortised cost	2,625	4,032
Gross rental income from an investment property	12,262	13,830
Dividend income from investments at fair value through other comprehensive income	6,695	7,903
Gain on disposal of property, plant and equipment	12,616	4,453
Income from portfolio investments at fair value through profit or loss		
Fair value gain (realised and unrealised)	357	–
Interest income	1,302	2,348
Distribution	295	392
Dividend income	57	103
and after charging:		
Fair value loss from an investment property	–	10,000
Loss on written-off of right-of-use assets	64	58
Loss on written-off of intangible assets	16	–
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	10,920	3,238

8. Key management compensation

US$'000	2021	2020
Salaries, discretionary bonuses and other employee benefits	7,462	4,811
Estimated money value of other benefits	10	15
Pension costs – defined contribution plans	533	432
Share-based compensation	193	320
	8,198	5,578

The Group usually determines and pays discretionary bonuses to employees (including Directors) around 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.

9. Finance costs

US$'000	2021	2020
Interest expense		
Bank loans	7,198	16,317
Lease liabilities	24,290	39,928
	31,488	56,245
Amount capitalised under assets under construction	(1,731)	(350)
Net interest expense	29,757	55,895

10. Taxation

US$'000	2021	2020
Current taxation		
PRC enterprise income tax	7,367	2,423
HKSAR profits tax	2,324	(249)
Overseas taxation	19,062	5,710
	28,753	7,884
Deferred taxation		
PRC enterprise income tax	(61)	(488)
HKSAR profits tax	(243)	(14)
Overseas taxation	(3,577)	(4,493)
	(3,881)	(4,995)
	24,872	2,889

Taxation has been provided at the appropriate tax rates prevailing in the countries/regions in which the Group operates on the estimated assessable profits for the period. These rates range from 5% to 35% (2020: 5% to 35%) and the rate applicable for HKSAR profits tax is 16.5% (2020: 16.5%).

11. 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.

	2021	2020
Weighted average number of ordinary shares in issue (thousands)	635,430	625,793
Group's profit attributable to equity holders of the Company (US$'000)	2,810,857	102,082
Earnings per share attributable to equity holders of the Company (US cents)	442.4	16.3

12. Dividends

The final and special dividends for 2020 of US$320.3 million and US$551.8 million respectively have been accounted for as an appropriation of retained profit in the six months ended 30th June 2021.

The Board of Directors declares an interim dividend of US$1.76 (HK$13.728 at the exchange rate of US$1: HK$7.8) (2020: 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 2021 on 20th August 2021. In addition, the Board of Directors declares a special dividend of US$2.65 (HK$20.670 at the exchange rate of US$1: HK$7.8) (2020: nil) per ordinary share for the six months ended 30th June 2021 on 20th August 2021.

13. Capital expenditure

US$'000	Property, plant and equipment	Right-of-use assets	Investment property	Intangible assets	Total
Net book amounts					
At 1st January 2021	3,744,666	2,303,265	280,000	18,856	6,346,787
Currency translation adjustments	134	(1,737)	–	39	(1,564)
Additions	133,671	162,991	–	364	297,026
Disposals/written off	(6,025)	(68)	–	(16)	(6,109)
Depreciation and amortisation	(127,737)	(109,945)	–	(9,160)	(246,842)
At 30th June 2021	3,744,709	2,354,506	280,000	10,083	6,389,298
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

14. Debtors and prepayments

US$'000	30th June 2021	31st December 2020
Trade receivables		
Third parties	**748,429**	446,246
Joint ventures	**–**	205
Fellow subsidiaries	**9,869**	6,598
Related companies	**3,584**	5,875
Less: Provision for impairment	**(54,450)**	(47,566)
Trade receivables – net	**707,432**	411,358
Other debtors	**130,104**	105,972
Other prepayments	**183,240**	132,150
Utility and other deposits	**17,756**	17,518
Amounts due from related parties		
Fellow subsidiaries	**29,577**	13,578
Related companies	**634**	550
	1,068,743	681,126

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 2021	31st December 2020
Below 1 month	**549,285**	319,114
2 to 3 months	**144,452**	84,194
4 to 6 months	**11,944**	6,680
Over 6 months	**1,751**	1,370
	707,432	411,358

15. Share capital

US$'000	30th June 2021	31st December 2020
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:		
637,193,297 (2020: 625,793,297) ordinary shares of US$0.10 each	63,719	62,579

On 22nd January 2021, the Company entered into a share placing and subscription agreement for the allotment and issue of 11,400,000 shares at a subscription price of HK$81.8 per share (equivalent to approximately US$10.55 per share). The related share issuance expenses amounting to US$1,185,000 were netted off against share premium. The share subscription was completed on 29th January 2021.

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
At 1st January 2021	172,457	7,427	88,547	4,696	6,688	42,387	5,257,333	5,579,535
Total comprehensive income/(loss) for the period	–	–	–	–	(6,688)	1,707	2,825,291	2,820,310
Transactions with owners								
Issue of shares (note 15)	117,961	–	–	–	–	–	–	117,961
Employee share-based compensation	–	1,098	–	–	–	–	–	1,098
2020 final dividend	–	–	–	–	–	–	(320,253)	(320,253)
2020 special dividend	–	–	–	–	–	–	(551,809)	(551,809)
At 30th June 2021	290,418	8,525	88,547	4,696	–	44,094	7,210,562	7,646,842
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 second special dividend	–	–	–	–	–	–	(150,190)	(150,190)
At 30th June 2020	172,457	4,934	88,547	4,696	6,668	17,869	4,483,792	4,778,963

17. Borrowings

US$'000	30th June 2021	31st December 2020
Non-current		
Bank loans		
Secured	**586,971**	648,346
Unsecured	**152,318**	171,979
	739,289	820,325
Current		
Bank loans		
Secured	**150,405**	173,948
Unsecured	**39,321**	39,322
	189,726	213,270
Total borrowings	**929,015**	1,033,595

18. Lease liabilities

US$'000	30th June 2021	31st December 2020
Non-current	**1,577,891**	1,669,163
Current	**491,874**	367,085
	2,069,765	2,036,248

19. Provision

The Group entered into the Terminal Service Agreement ("TSA") in October 2019 to which the Group committed to place, or procure the placement of an annual minimum number of vessel lifts in Long Beach Container Terminal ("LBCT") for 20 years. Failure to meet the committed volume for each contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 30th June 2021, the Group reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been uncertain and is expected to be continuously affected for the foreseeable future. It is expected that a slower economy growth would affect the demand/import of the USA for some time as the economy shall take years to recover from various pandemic impact. In addition, the pandemic has also changed the cargo inflow to the USA by other means and expecting to continue in longer term. As at 30th June 2021, albeit a short-term increased demand for ocean transportation was noted during the current period, with these uncertainties over such long-term contract period, management reassessed that the projected vessel lifts in LBCT would continue lead to a shortfall on minimum volume commitment over the remaining contract period. Based on the assessment, the Group estimated an onerous contract provision of US$348.5 million as at 30th June 2021 (31st December 2020: US$348.5 million).

20. Creditors and accruals

US$'000	30th June 2021	31st December 2020
Trade payables		
Third parties	**232,350**	213,626
Joint ventures	**534**	3,467
Fellow subsidiaries	**42,383**	92,410
Related companies	**38,522**	9,724
	313,789	319,227
Other creditors	**152,379**	144,343
Accrued expenses	**1,195,347**	894,288
Contract liabilities	**24,153**	14,253
Amounts due to related parties		
Joint ventures	**6,054**	651
Fellow subsidiaries	**19,954**	13,489
Related companies	**36**	1,460
	1,711,712	1,387,711

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

US$'000	30th June 2021	31st December 2020
Below 1 month	**253,899**	257,905
2 to 3 months	**49,225**	55,148
4 to 6 months	**6,740**	2,726
Over 6 months	**3,925**	3,448
	313,789	319,227

21. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2021	31st December 2020
Contracted but not provided for	**1,839,730**	1,701,811

(b) Capital commitments – Investment in an associated company

US$'000	30th June 2021	31st December 2020
Contracted but not provided for	**4,139**	4,139

21. Commitments (Continued)

(c) Lease commitments

The future aggregate minimum lease rental expenses under non-cancellable short-term leases and low-value leases which have not been recognised as lease liabilities are payable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
At 30th June 2021			
Less than 1 year	**132,943**	**2,032**	**134,975**
Between 1 and 2 years	**57,614**	**–**	**57,614**
Between 2 and 5 years	**163,145**	**–**	**163,145**
Over 5 years	**92,020**	**–**	**92,020**
	445,722	**2,032**	**447,754**
At 31st December 2020			
Less than 1 year	97,106	1,632	98,738
Between 1 and 2 years	25,360	–	25,360
Between 2 and 5 years	69,309	–	69,309
Over 5 years	34,099	–	34,099
	225,874	1,632	227,506

22. 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.

22. 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	2021	2020
Income		
Container transport income (note ii)	155,870	44,149
Freight forwarding income	3,603	1,788
Terminal handling and storage income	2,689	1,682
Rental income		
Vessels	28,078	7,064
Containers	3,715	3,990
IT service income	17,194	16,083
Interest income	105	10
Expenses		
Cargo transportation costs	61,127	56,735
Freight forwarding expenses	24,239	7,866
Terminal charges (note iii)	76,606	56,769
Expenses relating to short-term leases and leases with low-value assets		
Vessels	41,700	35,534
Containers	18,594	1,138
Land and buildings	218	201
Slot hire expenses	84,597	29,193
Purchase of bunker (note iv)	65,244	75,707
Crew expenses	1,004	517
Service fee	202	150
Others		
Purchase of containers	81,416	25,845
Instalments of vessels under construction	–	77,840

(b) Transactions with a joint venture of the Group

US$'000	2021	2020
Income		
Container transport income	102	69
Expenses		
Cargo transportation costs	5,338	3,394

22. Significant related party transactions (Continued)

(c) Transactions with other related parties

US$'000	2021	2020
Income		
Container transport income	**1,767**	2,769
Expenses		
Cargo transportation costs	**12,753**	8,256
Freight forwarding expenses	**–**	2
Terminal charges	**20,567**	15,524
Expenses relating to short-term leases and leases with low-value assets		
Containers	**19**	12
Others		
Purchase of containers	**30,000**	–

(d) Transactions with state-owned banks

As at 30th June 2021 and 31st December 2020, approximately 90% of the Group's bank balances and 50% of the Group's borrowings are with state-owned banks.

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) Container transport income of US$26.8 million (2020: US$7.3 million) and US$43.0 million (2020: US$10.0 million) were transacted with the associated companies and joint ventures of COSCO SHIPPING respectively during the six months ended 30th June 2021.

(iii) Terminal charges of US$49.8 million (2020: US$37.5 million) were transacted with the associated companies of COSCO SHIPPING during the six months ended 30th June 2021.

(iv) Bunker of US$57.8 million (2020: US$65.8 million) was purchased from a joint venture of COSCO SHIPPING during the six months ended 30th June 2021.