Orient Overseas (International) Limited

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

INTERIM REPORT 2022

Contents

Chairman's Statement

I am pleased to report that, Orient Overseas (International) Limited ("OOIL") and its subsidiaries (the "Group") achieved a profit attributable to shareholders of US$5,663.6 million for the six-month period ended 30th June 2022 (2021: US$2,810.9 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 2022 was US$8.58, compared to US$4.42 in the first half of 2021.

The Board of Directors is pleased to announce an interim dividend of US$3.43 (2021: US$1.76) per ordinary share and a special dividend of US$2.57 (2021: US$2.65) per ordinary share.

The outstanding performance of the Group was driven by the continuing extraordinary conditions prevailing in the container shipping market. As has been the case for over two years, our market is neither enjoying an extraordinary demand boom, nor suffering from any lack of vessels in deployment. Rather, levels of demand, which are better than expected but not phenomenally strong, continue to outpace the effective level of supply, which is under significant downward pressure from a combination of congestion, delays and disruptions. Understanding this is key to any analysis of the current market situation and of the outlook.

These market forces pushed freight rates upwards 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.

Throughout this period, it has been more important than ever to work closely with our customers. In times of congestion and disrupted schedules, communication and co-operation help not only to mitigate the challenges of the current operational situation, but also serve to consolidate and deepen relationships. We are proud of our reputation for excellent customer service, and we believe that our efforts through these turbulent times will stand us in good stead as we seek to extend collaboration with our customers.

OOCL's We Take it Personally spirit has been strongly in evidence during the reporting period. With constant changes of scheduling, fluctuations in booking patterns and numerous operational challenges, the willingness of our workforce to go the extra mile to protect both the interests of our customers and indeed of our company is truly valuable. Special thanks must, once again, be addressed to our seafarers, who have continued to be examples of professionalism, commitment, and dedication, ensuring that the global supply chain keeps flowing no matter the practical challenges of the pandemic.

While market forces sustained higher revenue levels, they also had an impact on costs. Bunker costs increased during the period, in line with the well-known increases in the price of oil. In recent weeks, we have started to see some steadying and even reduction in these costs, but volatility seems likely to remain and therefore we continue to pay close attention to measures that can increase fuel efficiency. Costs associated with congestion, including storage costs and equipment repositioning costs also increased, although perhaps not by quite as much as anticipated. We will continue to monitor all such costs very carefully, and I am confident that our experienced and conscientious staff, along with our advanced IT systems, will allow us to keep costs under control. Our bottom line has also been helped by our ongoing reduction in debt. Due to the good performance of the past two years, we have more liquid assets than total debt, resulting in our net cash to equity position now standing at 0.65, compared to a net debt to equity ratio of 0.20 two years ago (as at 30 June 2020). This will provide us not only with immediate and ongoing P&L savings, but also with protection against interest rate risk.

The Dual Brand strategy of the Group continues to bring us many advantages. During these challenging times, it has allowed us to access additional capacity to offer our customers, and to ensure that we minimise the risk of equipment shortages. One huge advantage of our Dual Brand strategy is that it allows us to continue to co-operate in this way, and to achieve tremendous savings through joint procurement and efficiencies of scale, without ever impairing our ability to provide complementary offerings to the market under the banner of each brand.

Looking forward, we see an array of conflicting signals that provide little clarity in terms of outlook. Undoubtedly, there are legitimate concerns about the impact of inflation and interest rate rises on consumer spending in many key economies. Even if US retail Inventory-to-Sales ratios remain low, we note some year-on-year increases in absolute levels of US inventory. Indeed, some larger US retailers have specifically reported that they are holding higher levels of inventory.

Yet at the same time, consumers are still purchasing new goods, even if not necessarily the same goods they were buying last year, and thus far there has not been a complete return of pre-pandemic patterns of spending on services as opposed to goods. Furthermore, forecasts from various port and retail sources in the US suggest ongoing resilience in the demand for imported goods.

At the time of writing, our ships are sailing full on our main long-haul tradelanes, and are forecast to continue to be fully loaded in the coming weeks. There has not been much evidence, so far, of the kind of significant seasonal uptick that is often a feature of the traditional Trans-Pacific peak season. We continue to monitor the situation closely.

Anyone trying to forecast the future of container shipping must focus on what has created the current market, being the relationship between supply and demand as mentioned above, and not on any one individual factor. A proper understanding of the current market and its outlook must calmly consider each of the wide range of causes that have created current market conditions.

OOIL, as part of the COSCO SHIPPING Group, continues to be in the vanguard of the advancement of the container shipping industry, and will work to provide ever more reliable and resilient services to our customers. Not only in terms of optimising our network and intelligent growth of our fleet, but also in terms of broader integrated supply chain "end-to-end" capabilities and our positioning among the leaders of the digitalisation of our industry, through IQAX, GSBN and FreightSmart. This commitment to investing in the future, along with our focus on ESG, and closer cooperation with our customers, will position us well to continue to be a Vital Link to World Trade.

Wan Min
Chairman

Hong Kong, China, 19th August 2022

Management Discussion and Analysis

GROUP RESULTS

For the first six months of 2022, Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to equity holders of US$5,663.6 million compared to US$2,810.9 million for the corresponding period of 2021.

OOIL INTERIM RESULTS ANALYSIS

US$'000	2022	2021
Profit Before Taxation by Activity:		
Container Transport and Logistics	**5,720,956**	2,823,254
Other Activities	**2,645**	12,674
Profit Before Taxation	**5,723,601**	2,835,928
Taxation	**(59,489)**	(24,872)
Profit for the Period Ended 30th June	**5,664,112**	2,811,056
Non-Controlling Interests	**(469)**	(199)
Profit Attributable to Equity Holders	**5,663,643**	2,810,857

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 six months of 2022 produced the highest half-year revenue in the Group's history. Compared to the same period in 2021, OOCL's total liner liftings for the first half of 2022 reduced by 7%, total revenue increased by 61%, and revenue per TEU increased by 74%.

These outcomes were primarily due to the relationship between demand and effective supply. Major economies around the world continued to see demand growth that, although far from strong in many cases, showed surprising resilience. In terms of supply, despite the industry deploying all available vessels and boxes, there was persistent pressure on the effective level of supply as a result of (1) ongoing port congestion at multiple locations around the world and (2) a variety of landside supply chain bottlenecks. Such market conditions favoured higher freight rates.

Trans-Pacific Trade

Trans-Pacific liftings decreased by 14% compared to the same period in 2021, with revenue increasing by 78%. Revenue per TEU improved by 106%. In the Trans-Pacific Eastbound, liftings for the first half of 2022 decreased by 9% compared with the same period last year. Revenue increased by 84% and the revenue per TEU increased by 101%.

At the time of writing, congestion in US ports continued to pose considerable challenges to the smooth running of the supply chain. There were many causes of this congestion, some specific to the ports but many being broader supply chain issues. The focus of attention in terms of US port congestion in 2021 was the San Pedro Bay and the key ports of Los Angeles and Long Beach. Although the number of ships waiting in the queue for a berth at the Port of Los Angeles or Long Beach was considerably lower at the end of June (approximately 20 ships) than at the peak in January 2022, when there were 109 ships waiting, some operational difficulties persisted throughout the period. Yard density remained elevated, and shortages of trucks, chassis and truckers, not to mention onward warehouse space, provided further obstacles. In addition, the US West Coast ports were also contending with some uncertainties surrounding any potential impact from ongoing labour negotiations regarding terminals and railways, as well as trucking legislation in California. It has been widely reported that, in this current context, in order to mitigate their supply chain concentration risk, many cargo owners have increased their cargo flow from Asia to the US East Coast over the cargo flow to the US West Coast. OOCL has observed this phenomenon in its own bookings during the reporting period, especially recently. We therefore see increased congestion around some of the key hub ports of the US East Coast.

While spot freight rates fell towards the end of the period, they remained strong by any recent standard, and a range of conflicting signals make it extremely challenging to provide any clarity as to the outlook. There are clearly real risks in terms of consumer spending, inflation and higher inventory levels, but at the same time credit card spending data and low inventory-to-sales ratios suggest that spending continues, while third party forecasts for import activity do not, at least at this stage, indicate any immediate expectation of a slowdown.

Asia/Europe Trade

Overall liftings for Asia/Europe trade remained almost unchanged compared to the same period last year. Revenue on the other hand improved by 55%, resulting in revenue per TEU improving by 55%. For the Asia/Europe Westbound in particular, liftings in the first half of 2022 remained almost unchanged when compared to the first half of 2021, revenue and revenue per TEU increased by 58% and 59% respectively.

The strong performance of this tradelane was driven by the same relationship between effective levels of supply and demand as affected the Trans-Pacific tradelanes. This generated a spot market that was able to hold on to its higher rate levels on most Asia/Europe routes, and this, in combination with higher contract rates for 2022, generated good results.

As with the US in 2021, congestion is emerging as an increasingly significant story for Europe in 2022, and will need to be monitored closely over the coming months. The key hub ports of Northern Germany especially, but also the Netherlands, Belgium and France have, for various reasons at different times, suffered from delays and disruption.

Trans-Atlantic Trade

Liftings for Trans-Atlantic for the first half of 2022 fell by 15% compared to the same period last year, revenue and revenue per TEU increased by 70% and 101% respectively. While revenue improved on overall level, port congestion, especially along the US East Coast, was a key driver for lower liftings during this period. The industry as a whole has injected more capacity into the Trans-Atlantic routes in recent months, but despite this, the market remained stable.

Intra-Asia/Australasia Trade

Overall liftings fell by 6% on Intra-Asia (including Australasia) trades for the first half of 2022 when compared to the same period last year, revenue increased by 46% and the revenue per TEU increased by 55%. Port congestion at multiple locations around the region contributed to slower throughput and schedule delays, which in turn was a key factor behind the reduction in liftings that occurred despite a strong market.

Bunker Cost

The average price of bunker recorded by OOCL in the first half of 2022 was US$729 per ton compared to US$449 per ton for the corresponding period in 2021. The price increase of 62% in the first half of 2022 has led to a 46% increase in total bunker costs for the first half of 2022, as compared to the corresponding period in 2021, even though consumption of both fuel oil and diesel oil were lower in the first half of 2022 than in the corresponding period in 2021.

The surge in bunker price is the result of the tightened global supply with the resumed demand. Global issues, such as conflict, sanctions and lockdowns, have led to a tightened supply; while the releasing of COVID-19 restrictions has resumed the demand gradually.

LOGISTICS

For the first half of 2022, OOCL Logistics revenue and contribution had good steady increment as compared with the same period last year.

The revenue of the International Business Units exhibited healthy growth due to the growing demand of international logistics services. While Domestic Logistics continued to face fierce competition, the business unit still managed to maintain stable revenue. With the effort on streamlining processes and the use of IT systems, costs were further driven down and resulted in satisfying improvement in profitability.

Despite the fact that the market is facing various uncertainties including the on-going pandemic, geopolitical tension, an uncertain economic outlook, port congestion and other potential operational disruptions, OOCL Logistics continues to invest in order to develop our capabilities, expand our coverage and enhance our services, all in order to help our customers navigate the complexity of the current supply chain.

VESSELS

In the first half of 2022, 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 year 2020 are expected to be delivered starting from 2023, and the ten 16,000 TEU container vessels ordered last year will be delivered from 2024 fourth quarter to 2025 fourth quarter.

Although no new-build container vessels were delivered in the first half of 2022, we have exercised options to purchase three 15-year long-term S-Class 5,888 TEU charter-in vessels, namely *OOCL Oakland, OOCL Kuala Lumpur* and *OOCL Italy*, in March, April and June 2022 respectively.

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 being its long-standing ownership of Wall Street Plaza. Based on an independent valuation as at 30th June 2022, the assessed market value of Wall Street Plaza remained at US$285.0 million.

The investment in Wall Street Plaza is 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 transport and logistics business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2022, the Group had total liquid assets amounting to US$11.1 billion and total indebtedness of US$2.6 billion. Net cash as at 30th June 2022 was therefore US$8.5 billion, compared to a net cash of US$4.7 billion in 2021 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 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$149.9 million as at 30th June 2022 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 2022, the Group had 10,935 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. The report also refers to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to disclose how the Group manages climate-related risks and opportunities.

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. This year, the stock of OOIL has been included in three sustainability-related Hang Seng Indexes (HSI), namely HSI ESG Enhanced Index, HSI ESG Enhanced Select Index and Hang Seng Climate Change 1.5°C Target Index. The constitute list of the Index contains the securities from the HSI (the "Base Index"). Selection of ESG indexes' constituents considers issuers' ESG risk ratings, conformation with the UNGC Principles, and controversial product involvement. While Hang Seng Climate Change 1.5°C Target Index focuses on issuers' carbon emission intensity reduction. The inclusion is a strong testament to the Group's commitments in ESG and sustainability.

As part of our sustainability efforts in environmental and wildlife protection, OOCL participates in the 2022 Protecting Blue Whales and Blue Skies Program – a Vessel Speed Reduction (VSR) incentive programme that aims to reduce air pollution, fatal ship strikes on whales, and underwater noise, in the San Francisco Bay and Southern California regions. By creating seasonal and predictable slow speed zones, the programme helps protect endangered whales, reduce fuel use and regional greenhouse gas emissions, and improve air quality and human health outcomes.

In view of the latest COVID-19 situation, the Company 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.

OOCL signed 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, personal protective equipment and all other goods during the pandemic.

Other Information

INTERIM AND SPECIAL DIVIDENDS

The Board of Directors of the Company (the "Board") is pleased to announce an interim dividend of US$3.43 (HK$26.754 at the exchange rate of US$1: HK$7.8) per ordinary share and a special dividend of US$2.57 (HK$20.046 at the exchange rate of US$1: HK$7.8) per ordinary share for the six months ended 30th June 2022 to be paid on 11th October 2022 to the shareholders of the Company whose names appear on the register of members of the Company on 7th September 2022. 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 27th September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5th September 2022 to 7th September 2022, 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 2nd September 2022.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2022, the issued share capital of the Company consisted of 660,373,297 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 2022:

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

Nil.

(b) Long positions in the shares of the 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 Development Co., Ltd.	WAN Min	Beneficial owner	200,000 (H Shares)	200,000 (H Shares)	0.00544% *(Note 1)*
		Interest of spouse	–	2,000 (A Shares)	0.00002% *(Note 1)*
	YANG Zhijian	Beneficial owner	400,000 (H Shares)	400,000 (H Shares)	0.01088% *(Note 1)*
COSCO SHIPPING Energy Transportation Co., Ltd.	WAN Min	Interest of spouse	–	16,000 (A Shares)	0.00046% *(Note 2)*
COSCO SHIPPING Holdings Co., Ltd.	YANG Zhijian	Beneficial owner	130,000 (H Shares)	130,000 (H Shares)	0.00387% *(Note 3)*
COSCO SHIPPING Ports Limited	WAN Min	Beneficial owner	302,912	302,912	0.00895% *(Note 4)*

(c) Long positions in the underlying shares and debentures of the 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 5)*	Total number of shares interested	Approximate percentage of total issued share capital of relevant class of shares of associated corporation *(Note 3)*
COSCO SHIPPING Holdings Co., Ltd. (A Shares)	YANG Zhijian	Beneficial owner	29th May 2020	RMB1.82	1,216,800	1,216,800	0.00961%
	TUNG Lieh Cheung Andrew	Beneficial owner	3rd June 2019	RMB2.28	815,256	815,256	0.00643%

Notes:

(1) 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 9,910,477,301 A shares of COSCO SHIPPING Development in issue as at 30th June 2022 (as the case may be).

(2) The shareholding percentage in COSCO SHIPPING Energy Transportation Co., Ltd. ("COSCO SHIPPING Energy") was calculated on the basis of 3,474,776,395 A shares of COSCO SHIPPING Energy in issue as at 30th June 2022.

(3) The shareholding percentage in COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") was calculated on the basis of 3,354,780,000 H shares of COSCO SHIPPING Holdings in issue and 12,660,225,256 A shares of COSCO SHIPPING Holdings in issue as at 30th June 2022 (as the case may be).

(4) The shareholding percentage in COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") was calculated on the basis of 3,383,224,798 shares of COSCO SHIPPING Ports in issue as at 30th June 2022.

(5) 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 2022, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' SHARE INTERESTS

As at 30th June 2022, 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	71.07%
COSCO SHIPPING Holdings (Hong Kong) Limited	Interest of controlled corporation	469,344,972 *(Note 1)*	71.07%
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	469,344,972 *(Note 2)*	71.07%
China Ocean Shipping Company Limited	Interest of controlled corporation	469,344,972 *(Note 3)*	71.07%
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	469,344,972 *(Notes 3 & 4)*	71.07%
Shanghai Port Group (BVI) Development Co., Limited	Beneficial owner	59,880,536	9.06%
Shanghai International Port Group (HK) Co., Ltd.	Interest of controlled corporation	59,880,536 *(Note 5)*	9.06%
Shanghai International Port (Group) Co., Ltd.	Interest of controlled corporation	59,880,536 *(Note 6)*	9.06%

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 Shipping") held 37.00% of the shares of COSCO SHIPPING Holdings 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 47.17% of the shares of COSCO SHIPPING Holdings by itself and its subsidiaries. Both China Ocean Shipping 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 Shipping and, accordingly, had an indirect interest in the same Shares in which China Ocean Shipping 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 2022, 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 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2022, 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 Bermuda 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 (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the period from 1st January 2022 to 30th June 2022, the Company complied with the SEHK Code, save for the following recommended best practices:

- the remuneration of senior management of the Group 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 had fully complied with the required standards set out in both the Code and the Model Code throughout the period from 1st January 2022 to 30th June 2022.

Changes in Composition of the Board and the Board Committees

Mr. FENG Boming resigned as an Executive Director and ceased as a member of the Executive Committee, the Remuneration Committee, the Inside Information Committee and the Risk Committee of the Company, all with effect from 28th April 2022.

Mr. ZHANG Mingwen resigned as the Chief Financial Officer of the Company and as a member of the Finance Committee, the Compliance Committee and the Risk Committee of the Company, all with effect from 16th June 2022.

Ms. ZHENG Qi was appointed as the Chief Financial Officer of the Company and as a member of the Finance Committee, the Compliance Committee and the Risk Committee of the Company, all with effect from 16th June 2022.

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. WAN Min *(Chairman)*
Mr. HUANG Xiaowen *(Chief Executive Officer)*
Mr. YANG Zhijian

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

Mr. YANG Zhijian, an Executive Director of the Company, was appointed as an executive director and the chairman of the board of COSCO SHIPPING Ports Limited (a company listed in Hong Kong) on 10th May 2022. Mr. Yang was appointed as the Party Secretary of COSCO SHIPPING Holdings Co., Ltd. (a company listed in Shanghai and Hong Kong) and COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), and ceased as the general manager of COSCO SHIPPING Lines, all with effect from 23rd June 2022.

Mr. TUNG Lieh Cheung Andrew, a Non-Executive Director of the Company, ceased as a member of the Hong Kong Logistics Development Council on 1st January 2022 and as a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development on 1st July 2022.

Dr. CHUNG Shui Ming Timpson, an Independent Non-Executive Director of the Company, ceased as an external director of China COSCO SHIPPING Corporation Limited on 19th May 2022.

Mr. SO Gregory Kam Leung, an Independent Non-Executive Director of the Company, ceased as an independent non-executive director of Blue Insurance Limited (formerly Aviva Life Insurance Company Limited) and as an advisor of Superland Group Holdings Limited (a company listed in Hong Kong) on 31st March 2022.

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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 2022 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 notes, comprising significant accounting policies and other explanatory information. 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, 19th August 2022

Condensed Consolidated Profit and Loss Account (Unaudited)

For the six months ended 30th June 2022

US$'000	Note	2022	2021
Revenue	5, 6	**11,061,132**	6,987,582
Operating costs		**(4,941,101)**	(3,672,430)
Gross profit		**6,120,031**	3,315,152
Other operating income		**54,052**	27,712
Business and administrative expenses		**(462,734)**	(482,994)
Net impairment losses on financial assets		**(12,758)**	(6,837)
Other gains, net		**46,840**	1,973
Operating profit	7	**5,745,431**	2,855,006
Finance costs	9	**(28,124)**	(29,757)
Share of profits of joint ventures		**1,664**	2,280
Share of profits of associated companies		**4,630**	8,399
Profit before taxation		**5,723,601**	2,835,928
Taxation	10	**(59,489)**	(24,872)
Profit for the period		**5,664,112**	2,811,056
Profit attributable to:			
Equity holders of the Company		**5,663,643**	2,810,857
Non-controlling interests		**469**	199
		5,664,112	2,811,056
Earnings per ordinary share (US$)	11		
Basic and diluted		**8.58**	4.42

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 2022

US$'000	2022	2021
Profit for the period	**5,664,112**	2,811,056
Other comprehensive (loss)/income:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement gains on defined benefit schemes	**923**	14,434
Investments at fair value through other comprehensive income		
Change in fair value	**–**	(6,688)
Total amount that will not be subsequently reclassified to profit or loss	**923**	7,746
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
Foreign subsidiaries	**(17,878)**	162
Joint ventures	**(395)**	102
Associated companies	**(5,004)**	1,408
Release of reserve upon disposal of a subsidiary and associated companies	**(7,917)**	–
Total amount that has been reclassified or may be reclassified subsequently to profit or loss	**(31,194)**	1,672
Other comprehensive (loss)/income for the period, net of tax	**(30,271)**	9,418
Total comprehensive income for the period	**5,633,841**	2,820,474
Total comprehensive income attributable to:		
Equity holders of the Company	**5,633,486**	2,820,310
Non-controlling interests	**355**	164
	5,633,841	2,820,474

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 2022

US$'000	Note	30th June 2022	31st December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	**4,062,770**	4,047,629
Right-of-use assets	13	**2,806,973**	2,801,858
Investment property	13	**285,000**	285,000
Investments in joint ventures and associated companies		**106,194**	117,164
Intangible assets	13	**4,268**	7,656
Deferred taxation assets		**32,525**	7,570
Pension and retirement assets		**15,485**	12,248
Restricted bank balances		**2**	326
Investments at fair value through other comprehensive income		**34**	42
Investments at amortised cost		**62,987**	98,335
Other non-current assets		**19,415**	17,302
		7,395,653	7,395,130
Current assets			
Inventories		**226,388**	153,064
Debtors and prepayments	14	**1,269,008**	975,657
Investments at amortised cost		**40,264**	15,003
Portfolio investments at fair value through profit or loss		**46,608**	56,256
Tax recoverable		**7,766**	5,855
Restricted bank balances		**4,538**	2,550
Cash and bank balances		**10,922,473**	7,197,101
		12,517,045	8,405,486
Assets held for sale		**–**	46,361
		12,517,045	8,451,847
Total assets		**19,912,698**	15,846,977
EQUITY			
Equity holders			
Share capital	15	**66,037**	66,037
Reserves	16	**13,058,210**	9,603,620
		13,124,247	9,669,657
Non-controlling interests		**2,434**	2,079
Total equity		**13,126,681**	9,671,736

Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2022

US$'000	Note	30th June 2022	31st December 2021
LIABILITIES			
Non-current liabilities			
Borrowings	17	**192,582**	211,941
Lease liabilities	18	**1,592,460**	1,816,655
Deferred taxation liabilities		**199,966**	198,529
Provision	19	**651,745**	651,745
		2,636,753	2,878,870
Current liabilities			
Creditors and accruals	20	**3,177,989**	2,479,513
Borrowings	17	**38,716**	38,716
Lease liabilities	18	**766,939**	623,328
Current taxation		**165,620**	154,814
		4,149,264	3,296,371
Total liabilities		**6,786,017**	6,175,241
Total equity and liabilities		**19,912,698**	15,846,977

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 2022

US$'000	2022	2021
Cash flows from operating activities		
Cash generated from operations	6,340,396	2,993,263
Interest and financing charges paid	(23,088)	(22,130)
Income tax paid	(74,235)	(16,577)
Net cash from operating activities	6,243,073	2,954,556
Cash flows from investing activities		
Disposal/redemption on maturity of investments at amortised cost and decrease in portfolio investments at fair value through profit or loss	16,203	49,848
Proceeds from disposal of property, plant and equipment	89,374	18,641
Purchase of property, plant and equipment and other non-current assets	(96,716)	(156,119)
Disposal of a subsidiary and an associated company	52,475	–
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months from the date of placement	599,065	(1,081,195)
Interest received	42,640	11,764
Movements of other investing activities	3,759	15,702
Net cash from/(used in) investing activities	706,800	(1,141,359)
Cash flows from financing activities		
Repayment of loans	(19,428)	(105,608)
Repayment of lease liabilities	(408,364)	(136,423)
Issue of shares, net of share issuance expenses	–	119,101
Dividends paid to equity holders of the Company	(2,179,232)	(872,062)
Net cash used in financing activities	(2,607,024)	(994,992)
Net increase in cash and cash equivalents	4,342,849	818,205
Cash and cash equivalents at beginning of period	3,940,809	1,398,109
Currency translation adjustments	(16,748)	545
Cash and cash equivalents at end of period	8,266,910	2,216,859
Analysis of cash and cash equivalents		
Cash and bank balances	10,922,473	4,972,075
Bank deposits maturing more than three months from the date of placement	(2,655,563)	(2,755,216)
Cash and cash equivalents at end of period	8,266,910	2,216,859

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 2022

	Equity holders			Non-controlling	
US$'000	**Share capital**	**Reserves**	**Sub-total**	**interests**	**Total**
At 31st December 2021	**66,037**	**9,603,620**	**9,669,657**	**2,079**	**9,671,736**
Total comprehensive income for the period	**–**	**5,633,486**	**5,633,486**	**355**	**5,633,841**
Transactions with owners					
Employee share-based compensation	**–**	**336**	**336**	**–**	**336**
2021 final dividend	**–**	**(1,723,574)**	**(1,723,574)**	**–**	**(1,723,574)**
2021 second special dividend	**–**	**(455,658)**	**(455,658)**	**–**	**(455,658)**
At 30th June 2022	**66,037**	**13,058,210**	**13,124,247**	**2,434**	**13,126,681**
At 31st December 2020	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, net of share issuance expenses	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

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 19th August 2022.

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 2021 except for the adoption of amendments and improvement to existing standards effective for the financial year ending 31st December 2022.

The adoption of revised standards

In 2022, the Group adopted the following amendments and improvement to existing standards, which are relevant to its operations.

Amendments and improvement to existing standards	
HKAS 16 (Amendment)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRSs	Annual Improvements 2018 – 2020 Reporting Cycle
HKFRS 3 (Amendment)	Business Combinations
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions beyond 30th June 2021

The adoption of the above amendments and improvement to existing standards does not have a material impact to the results and financial position of the Group.

2. Basis of preparation (Continued)

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

New standard and amendments to existing standards		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1st January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1st January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 the above new standard and amendments to existing standards 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 2021.

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 2022:

US$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	13,684	–	13,684
Debt securities	32,924	–	32,924
Investments at fair value through other comprehensive income			
Unlisted equity securities	–	34	34
Total	46,608	34	46,642

3. Financial risk management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2021:

US$'000	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	16,874	–	16,874
Debt securities	39,382	–	39,382
Investments at fair value through other comprehensive income			
Unlisted equity securities	–	42	42
Total	56,256	42	56,298

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

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

- Dealer quotes.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

There were no changes in valuation techniques during the period.

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

The following table presents the changes in level 3 instruments:

	US$'000
At 31st December 2021	**42**
Disposals	**(8)**
At 30th June 2022	**34**

	US$'000
At 31st December 2020	7,895
Currency translation adjustments	(1)
Disposals	(1,163)
Fair value change recognised in other comprehensive income	(6,688)
At 30th June 2021	43

3. Financial risk management (Continued)

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

	Carrying amounts		Fair values	
US$'000	30th June 2022	31st December 2021	30th June 2022	31st December 2021
Investments at amortised cost	103,251	113,338	102,323	120,601

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 2021.

5. Revenue

US$'000	2022	2021
Container transport and logistics	11,049,611	6,975,320
Others	11,521	12,262
	11,061,132	6,987,582

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

Revenue comprises gross freight income, 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.

Operating segments

The segment results for the six months ended 30th June 2022 are as follows:

US$'000	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	11,049,611	–	11,049,611
Revenue from other source:			
Rental income	–	11,521	11,521
	11,049,611	11,521	11,061,132
Other operating income	50,859	3,193	54,052
	11,100,470	14,714	11,115,184
Operating profit	5,742,786	2,645	5,745,431
Finance costs	(28,124)	–	(28,124)
Share of profits of joint ventures	1,664	–	1,664
Share of profits of associated companies	4,630	–	4,630
Profit before taxation	5,720,956	2,645	5,723,601
Taxation	(57,933)	(1,556)	(59,489)
Profit for the period	5,663,023	1,089	5,664,112
Fair value loss from an investment property	–	824	824
Additions to non-current assets*	489,608	884	490,492
Depreciation of property, plant and equipment	158,305	10	158,315
Depreciation of right-of-use assets	250,601	–	250,601
Amortisation of intangible assets	4,404	–	4,404

6. Segment information (Continued)

Operating segments (Continued)

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 of intangible assets	9,160	–	9,160

* 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 2022 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	19,314,001	483,534	19,797,535
Joint ventures	10,673	–	10,673
Associated companies	104,490	–	104,490
Total assets	**19,429,164**	**483,534**	**19,912,698**
Segment liabilities	**(6,638,704)**	**(147,313)**	**(6,786,017)**

The segment assets and liabilities at 31st December 2021 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	15,179,062	504,390	15,683,452
Joint ventures	11,894	–	11,894
Associated companies	105,270	–	105,270
	15,296,226	504,390	15,800,616
Assets held for sale	46,361	–	46,361
Total assets	15,342,587	504,390	15,846,977
Segment liabilities	(6,025,462)	(149,779)	(6,175,241)

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 amortised cost and portfolio investments at fair value through profit or loss. 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 2022		
Asia	**9,110,712**	**15,732**
Europe	**1,316,312**	**1,091**
North America	**462,405**	**1,275**
Australia	**171,703**	**40**
Unallocated*	**–**	**472,354**
	11,061,132	**490,492**
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

\# 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 comprise additions to container vessels and capitalised dry-docking costs, containers and computer software costs.

7. Operating profit

US$'000	2022	2021
Operating profit is arrived at after crediting:		
Interest income from banks	**49,218**	15,026
Interest income from deposits in a fellow subsidiary	**545**	105
Interest income from investments at amortised cost	**2,314**	2,625
Gross rental income from an investment property	**11,521**	12,262
Dividend income from investments at fair value through other comprehensive income	**2**	6,695
Gain on disposal of property, plant and equipment	**64,554**	12,616
Gain on disposal of a subsidiary and associated companies	**15,764**	–
Gain on disposal of investments at amortised cost	**59**	–
Income from portfolio investments at fair value through profit or loss		
Fair value gain (realised and unrealised)	**–**	357
Interest income	**702**	1,302
Distribution	**122**	295
Dividend income	**53**	57
and after charging:		
Fair value loss from an investment property	**824**	–
Loss on written-off of right-of-use assets	**812**	64
Loss on written-off of intangible assets	**–**	16
Fair value loss on portfolio investments at fair value through profit or loss (realised and unrealised)	**3,623**	–
Exchange loss	**28,278**	10,920

8. Key management compensation

US$'000	2022	2021
Salaries, discretionary bonuses and other employee benefits	**9,432**	7,462
Estimated money value of other benefits	**9**	10
Pension costs – defined contribution plans	**676**	533
Share-based compensation	**96**	193
	10,213	8,198

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 shown above 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	2022	2021
Interest expense		
Bank loans	**2,121**	7,198
Lease liabilities	**30,467**	24,290
	32,588	31,488
Amount capitalised under assets under construction	**(4,464)**	(1,731)
Net interest expense	**28,124**	29,757

10. Taxation

US$'000	2022	2021
Current taxation		
PRC enterprise income tax	**28,588**	7,367
HKSAR profits tax	**4,796**	2,324
Overseas taxation	**49,899**	19,062
	83,283	28,753
Deferred taxation		
PRC enterprise income tax	**(3,371)**	(61)
HKSAR profits tax	**(1,580)**	(243)
Overseas taxation	**(18,843)**	(3,577)
	(23,794)	(3,881)
	59,489	24,872

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 2.5% to 34.2% (2021: 5% to 35%) and the rates applicable to the withholding tax for undistributed earnings of subsidiaries range from 5% to 30% (2021: 10% to 30%). The HKSAR profits tax for ocean freight transportation business is charged based on the relevant entity's Hong Kong-sourced income (i.e. at a percentage of the total worldwide ocean freight transportation business profit) under the HKSAR tax incentive regime for international shipping businesses and at the applicable tax rate of 16.5% (2021: 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 weighted average 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.

	2022	2021
Weighted average number of ordinary shares in issue (thousands)	**660,373**	635,430
Group's profit attributable to equity holders of the Company (US$'000)	**5,663,643**	2,810,857
Earnings per share attributable to equity holders of the Company (US$)	**8.58**	4.42

12. Dividends

The final and second special dividends for 2021 of US$1,723.6 million and US$455.7 million respectively have been accounted for as an appropriation of retained profit in the six months ended 30th June 2022.

The Board of Directors declares an interim dividend of US$3.43 (HK$26.754 at the exchange rate of US$1: HK$7.8) (2021: US$1.76 (HK$13.728 at the exchange rate of US$1: HK$7.8)) per ordinary share for the six months ended 30th June 2022 on 19th August 2022. In addition, the Board of Directors declares a special dividend of US$2.57 (HK$20.046 at the exchange rate of US$1: HK$7.8) (2021: US$2.65 (HK$20.670 at the exchange rate of US$1: HK$7.8)) per ordinary share for the six months ended 30th June 2022 on 19th August 2022.

13. Capital expenditure

US$'000	**Property, plant and equipment**	**Right-of-use assets**	**Investment property**	**Intangible assets**	**Total**
Net book amounts					
At 31st December 2021	**4,047,629**	**2,801,858**	**285,000**	**7,656**	**7,142,143**
Currency translation adjustments	**(1,514)**	**(6,321)**	**–**	**(22)**	**(7,857)**
Fair value loss	**–**	**–**	**(824)**	**–**	**(824)**
Additions	**128,290**	**360,340**	**824**	**1,038**	**490,492**
Reclassification, disposals/written off	**46,680**	**(98,303)**	**–**	**–**	**(51,623)**
Depreciation and amortisation	**(158,315)**	**(250,601)**	**–**	**(4,404)**	**(413,320)**
At 30th June 2022	**4,062,770**	**2,806,973**	**285,000**	**4,268**	**7,159,011**
At 31st December 2020	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

14. Debtors and prepayments

US$'000	30th June 2022	31st December 2021
Trade receivables		
Third parties	**911,842**	642,286
Joint ventures	**1,156**	–
Fellow subsidiaries	**10,404**	12,044
Related companies	**3,619**	8,973
Less: Provision for impairment	**(85,459)**	(73,133)
Trade receivables – net	**841,562**	590,170
Other debtors	**175,757**	132,566
Other prepayments	**185,700**	215,579
Utility and other deposits	**15,293**	17,467
Amounts due from related parties		
Joint ventures	**366**	–
Associated companies	**7,447**	–
Fellow subsidiaries	**36,882**	19,719
Related companies	**6,001**	156
	1,269,008	975,657

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 2022	31st December 2021
Below 1 month	**644,575**	438,170
2 to 3 months	**190,614**	142,476
4 to 6 months	**5,793**	8,640
Over 6 months	**580**	884
	841,562	590,170

15. Share capital

US$'000	30th June 2022	31st December 2021
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:		
660,373,297 ordinary shares of US$0.10 each	66,037	66,037

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 31st December 2021	734,717	9,511	88,547	4,696	–	38,231	8,727,918	9,603,620
Total comprehensive income/(loss) for the period	–	–	–	–	–	(31,080)	5,664,566	5,633,486
Transactions with owners								
Employee share-based compensation	–	336	–	–	–	–	–	336
2021 final dividend	–	–	–	–	–	–	(1,723,574)	(1,723,574)
2021 second special dividend	–	–	–	–	–	–	(455,658)	(455,658)
At 30th June 2022	734,717	9,847	88,547	4,696	–	7,151	12,213,252	13,058,210
At 31st December 2020	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, net of share issuance expenses	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

17. Borrowings

US$'000	30th June 2022	31st December 2021
Non-current		
Bank loans		
Secured	**192,582**	211,941
Current		
Bank loans		
Secured	**38,716**	38,716
Total borrowings	**231,298**	250,657

18. Lease liabilities

US$'000	30th June 2022	31st December 2021
Non-current	**1,592,460**	1,816,655
Current	**766,939**	623,328
	2,359,399	2,439,983

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 2022, 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. The overall economic environment in the USA is still highly uncertain under the COVID-19 pandemic. 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. The operational results for the LBCT routes were very strong in the first half of 2022, which were primarily due to the high freight rates, driven by the terminal congestion and shortage in supply of container vessels. However, management does not expect such high freight rates are sustainable in the medium to long term. As at 30th June 2022, 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. The Group estimated an onerous contract provision of US$651.7 million as at 30th June 2022 (31st December 2021: US$651.7 million).

20. Creditors and accruals

US$'000	30th June 2022	31st December 2021
Trade payables		
Third parties	236,554	196,391
Joint ventures	51	180
Fellow subsidiaries	40,644	30,963
Related companies	19,160	14,297
	296,409	241,831
Other creditors	201,043	159,187
Accrued expenses*	2,637,884	2,035,487
Contract liabilities	33,418	25,713
Amounts due to related parties		
Joint ventures	3,792	6,854
Fellow subsidiaries	5,195	10,174
Related companies	248	267
	3,177,989	2,479,513

* Accrued expenses mainly represent provision for operating costs for container transport operation and accrued discretionary bonuses.

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

US$'000	30th June 2022	31st December 2021
Below 1 month	253,272	187,640
2 to 3 months	36,601	48,835
4 to 6 months	3,216	305
Over 6 months	3,320	5,051
	296,409	241,831

21. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	30th June 2022	31st December 2021
Contracted but not provided for		
Vessels under construction	3,018,658	3,065,362
Others	93,072	94,454
	3,111,730	3,159,816

21. Commitments (Continued)

(b) Lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
At 30th June 2022			
Less than 1 year	**118,040**	**1,561**	**119,601**
Between 1 and 2 years	**72,386**	**–**	**72,386**
Between 2 and 5 years	**183,482**	**–**	**183,482**
Over 5 years	**57,966**	**–**	**57,966**
	431,874	**1,561**	**433,435**
At 31st December 2021			
Less than 1 year	96,996	1,201	98,197
Between 1 and 2 years	64,779	–	64,779
Between 2 and 5 years	172,588	–	172,588
Over 5 years	77,344	–	77,344
	411,707	1,201	412,908

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	2022	2021
Income		
Container transport income (note ii)	228,507	155,870
Freight forwarding income	4,183	3,603
Terminal handling and storage income	3,031	2,689
Service income		
Vessels	25,991	28,078
Containers	14,040	3,715
IT service income	16,824	17,194
Interest income	545	105
Expenses		
Cargo transportation costs	46,387	61,127
Freight forwarding expenses	50,022	24,239
Terminal charges (note iii)	117,131	76,606
Expenses relating to short-term leases and leases with low-value assets		
Vessels	51,008	41,700
Containers	18,541	18,594
Land and buildings	399	218
Slot hire expenses	168,712	84,597
Purchase of bunker (note iv)	144,993	65,244
Crew expenses	1,081	1,004
Service fee	150	202
Others		
Purchase of containers	3,000	81,416
Instalments of vessels under construction	46,704	–

22. Significant related party transactions (Continued)

(b) Transactions with a joint venture of the Group

US$'000	2022	2021
Income		
Container transport income	**108**	102
Expenses		
Cargo transportation costs	**6,034**	5,338

(c) Transactions with other related parties

US$'000	2022	2021
Income		
Container transport income	**205**	1,767
Expenses		
Cargo transportation costs	**19,717**	12,753
Terminal charges	**21,844**	20,567
Expenses relating to short-term leases and leases with low-value assets		
Containers	**36**	19
Slot hire expenses	**2,145**	–
Crew expenses	**2**	–
Others		
Purchase of containers	**-**	30,000

(d) Transactions with state-owned banks

As at 30th June 2022, approximately 90% (31st December 2021: 90%) of the Group's bank balances and 40% (31st December 2021: 40%) 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$80.3 million (2021: US$69.8 million) were transacted with the associated companies and joint ventures of COSCO SHIPPING during the six months ended 30th June 2022.

(iii) Terminal charges of US$73.6 million (2021: US$49.8 million) were transacted with the associated companies and a joint venture of COSCO SHIPPING during the six months ended 30th June 2022.

(iv) Bunker of US$102.4 million (2021: US$57.8 million) was purchased from a joint venture of COSCO SHIPPING during the six months ended 30th June 2022.