# ORIENT OVERSEAS (INTERNATIONAL) LIMITED

# 東方海外(國際)有限公司 *

*(Incorporated in Bermuda with Limited Liability)*

(Stock code: 316)

## 2016 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited (the "Company") announce the results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2016 as follows:

**Consolidated Profit and Loss Account**
**For the year ended 31st December 2016**

| US$'000 | Note | 2016 | 2015 |
|---|---|---|---|
| Revenue | 4 | **5,297,693** | 5,953,444 |
| Operating costs | | **(5,032,272)** | (5,262,429) |
| **Gross profit** | | **265,421** | 691,015 |
| Fair value gain from an investment property | | **18,522** | 19,545 |
| Other operating income | | **72,456** | 74,166 |
| Business and administrative expenses | | **(468,897)** | (441,917) |
| Other (losses)/gains, net | | **(25,729)** | 10,259 |
| **Operating (loss)/profit** | 5 | **(138,227)** | 353,068 |
| Finance costs | 6 | **(79,393)** | (63,642) |
| Share of profits of joint ventures | | **5,135** | 4,168 |
| Share of profits of associated companies | | **12,818** | 13,614 |
| **(Loss)/profit before taxation** | | **(199,667)** | 307,208 |
| Taxation | 7 | **(19,554)** | (23,357) |
| (Loss)/profit for the year | | **(219,221)** | 283,851 |
| | | | |
| **(Loss)/profit attributable to :** | | | |
| Equity holders of the Company | | **(219,221)** | 283,851 |
| | | | |
| **(Loss)/earnings per ordinary share (US cents)** | 9 | | |
| **Basic and diluted** | | **(35.0)** | 45.4 |

## Consolidated Statement of Comprehensive Income
## For the year ended 31st December 2016

| US$'000 | 2016 | 2015 |
|---|---|---|
| **(Loss)/profit for the year** | **(219,221)** | 283,851 |
| **Other comprehensive income:** | | |
| Item that will not be subsequently reclassified to profit or loss: | | |
| Remeasurement (losses)/gains on defined benefit schemes | **(20,118)** | 6,048 |
| Items that have been reclassified or may be reclassified subsequently to profit or loss: | | |
| Available-for-sale financial assets | | |
| - Change in fair value | **(28,012)** | (28,464) |
| - Release of assets revaluation reserve upon disposal | **4,753** | - |
| - Release of assets revaluation reserve upon impairment | **13,201** | - |
| Currency translation adjustments | | |
| - Foreign subsidiaries | **(6,880)** | (8,068) |
| - Associated companies | **(9,176)** | (8,620) |
| - Joint ventures | **(1,167)** | (410) |
| Total items that have been reclassified or may be reclassified subsequently to profit or loss | **(27,281)** | (45,562) |
| Other comprehensive loss for the year, net of tax | **(47,399)** | (39,514) |
| **Total comprehensive (loss)/income for the year** | **(266,620)** | 244,337 |
| **Total comprehensive (loss)/income attributable to :** | | |
| Equity holders of the Company | **(266,620)** | 244,337 |

## Consolidated Balance Sheet

**As at 31st December 2016**

| US$'000 | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **6,076,673** | 6,020,744 |
| Investment property | | **220,000** | 200,000 |
| Prepayments of lease premiums | | **7,818** | 8,462 |
| Joint ventures | | **11,225** | 8,887 |
| Associated companies | | **137,527** | 145,249 |
| Intangible assets | | **60,143** | 55,646 |
| Deferred taxation assets | | **4,227** | 3,765 |
| Pension and retirement assets | | **-** | 7,855 |
| Derivative financial instruments | | **-** | 1,507 |
| Restricted bank balances | | **403** | 980 |
| Available-for-sale financial assets | | **93,148** | 127,998 |
| Held-to-maturity investments | | **195,296** | 217,004 |
| Other non-current assets | | **32,091** | 16,635 |
| | | **6,838,551** | 6,814,732 |
| **Current assets** | | | |
| Inventories | | **84,472** | 72,481 |
| Debtors and prepayments | 10 | **474,158** | 499,409 |
| Amount due from an associated company | | **2,854** | - |
| Amounts due from joint ventures | | **431** | 2,871 |
| Held-to-maturity investments | | **41,621** | 19,074 |
| Portfolio investments | | **322,927** | 295,894 |
| Derivative financial instruments | | **2,097** | 147 |
| Tax recoverable | | **10,780** | 10,942 |
| Restricted bank balances | | **1,023** | 443 |
| Cash and bank balances | | **1,625,676** | 2,015,581 |
| | | **2,566,039** | 2,916,842 |
| **Total assets** | | **9,404,590** | 9,731,574 |
| **EQUITY** | | | |
| **Equity holders** | | | |
| Share capital | | **62,579** | 62,579 |
| Reserves | | **4,456,707** | 4,734,931 |
| **Total equity** | | **4,519,286** | 4,797,510 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **3,489,272** | 3,663,100 |
| Deferred taxation liabilities | | **71,337** | 62,041 |
| Pension and retirement liabilities | | **11,857** | 109 |
| | | **3,572,466** | 3,725,250 |
| **Current liabilities** | | | |
| Creditors and accruals | 11 | **695,897** | 750,378 |
| Amounts due to joint ventures | | **10,712** | 11,037 |
| Borrowings | | **601,465** | 438,619 |
| Derivative financial instruments | | **-** | 5,316 |
| Current taxation | | **4,764** | 3,464 |
| | | **1,312,838** | 1,208,814 |
| **Total liabilities** | | **4,885,304** | 4,934,064 |
| **Total equity and liabilities** | | **9,404,590** | 9,731,574 |

## Consolidated Cash Flow Statement
## For the year ended 31st December 2016

| US$'000 | 2016 | 2015 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating (loss)/profit | **(138,227)** | 353,068 |
| Interest income | **(39,580)** | (38,219) |
| Dividend income and distribution | **(30,016)** | (31,696) |
| Depreciation and amortisation | **408,874** | 319,613 |
| Impairment on available-for-sale financial assets | **13,201** | - |
| Fair value gain from assets and liabilities | **(28,791)** | (4,332) |
| Net loss/(gain) on disposal of non-current assets | **6,171** | (221) |
| Operating profit before working capital changes | **191,632** | 598,213 |
| (Increase)/decrease in inventories | **(11,991)** | 56,171 |
| Decrease in debtors and prepayments | **26,118** | 75,258 |
| Decrease in creditors and accruals | **(56,580)** | (189,926) |
| Change in net pension liabilities/assets | **(688)** | (2,415) |
| Settlement of derivative financial instruments | **852** | (1,070) |
| Cash generated from operations | **149,343** | 536,231 |
| Interest and financing charges paid | **(72,343)** | (62,492) |
| Hong Kong profits tax refunded/(paid) | **334** | (60) |
| Overseas taxes paid | **(8,863)** | (15,398) |
| Net cash from operating activities | **68,471** | 458,281 |
| **Cash flows from investing activities** | | |
| Sale and redemption on maturity of non-current assets | **41,128** | 132,825 |
| Purchase of property, plant and equipment | **(251,822)** | (366,189) |
| Purchase of other non-current assets | **(59,181)** | (25,870) |
| Increase in portfolio investments | **(23,375)** | (83,419) |
| Net change in amounts due to joint ventures | **2,115** | 3,660 |
| Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months | **277,596** | (1,807) |
| Interest received | **40,036** | 38,129 |
| Dividends and distribution received from investments | **15,766** | 14,828 |
| Dividends received from joint ventures and associated companies | **10,140** | 13,723 |
| Net cash from/(used) in investing activities | **52,403** | (274,120) |
| **Cash flows from financing activities** | | |
| Drawdown of loans | **559,289** | 910,985 |
| Repayment of loans | **(658,098)** | (991,287) |
| Capital element of finance lease rental payments | **(129,649)** | (224,394) |
| Dividend paid to equity holders of the Company | **(11,604)** | (81,579) |
| Net cash used in financing activities | **(240,062)** | (386,275) |
| **Net decrease in cash and cash equivalents** | **(119,188)** | (202,114) |
| Cash and cash equivalents at beginning of year | **1,737,511** | 1,942,822 |
| Currency translation adjustments | **6,896** | (3,197) |
| Cash and cash equivalents at end of year | **1,625,219** | 1,737,511 |

## Consolidated Statement of Changes in Equity
## For the year ended 31st December 2016

| US$'000 | Equity holders Share capital | Reserves | Total |
|---|---|---|---|
| At 31st December 2014 | 62,579 | 4,572,173 | 4,634,752 |
| Total comprehensive income for the year | - | 244,337 | 244,337 |
| Transactions with owners | | | |
| 2014 final dividend | - | (21,400) | (21,400) |
| 2015 interim dividend | - | (60,179) | (60,179) |
| At 31st December 2015 | 62,579 | 4,734,931 | 4,797,510 |
| Total comprehensive loss for the year | - | (266,620) | (266,620) |
| Transactions with owners | | | |
| 2015 final dividend | - | (11,604) | (11,604) |
| At 31st December 2016 | 62,579 | 4,456,707 | 4,519,286 |

## NOTES

### 1. Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

### 2. General information

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

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

### 3. Accounting policies and basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, portfolio investments and derivative financial instruments which are carried at fair value.

## 3. Accounting policies and basis of preparation (Continued)

### The adoption of revised HKFRS

In 2016, the Group adopted the following amendments and improvements to existing HKFRS below, which are relevant to its operations.

| Amendments and improvements to existing standards | |
|---|---|
| HKFRSs | Annual Improvements 2012-2014 Reporting Cycle |
| HKAS 1 Amendments | Disclosure Initiative |
| HKAS 16 and HKAS 38 Amendments | Classification of Acceptable Methods of Depreciation and Amortisation |

There are no other new standards, amendments, interpretations and improvements that are effective for the first time in 2016 that would have a material impact on the Group.

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

| New standards and amendments to existing standards | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 7 Amendments | Statement of Cash Flows | 1st January 2017 |
| HKAS 12 Amendments | Income Taxes | 1st January 2017 |
| HKFRS 9 | Financial Instruments | 1st January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1st January 2018 |
| HKFRS 16 | Leases | 1st January 2019 |

The adoption of the above new standards and amendments is not expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces HKAS 11 which covers construction contracts and HKAS 18 which covers contracts for goods and services for revenue recognition. It introduces the concept of recognising revenue over time if the performance obligation is satisfied over time. That is, the customer simultaneously receives and consumes the benefits provided. Management has performed a preliminary assessment on HKFRS 15 and considers there is no significant impact on the Group's consolidated financial statements.

## 3. Accounting policies and basis of preparation (Continued)

**HKFRS 16 Leases**

HKFRS 16 will affect primarily the accounting for Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

## 4. Revenue and segment information

### (a) Revenue

| US$'000 | 2016 | 2015 |
|---|---|---|
| Container transport and logistics | **5,270,323** | 5,927,023 |
| Others | **27,370** | 26,421 |
| | **5,297,693** | 5,953,444 |

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.

## 4. Revenue and segment information (Continued)

### (b) Segment information

### Operating segments

The segment results for the year ended 31st December 2016 are as follows:

| US$'000 | Container transport and logistics | Others | Elimination | Group |
|---|---|---|---|---|
| **Revenue** | 5,270,323 | 27,986 | (616) | 5,297,693 |
| Operating (loss)/profit | (202,529) | 64,302 | - | (138,227) |
| Finance costs (note 6) | (79,393) | - | - | (79,393) |
| Share of profits of joint ventures | 5,135 | - | - | 5,135 |
| Share of profits of associated companies | 12,818 | - | - | 12,818 |
| **(Loss)/profit before taxation** | (263,969) | 64,302 | - | (199,667) |
| Taxation | (9,645) | (9,909) | - | (19,554) |
| **(Loss)/profit for the year** | (273,614) | 54,393 | - | (219,221) |
| Capital expenditure | 477,159 | 1,478 | - | 478,637 |
| Depreciation | 400,351 | - | - | 400,351 |
| Amortisation | 8,523 | - | - | 8,523 |

## 4. Revenue and segment information (Continued)

### (b) Segment information (Continued)

### Operating segments (Continued)

The segment results for the year ended 31st December 2015 are as follows:

| US$'000 | Container transport and logistics | Others | Elimination | Group |
|---|---|---|---|---|
| **Revenue** | 5,927,023 | 27,364 | (943) | 5,953,444 |
| | | | | |
| Operating profit | 276,211 | 76,857 | - | 353,068 |
| Finance costs (note 6) | (63,642) | - | - | (63,642) |
| Share of profits of joint ventures | 4,168 | - | - | 4,168 |
| Share of profits of associated companies | 13,614 | - | - | 13,614 |
| **Profit before taxation** | 230,351 | 76,857 | - | 307,208 |
| Taxation | (12,338) | (11,019) | - | (23,357) |
| **Profit for the year** | 218,013 | 65,838 | - | 283,851 |
| | | | | |
| Capital expenditure | 796,265 | 455 | - | 796,720 |
| Depreciation | 315,425 | 1 | - | 315,426 |
| Amortisation | 4,187 | - | - | 4,187 |

4. **Revenue and segment information (Continued)**

**(b) Segment information (Continued)**

**Operating segments (Continued)**

The segment assets and liabilities at 31st December 2016 and 2015 are as follows:

| | 2016 | | |
|---|---|---|---|
| **US$'000** | **Container transport and logistics** | **Others** | **Group** |
| Segment assets | 6,961,231 | 2,291,322 | 9,252,553 |
| Joint ventures | 11,656 | - | 11,656 |
| Associated companies | 140,381 | - | 140,381 |
| Total assets | 7,113,268 | 2,291,322 | 9,404,590 |
| Segment liabilities | (4,809,327) | (75,977) | (4,885,304) |

| | 2015 | | |
|---|---|---|---|
| **US$'000** | **Container transport and logistics** | **Others** | **Group** |
| Segment assets | 6,947,634 | 2,626,933 | 9,574,567 |
| Joint ventures | 11,758 | - | 11,758 |
| Associated companies | 145,249 | - | 145,249 |
| Total assets | 7,104,641 | 2,626,933 | 9,731,574 |
| Segment liabilities | (4,865,720) | (68,344) | (4,934,064) |

The segment of "Others" primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of "Others" consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments and portfolio investments 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 corporate level activities.

## 4. Revenue and segment information (Continued)

### (b) Segment information (Continued)

#### Geographical information

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

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

| US$'000 | Revenue | Capital expenditure |
|---|---|---|
| Year ended 31st December 2016 | | |
| Asia | 3,614,076 | 23,766 |
| Europe | 732,317 | 180 |
| North America | 788,826 | 55,903 |
| Australia | 162,474 | 18 |
| Unallocated * | - | 398,770 |
| | 5,297,693 | 478,637 |
| Year ended 31st December 2015 | | |
| Asia | 3,905,144 | 18,294 |
| Europe | 1,013,852 | 585 |
| North America | 861,808 | 59,221 |
| Australia | 172,640 | 23 |
| Unallocated * | - | 718,597 |
| | 5,953,444 | 796,720 |

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

## 5. Operating (loss)/profit

| US$'000 | 2016 | 2015 |
|---|---|---|
| Operating (loss)/profit is arrived at after crediting : | | |
| Operating lease rental income | | |
| Land and buildings | **27,370** | 26,421 |
| | | |
| and after charging: | | |
| Depreciation | | |
| Owned assets | **299,296** | 228,169 |
| Leased assets | **101,055** | 87,257 |
| Operating lease rental expense | | |
| Vessels and equipment | **260,264** | 341,789 |
| Terminals and berths | **47,203** | 32,394 |
| Land and buildings | **34,601** | 32,254 |
| Rental outgoings in respect of an investment property | **15,648** | 15,008 |
| Amortisation of intangible assets | **8,302** | 3,956 |
| Amortisation of prepayments of lease premiums | **221** | 231 |
| Auditors' remuneration | | |
| Audit | **2,630** | 2,917 |
| Non-audit | **902** | 870 |

## 6. Finance costs

| US$'000 | 2016 | 2015 |
|---|---|---|
| Interest expense | | |
| Bank loans and bank overdrafts | **47,506** | 38,543 |
| Finance lease obligations | **37,070** | 30,667 |
| | **84,576** | 69,210 |
| Amount capitalised under assets | **(5,183)** | (5,568) |
| Net interest expense | **79,393** | 63,642 |

## 7. Taxation

| US$'000 | 2016 | 2015 |
|---|---|---|
| Current taxation | | |
| Hong Kong profits tax | **78** | 87 |
| Overseas taxation | **10,533** | 15,935 |
| | **10,611** | 16,022 |
| Deferred taxation | | |
| Hong Kong profits tax | **108** | (273) |
| Overseas taxation | **8,835** | 7,608 |
| | **8,943** | 7,335 |
| | **19,554** | 23,357 |

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 year. These rates range from 11% to 46% (2015: 11% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2015: 16.5%).

## 8. Dividends

| US$'000 | 2016 | 2015 |
|---|---|---|
| Interim paid : nil | | |
| (2015: US9.6 cents) per ordinary share | - | 60,179 |
| Proposed final : nil | | |
| (2015: US1.85 cents) per ordinary share | - | 11,577 |
| | - | 71,756 |

The Board of Directors do not recommend a final dividend in respect of 2016 (2015: US1.85 cents per ordinary share).

## 9. (Loss)/earnings per ordinary share

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

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

| US$'000 | 2016 | 2015 |
|---|---|---|
| Number of ordinary shares in issue (thousands) | **625,793** | 625,793 |
| Group's (loss)/profit attributable to: | | |
| Equity holders of the Company | **(219,221)** | 283,851 |
| (Loss)/earnings per share attributable to equity holders of the Company (US cents) | **(35.0)** | 45.4 |

## 10. Debtors and prepayments

| **US$'000** | **2016** | **2015** |
|---|---|---|
| Trade receivables | | |
| - Fully performing | **182,934** | 195,897 |
| - Past due but not impaired | **111,495** | 113,286 |
| - Impaired and provided for | **16,313** | 9,548 |
| | **310,742** | 318,731 |
| Less: provision for impairment | **(16,313)** | (9,548) |
| Trade receivables - net | **294,429** | 309,183 |
| Other debtors | **72,806** | 80,850 |
| Other prepayments | **93,996** | 97,002 |
| Utility and other deposits | **12,927** | 12,374 |
| | **474,158** | 499,409 |

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 majority of past due but not impaired trade receivables are less than three months old. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due dates of invoices, is as follows:

| **US$'000** | **2016** | **2015** |
|---|---|---|
| Below one month | **271,913** | 276,684 |
| Two to three months | **16,598** | 25,900 |
| Four to six months | **4,839** | 4,673 |
| Over six months | **1,079** | 1,926 |
| | **294,429** | 309,183 |

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

## 11. Creditors and accruals

| US$'000 | 2016 | 2015 |
|---|---|---|
| Trade payables | **198,819** | 193,401 |
| Other creditors | **102,116** | 108,928 |
| Accrued expenses | **354,239** | 377,630 |
| Deferred revenue | **40,723** | 70,419 |
| | **695,897** | 750,378 |

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

| US$'000 | 2016 | 2015 |
|---|---|---|
| Below one month | **142,754** | 129,801 |
| Two to three months | **44,932** | 50,395 |
| Four to six months | **656** | 7,799 |
| Over six months | **10,477** | 5,406 |
| | **198,819** | 193,401 |

## Results for 2016

Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a loss attributable to equity holders of US$219.2 million for 2016, compared to a profit of US$283.9 million in 2015.

**OOIL ANNUAL RESULTS ANALYSIS**

| *(US$'000)* | **2016** | **2015** |
|---|---|---|
| (Loss)/profit before tax from operation | (218,189) | 287,663 |
| Fair value gain on Wall Street Plaza | 18,522 | 19,545 |
| **(Loss)/profit Before Tax for the Year Ended 31st December** | **(199,667)** | **307,208** |
| Taxation | (19,554) | (23,357) |
| **(Loss)/profit Attributable to Equity Holders** | **(219,221)** | **283,851** |

## Review of Operations

This past year has seen some of the most difficult markets in our industry's history. Low growth in most regions and an overhang of excess supply led to challenging conditions in many trade lanes for most of 2016.

As fuel prices rose in the second half of the year, industry performance was badly affected by freight rates that frequently sank below the levels seen in 2009.

The financial results reported by the industry as a whole give a clear indication of just how severe conditions became. A quarter-by-quarter or half-by-half analysis of industry results since the middle of 2015 paints a picture of strengthening headwinds.

For the full year 2016, OOCL's liftings were up 9.1%, but with a drop in revenue of 9.9%. This reflects the challenging environment described above, as does the disappointing financial outcome for the year.

In these turbulent times, with industry consolidation occurring at a pace that few, if any, had expected, OOCL continues to build its future on the twin pillars of alliance membership and the efficient operation of the most appropriate vessels for each trade lane.

We are delighted to be forming the Ocean Alliance with COSCO, CMA CGM and Evergreen. The Ocean Alliance will begin operations in April 2017. Working together with these sizeable and like-minded partners will enable us to continue to offer the highest standards in the most cost-effective manner. Moreover, the Ocean Alliance enables OOCL to grow its business in a considered and measured way.

Our 20,000 TEU class vessels enter service in 2017. Our investment in these vessels demonstrates our commitment to growing our business intelligently, and allows us to gain economies of scale in all our major East West trades. At the same time, we will maintain our focus on continuous cost improvement and further efficiency gains. We continue to invest in IT, as a means of improving not only our internal processes, but also our customer interaction and engagement.

The first phase of our Middle Harbor Redevelopment Project in California commenced operations in April 2016. We are pleased with the KPI achieved thus far, and we continue to work on improving operations as we look forward to the opening of the second phase, towards the end of 2017. Final completion of the project is scheduled to occur in 2020. We are pleased to note that our new state-of-the-art terminal will be able to ensure the highest levels not only of operational efficiency but of environmental friendliness and sustainability.

OOCL Logistics continues to perform profitably in what is a competitive sector, and we remain committed to building up our activities in this sphere. We were pleased to add air freight forwarding services to our offering in 2016, and we continue to grow OOCL Logistics further, not least as opportunities related to e-commerce materialise.

Based on an independent valuation as at 31st December 2016, Wall Street Plaza was valued upwards by US$20 million, reflecting an assessed market value of US$220 million. After offsetting a total of US$1.5 million improvement works on the building in 2016, the net fair value gain for 2016 has come to US$18.5 million. As at 31st December 2015, Wall Street Plaza was valued at US$200 million with a net fair value gain of US$19.5 million in 2015.

## Looking Forward

The slow down in growth seen in several of the larger Asian economies has not caused any hard landings, and we draw some reassurance from the growth in ASEAN volumes as well as the improving dynamics of certain trades, such as the Australian trade. Beyond this, if the East-West trades do indeed continue to pick up, we should see a beneficial effect on Intra-Asian volumes. Nevertheless, growth in Intra-Asia trade remains largely anaemic, with rates further challenged by the ongoing introduction of cascaded vessels into many of the Intra-Asia trade lanes.

While not dismissing the significance of gradually improving data, we cannot afford to ignore the risk factors that could yet affect the outlook for the coming year. The global environment remains very uncertain. Protectionism, trade and geopolitical friction, and a slowdown in the growth of globalisation could all challenge the outlook for our industry.

The industry supply and demand balance remains one of the largest risk factors. Expectations for net growth in 2017 suggest improvement in the situation, but time may be needed to absorb the existing supply overhang.

While the outlook remains uncertain, we will continue with our long-established strategy. Excellent customer service, operational efficiency, cost management, IT development and scale benefit achieved through alliance membership and careful deployment, all built on solid financial foundations.

With this approach, and with a more consistent track record than most of the industry, we believe that we can continue to grow successfully, through these challenging times, and into the upturn to come.

## Final Dividend

The Board of Directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31st December 2016.

## Liquidity and Financial Resources

As at 31st December 2016, the Group had liquid assets amounting to US$2,186.9 million and a total indebtedness of US$4,090.7 million. The Group had a net debt to equity ratio of 0.42 : 1 as at end of 2016, compared with 0.32 : 1 at the end of 2015.

The indebtedness of the Group mainly comprises bank loans and finance leases which are all denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity.

## Employee Information

As at 31st December 2016, the Group has 10,247 full time employees whose salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

## Closure of Register of Members

The register of members of the Company will be closed during the period from 21st April 2017 to 27th April 2017, both days inclusive, to ascertain the shareholders entitled to attend and vote at the Annual General Meeting of the Company to be held on 27th April 2017 (the "AGM"). During this period, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, 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 20th April 2017.

## Purchase, Sale or Redemption of Shares

During the year ended 31st December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## Pre-emptive Rights

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

## Corporate Governance

***Compliance with the Corporate Governance Code***

The Board and the 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Group and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year of 2016, the Company complied with the SEHK Code, save for the following:-

- there was no separation of the roles of Chairman and Chief Executive Officer of the Company. Mr. TUNG Chee Chen currently assumes the roles of both Chairman and Chief Executive Officer of the Company. The executive members of the Board currently consist of chief executive officer of the principal division of the Group and there is an effective separation of the roles between the chief executive of its principal division and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of the Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

Further information on the CG Code will be set out in the Corporate Governance Report contained in the Company's 2016 Annual Report.

***Audit Committee***

The Audit Committee has reviewed the annual results of the Group for the year ended 31st December 2016, in conjunction with the external and internal auditors of the Company.

***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 for Securities Transactions by Directors of Listed Issuers (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 for the year ended 31st December 2016.

## Annual General Meeting

The AGM will be held on 27th April 2017. Notice of the AGM will be despatched to the shareholders of the Company on or around 23rd March 2017.

## Publication of Results Announcement and Annual Report

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ("HKEX") at http://www.hkexnews.hk and the Company at http://www.ooilgroup.com. The 2016 Annual Report will be published on the HKEX's website and the Company's website and will be despatched to the shareholders of the Company on or around 5th April 2017.

## Directors

As at the date of this announcement, our Executive Directors are Messrs. TUNG Chee Chen, TUNG Lieh Cheung Andrew and TUNG Lieh Sing Alan; our Non-Executive Director is Professor Roger KING; and our Independent Non-Executive Directors are Mr. Simon MURRAY, Mr. CHOW Philip Yiu Wah, Professor WONG Yue Chim Richard, Mr. CHENG Wai Sun Edward and Mr. KWOK King Man Clement.

## Forward Looking Statements

This announcement contains forward looking statements. Statements which are not of historical facts, including statements of the Company's beliefs and expectations, are forward looking statements. They are based upon current plans, estimates and projections and, therefore, no undue reliance should be placed upon them. Forward looking statements are correct only as of the day on which they are made. The Company has no obligation and does not undertake to update any of them publicly in the light of fresh information or of future events. Forward looking statements contain inherent risks, uncertainties and assumptions. The Company warns that should any of these risks or uncertainties ever materialise or that any of the assumptions should prove incorrect or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward looking statements.

On behalf of the Board
**Orient Overseas (International) Limited**

**TUNG Chee Chen**
Chairman

Hong Kong, 10th March 2017

* *For identification purpose only*
*Website : [http://www.ooilgroup.com](http://www.ooilgroup.com)*