THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Orient Overseas (International) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s), licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1919)

Faulkner Global Holdings Limited
(Incorporated in the British Virgin Islands with limited liability)

Shanghai Port Group (BVI) Development Co., Limited
上港集團BVI發展有限公司
(Incorporated in the British Virgin Islands with limited liability)

ORIENT OVERSEAS (INTERNATIONAL) LIMITED
東方海外(國際)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 316)

COMPOSITE DOCUMENT
CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY UBS ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL OF THE ISSUED SHARES OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED

Financial Adviser to the Joint Offerors

UBS AG
Hong Kong Branch

Financial Advisers to OOIL

J.P. Morgan Securities (Asia Pacific) Limited

The Hongkong and Shanghai Banking Corporation Limited

Independent Financial Adviser to the Independent Board Committee

Citigroup Global Markets Asia Limited

Qualifying OOIL Shareholders should inform themselves of and observe any applicable legal or regulatory requirements. See "Important Notices" beginning on page 3 of this Composite Document, and "Overseas Qualifying OOIL Shareholders" in the letter from UBS and Appendix I to this Composite Document beginning on page 14 and page I-1 of this Composite Document, respectively.

Capitalised terms used in this cover page have the same meaning as those defined in the section headed "Definitions" in this Composite Document. A letter from UBS containing, among other things, the details of the terms and conditions of the Offer is set out on pages 14 to 35 of this Composite Document. A letter from the OOIL Board is set out on pages 36 to 41 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Qualifying OOIL Shareholders in respect of the Offer is set out on pages 42 to 43 of this Composite Document. A letter from Citigroup, the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 44 to 68 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Share Registrar by no later than 4:00 p.m. (Hong Kong time) on 27 July 2018, being the Offer Closing Date, or such later time and/or date as the Joint Offerors may decide and announce and the Executive may approve.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Qualifying OOIL Shareholders" in the letter from UBS and Appendix I to this Composite Document before taking any action. It is the responsibility of each overseas Qualifying OOIL Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Qualifying OOIL Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

6 July 2018

* *For identification purpose only*

TABLE OF CONTENT

The timetable set out below assumes that the Offer will become or be declared unconditional in all respects on or before the 7th day after the despatch date of this Composite Document. The timetable is indicative only and any changes to the timetable will be jointly announced by the Joint Offerors, COSCO SHIPPING Holdings and OOIL.

Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement of the Offer *(Note 1)* . . . . 6 July 2018

The Controlling Shareholder's acceptance of the Offer under the Irrevocable Undertaking, as a result of which the Offer becomes unconditional *(Note 2)* . . . . by 13 July 2018

Latest date for posting of remittances for amounts due in respect of valid acceptances received under the Offer on or before the 7th day after the despatch date of this Composite Document (assuming the Offer becomes or is declared unconditional in all respects on the 7th day after the despatch date of this Composite Document) *(Note 5)* . . . . 24 July 2018

Offer Closing Date *(Note 3)* . . . . 27 July 2018

Announcement of the results of the Offer as at the Offer Closing Date to be posted on the website of the Stock Exchange *(Note 4)* . . . . no later than 7:00 p.m. on 27 July 2018

Latest date for posting of remittances for amounts due in respect of valid acceptances received under the Offer on the Offer Closing Date *(Note 5)* . . . . 7 August 2018

Notes:

1. The Offer is made on 6 July 2018, being the date of posting of this Composite Document, and is capable of acceptance from and on that date for the whole of the Offer Period.

2. The Controlling Shareholder has irrevocably undertaken to COSCO SHIPPING Offeror that the Offer will be accepted by it in respect of all of its IU Shares not later than seven days after the despatch date of the Composite Document. The percentage of the share capital of OOIL made up by all of the IU Shares is approximately 68.7 per cent. as at the Latest Practicable Date. Therefore, once the Controlling Shareholder tenders its acceptance of the Offer in respect of the IU Shares under the Irrevocable Undertaking, the acceptance condition of the Offer (set out at paragraph 4(a) of the Letter from UBS) will have been met.

3. In order to accept the Offer, Qualifying OOIL Shareholders are required to submit the duly completed Form of Acceptance to the Share Registrar on or before 4:00 p.m. (Hong Kong time) on 27 July 2018, being the Offer Closing Date, unless the Joint Offerors revise or extend the Offer in accordance with the Code. Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptance for not less than 14 days thereafter. The Joint Offerors reserve the right to extend the Offer. If the Joint Offerors decide to extend the Offer, an announcement will be made specifying the next closing date or stating that the Offer will remain open until further notice, in which case at least 14 days' notice in writing will be given to those Qualifying OOIL Shareholders who have not yet accepted the Offer before the Offer Closing Date. Beneficial owners of OOIL Shares who hold their OOIL Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

4. The announcement of the results of the Offer will be jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and OOIL and posted on the Stock Exchange's website by 7:00 p.m. on the Offer Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offer.

5. Remittances in respect of the OOIL Shares tendered for acceptance and taken up by the Joint Offerors under the Offer (after, if applicable, deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Share Registrar in respect of lost or unavailable OOIL Share certificates) will be posted to the relevant Qualifying OOIL Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven business days (as defined in the Code) following the later of (i) the Offer Unconditional Date and (ii) the date of receipt of a duly completed Form of Acceptance and the relevant documents of title of OOIL Shares in respect of such acceptance by the Share Registrar in respect of the Offer.

6. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will remain at 4:00 p.m. on the same Business Day; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

All references to time and dates contained in this Composite Document are to Hong Kong time and dates.

NOTICE TO U.S. QUALIFYING OOIL SHAREHOLDERS

The Offer is being made for the securities of a company incorporated in Bermuda with limited liability and listed in Hong Kong and is subject to the procedure and disclosure requirements of laws, regulations and rules of Hong Kong, which are different from those of the United States. The financial information included in this Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States. The Offer is being extended into the United States pursuant to applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Offer by a U.S. holder of OOIL Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of OOIL Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of OOIL included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2017, 31 December 2016 and 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

U.S. holders of OOIL Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as (i) each of COSCO SHIPPING Holdings, the Joint Offerors and OOIL is located in a country other than the United States, (ii) and some or all of their respective officers and directors may be residents of a country other than the United States and (iii) most of their respective assets are located outside the United States. U.S. holders of OOIL Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of OOIL Shares may encounter difficulty effecting service of process within the United States upon COSCO SHIPPING Holdings, the Joint Offerors, OOIL or their respective officers or directors, to enforce against them a judgment of a U.S. court or to compel them or their affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Joint Offerors hereby disclose that they or their affiliates, or their nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, OOIL Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In accordance with the Code and Rule 14e-5(b) of the U.S. Exchange Act, UBS and its affiliates may continue to act as exempt principal traders in the OOIL Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at www.sfc.hk.

NOTICE TO OVERSEAS QUALIFYING OOIL SHAREHOLDERS (OTHER THAN U.S. QUALIFYING OOIL SHAREHOLDERS)

The Offer is in respect of a company incorporated in Bermuda with limited liability and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of Qualifying OOIL Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Qualifying OOIL Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Qualifying OOIL Shareholder in such relevant jurisdictions.

Any acceptance by any Qualifying OOIL Shareholder will be deemed to constitute a representation and warranty from such Qualifying OOIL Shareholder to the Joint Offerors and OOIL that all local laws and requirements have been complied with and that the Offer can be accepted by such Qualifying OOIL Shareholder lawfully under the laws of the relevant jurisdiction. Qualifying OOIL Shareholders should consult their professional advisers if in doubt.

For further discussion, please refer to the section headed "Overseas Qualifying OOIL Shareholders" in the letter from UBS and Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

In this composite document, the following terms have the meanings set out below, unless the context requires otherwise.

"acting in concert"	has the meaning ascribed thereto under the Code;
"Announcement"	means the joint announcement issued by the Joint Offerors, COSCO SHIPPING Holdings and OOIL dated 7 July 2017 in relation to the Joint Offeror' firm intention to make the Offer;
"associate(s)"	has the meaning ascribed thereto under the Code;
"BVI"	means the British Virgin Islands;
"CCASS"	means the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"China COSCO SHIPPING"	means China COSCO Shipping Corporation Limited*(中國遠洋海運集團有限公司), a PRC state-owned enterprise and the indirect controlling shareholder of COSCO SHIPPING Holdings;
"CFIUS"	means the Committee on Foreign Investment in the United Sates;
"Citigroup"	means Citigroup Global Markets Asia Limited, the independent financial adviser to the Independent Board Committee in respect of the Offer. Citigroup is an institution licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO;
"CK Hutchison"	CK Hutchison Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1);
"Code"	means the Hong Kong Code on Takeovers and Mergers;

"Companies Ordinance"	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
"Composite Document"	means this composite offer and response document in respect of the Offer jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and OOIL in accordance with the Code, as may be revised or supplemented as appropriate;
"Concert Parties"	means parties acting in concert with the Joint Offerors, as determined in accordance with the Code;
"Conditions"	means the conditions to the Offer, as set out in the Letter from UBS;
"Controlling Shareholder"	means Fortune Crest Inc. and Gala Way Company Inc.;
"Consortium Agreement"	means the consortium agreement between the Joint Offerors dated 7 July 2017;
"COSCO"	means China Ocean Shipping Company Limited*(中國遠洋運輸有限公司)(formerly known as China Ocean Shipping (Group) Company*(中國遠洋運輸(集團)總公司)), a PRC state-owned enterprise, the direct controlling shareholder currently owning an aggregate of 45.47% of the total registered capital of COSCO SHIPPING Holdings, and a wholly-owned subsidiary of China COSCO SHIPPING;
"COSCO SHIPPING Holdings"	means COSCO SHIPPING Holdings Co., Ltd.*(中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601919);
"COSCO SHIPPING Holdings Board"	the board of directors of COSCO SHIPPING Holdings;

"COSCO SHIPPING Holdings Hong Kong"	means COSCO SHIPPING Holdings (Hong Kong) Limited (formerly known as OCEAN SHIPPING HOLDINGS (HONG KONG) LIMITED), a company incorporated with limited liability in Hong Kong and is directly wholly-owned by COSCO SHIPPING Holdings;
"COSCO SHIPPING Holdings Shares"	means the ordinary shares (including A shares and H shares) of RMB1.00 each in the total registered capital of COSCO SHIPPING Holdings;
"COSCO SHIPPING Holdings Shareholders"	means persons who are registered as holders of COSCO SHIPPING Holdings Shares;
"COSCO SHIPPING Lines"	means COSCO SHIPPING Lines Co., Ltd.*（中遠海運集裝箱運輸有限公司）, a company incorporated in the PRC and a subsidiary of COSCO SHIPPING Holdings;
"COSCO SHIPPING Offeror"	means Faulkner Global Holdings Limited, a company incorporated in the BVI with BVI company number 1944321 and is directly wholly-owned by COSCO SHIPPING Holdings Hong Kong;
"COSCO SHIPPING Offeror Group"	means COSCO SHIPPING Holdings and its subsidiaries;
"Crest Apex"	Crest Apex Limited, a company incorporated in the BVI and an indirect non-wholly owned subsidiary of CK Hutchison;
"Crest Apex Sale and Purchase Agreement"	the sale and purchase agreement dated 5 July 2018 entered into between COSCO SHIPPING Offeror and Crest Apex;
"CSRC"	means China Securities Regulatory Commission;
"Employees"	means all full-time employees of each OOIL Group Company as at the Offer Date and "Employee" means any of them;
"EU"	means the European Union;
"Executive"	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;

"Form of Acceptance"	means the form of acceptance and transfer in respect of the Offer accompanying the Composite Document;
"HK$" or "HKD"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"HSBC"	means The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), a financial adviser to OOIL in relation to the Offer;
"HSR"	the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
"Independent Board Committee"	means the committee of all the independent non-executive OOIL Directors (none of whom has any direct or indirect interest in the Offer other than as an OOIL Shareholder) which has been established for the purpose of making a recommendation to the Qualifying OOIL Shareholders as to whether the Offer is fair and reasonable and as to acceptance;
"Irrevocable Undertaking"	means the deed of irrevocable undertaking between the Controlling Shareholder, COSCO SHIPPING Offeror, COSCO SHIPPING Holdings and China COSCO SHIPPING dated 7 July 2017;
"IU Shares"	means the total of 429,950,088 OOIL Shares representing 68.7 per cent. of the issued share capital of OOIL as at the Latest Practicable Date;
"Joint Offerors"	means COSCO SHIPPING Offeror and SIPG Offeror;

"J.P. Morgan"	means J.P. Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, which is a financial adviser to OOIL in relation to the Offer;
"Last Trading Date"	means 6 July 2017, being the last trading day prior to the date of the Announcement;
"Latest Practicable Date"	means 3 July 2018, being the latest practicable date prior to the despatch of this Composite Document for the purpose of ascertaining certain information contained herein;
"Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Long Stop Date"	means 31 August 2018, or such other date as the parties to the Sale and Purchase Agreements may agree in writing;
"MOFCOM"	means the Ministry of Commerce of the PRC or its authorised local agency, as applicable;
"NDRC"	means the National Development and Reform Commission of the PRC;
"Offer"	means the conditional voluntary general cash offer by UBS on behalf of the Joint Offerors to the Qualifying OOIL Shareholders to acquire the entire issued share capital of OOIL at the Offer Price in accordance with the terms and conditions set out in this Composite Document and any subsequent revision or extension of such offer;
"Offer Closing Date"	means the first closing date of the Offer as set out in the section headed "Expected Timetable" in this Composite Document, or such later date as may be extended by the Joint Offerors in accordance with the Code;
"Offer Date"	means the date of this Composite Document on which the Offer is made;

"Offer Period"	means the period beginning on 7 July 2017, being the date of the Announcement, until 4:00 p.m. (Hong Kong time) on the Offer Closing Date;
"Offer Price"	means HK$78.67 per OOIL Share;
"Offer Unconditional Date"	means the date on which the Offer becomes or is declared unconditional in all respects;
"OOIL"	means Orient Overseas (International) Limited, a company incorporated in Bermuda with limited liability and listed on the Stock Exchange (stock code: 316);
"OOIL Board"	means the board of OOIL Directors;
"OOIL Directors"	means the directors of OOIL from time to time;
"OOIL Group" or "OOIL Group Companies"	means OOIL and its subsidiaries from time to time and "OOIL Group Company" means any of them;
"OOIL Shareholders"	means registered holders of OOIL Shares from time to time;
"OOIL Shares"	means the ordinary shares of US$0.10 each in the capital of OOIL;
"OOIL SubCo"	means Orient Overseas Container Line Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of OOIL;
"PRC"	means the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, Macau and Taiwan;
"Pre-Conditions"	means each of the pre-conditions to the making of the Offer, as set out under the section headed "3. Pre-Conditions to the Offer" in Part A of the Announcement;
"Pre-Conditions Long Stop Date"	means 30 June 2018 or such later date as Joint Offerors and OOIL may agree in writing for the purpose of the Offer;

"PSD Investco"	PSD Investco Inc., an exempted company incorporated with limited liability in the Cayman Islands and an indirect wholly-owned subsidiary of Silk Road Fund;
"PSD Investco Sale and Purchase Agreement"	the sale and purchase agreement dated 5 July 2018 entered into between COSCO SHIPPING Offeror and PSD Investco;
"Purchasers"	collectively, Crest Apex, Rongshi International and PSD Investco;
"Qualifying OOIL Shareholders"	means OOIL Shareholders;
"Relevant Period"	the period commencing from 7 January 2017, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date;
"RMB"	means Renminbi, the lawful currency of the PRC;
"Rongshi International"	Rongshi International Holding Company Limited (融實國際控股有限公司), a company incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of SDIC;
"SAFE"	means the State Administration of Foreign Exchange of the PRC;
"Sale and Purchase Agreements"	collectively, Crest Apex Sale and Purchase Agreement, SDIC Sale and Purchase Agreement and PSD Investco Sale and Purchase Agreement;
"Sale Price"	HK$78.67 per OOIL Share;
"SASAC"	means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"SDIC"	State Development & Investment Corp., Ltd.* (國家開發投資集團有限公司), a PRC state-owned investment holding company under the administration of the State Council of the PRC;

"SDIC Sale and Purchase Agreement"	the sale and purchase agreement dated 5 July 2018 entered into between COSCO SHIPPING Offeror and Rongshi International;
"SFC"	means the Securities and Futures Commission of Hong Kong;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Registrar" or "Computershare"	means Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the branch share registrar and transfer office of OOIL in Hong Kong;
"Silk Road Fund"	Silk Road Fund Co., Ltd.*（絲路基金有限責任公司）, a company established in the PRC with limited liability;
"SIPG"	means Shanghai International Port (Group) Co., Ltd.*（上海國際港務(集團)股份有限公司）, a company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600018);
"SIPG Offeror"	means Shanghai Port Group (BVI) Development Co., Limited（上港集團BVI發展有限公司）, a company incorporated with limited liability in the BVI and is indirectly wholly-owned by SIPG;
"SIPG Offeror Group"	means SIPG and its subsidiaries;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it in the Listing Rules;
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules;

"Surplus Shares"	the OOIL Shares held by COSCO SHIPPING Offeror as at the Offer Closing Date, minus 469,344,972 OOIL Shares (representing 75% of total OOIL Shares), being the number of OOIL Shares to be disposed of by COSCO SHIPPING Offeror in order to restore the public float of OOIL in the event the public float requirement is not met immediately upon close of the Offer;
"TEU"	means twenty-foot equivalent unit, a measurement for container shipping capacity;
"Transactions"	the sale and purchase of the OOIL Shares pursuant to the terms and conditions of the Sale and Purchase Agreements;
"UBS"	means UBS AG Hong Kong Branch, a registered institution licensed by the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Joint Offerors in relation to the Offer;
"U.S." or "United States"	means the United States of America;
"U.S. Exchange Act"	means the U.S. Securities Exchange Act of 1934, as amended; and
"US$"	means United States dollars, the lawful currency of the U.S..

UBS

UBS AG
Hong Kong Branch
2 International Finance Centre
52/F, 8 Finance Street
Central, Hong Kong

6 July 2018

To the Qualifying OOIL Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY UBS ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL OF THE ISSUED SHARES OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED

1. INTRODUCTION

We are the financial adviser to the Joint Offerors.

On 7 July 2017, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that we, UBS, on behalf of the Joint Offerors, firmly intend, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer to acquire all of the issued OOIL Shares held by Qualifying OOIL Shareholders at an offer price in cash of HK$78.67 per OOIL Share (the Offer).

On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions have been satisfied.

This letter forms part of this Composite Document and sets out certain background information of the Joint Offerors, the reasons for making the Offer and the intentions of the Joint Offerors in relation to OOIL. The terms of the Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Your attention is also drawn to the letter from the OOIL Board on pages 36 to 41, the letter from the Independent Board Committee on pages 42 to 43 and the letter from the Independent Financial Adviser on pages 44 to 68 of this Composite Document.

2. PRE-CONDITIONS TO THE OFFER

The making of the Offer was subject to the satisfaction (or in some cases, the waiver) of the following Pre-Conditions:

(a) with respect to anti-trust review in the PRC under the Anti-Monopoly Law of the PRC, the Anti-Monopoly Bureau of MOFCOM had made the decision not to conduct further review of the Offer or allowing the Offer to proceed/or the Offer had been deemed to have been cleared by MOFCOM under the Anti-Monopoly Law of the PRC by virtue of all applicable waiting periods under the Anti-Monopoly Law of the PRC, in respect of the review of the Offer, having expired;

(b) with respect to COSCO SHIPPING Offeror, the obtaining of approvals or authorisations from the NDRC, SASAC (if required) and SAFE (if required) in connection with the Offer;

(c) with respect to anti-trust review in the EU under the EU Merger Regulation, the European Commission having made a decision to allow the Offer to proceed;

(d) with respect to anti-trust review in the USA under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR), as amended, and the regulations thereunder, the expiration or termination of all or any applicable waiting periods (including any extensions thereof) in connection with the Offer; and

(e) COSCO SHIPPING Holdings Shareholders passing resolutions at a general meeting to approve the Offer in accordance with the requirements under the Listing Rules and the material asset restructuring in accordance with the "Administrative Measures for the Major Asset Restructuring of Listed Companies"(《上市公司重大資產重組管理辦法》) issued by the CSRC.

On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions had been satisfied.

3. THE OFFER

The Offer

For each OOIL Share . . . . HK$78.67 in cash

The Offer will be extended to all Qualifying OOIL Shareholders in accordance with the Code. The OOIL Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Offer Closing Date.

4. CONDITIONS TO THE OFFER

The Offer is subject to the fulfilment of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Offer Closing Date (or such later time and/or date as the Joint Offerors may decide and the Executive may approve) in respect of such number of OOIL Shares which, together with OOIL Shares already owned or agreed to be acquired before or during the Offer, would result in the Joint Offerors and their Concert Parties holding more than 50 per cent. of the voting rights in OOIL; and

(b) no dividend or other distribution (whether in cash or in kind) having been declared, made or paid by OOIL to the OOIL Shareholders during the Offer Period (other than (i) any dividend or distribution regarding which OOIL has consulted the Joint Offerors and the amount of which does not exceed 25% of the profit attributable to the equity holders of OOIL for the relevant period for which such dividend or distribution was declared) and (ii) if any dividend or distribution has been declared, made or paid pursuant to (i), any further dividend or distribution shall be subject to the consent of the Joint Offerors).

Pursuant to Note 2 to Rule 30.1 of the Code, the Joint Offerors may only invoke Condition (b) as a basis for not proceeding with the Offer if the circumstances which give rise to a right to invoke such Condition are of material significance to the Joint Offerors in the context of the Offer.

If the Conditions are not satisfied on or before the Offer Closing Date, the Offer will lapse unless the Offer Period is extended by the Joint Offerors (with the consent of the Executive).

WARNING: Closing of the Offer is subject to the Conditions being fulfilled. Accordingly, the issue of this Composite Document does not in any way imply that the Offer will be completed. The transactions contemplated by the Offer may or may not proceed. OOIL Shareholders, COSCO SHIPPING Holdings Shareholders and potential investors should therefore exercise caution when dealing in the securities of OOIL or COSCO SHIPPING Holdings. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

5. IRREVOCABLE UNDERTAKING

On 7 July 2017, COSCO SHIPPING Offeror, COSCO SHIPPING Holdings, China COSCO SHIPPING and the Controlling Shareholder entered into the Irrevocable Undertaking under which the Controlling Shareholder has irrevocably undertaken to accept, or procure the acceptance of, the Offer in respect of all of the IU Shares (being 429,950,088 OOIL Shares) owned by them, such IU Shares represented approximately 68.7 per cent. of the issued share capital of OOIL as at the Last Trading Date.

The Irrevocable Undertaking is subject to the following conditions:

(a) the offer price under the Offer being not less than HK$78.67 per OOIL Share; and

(b) the Offer being made within 7 days of the fulfilment or waiver (as applicable) of the Pre-Conditions, which fulfilment or waiver (as applicable) shall occur by no later than 30 June 2018 (unless otherwise agreed between the parties).

The total consideration for the IU Shares will be approximately HK$33,824.2 million.

The Controlling Shareholder has undertaken that it will not, prior to the earlier of the closing or lapsing of the Offer, withdraw any acceptance of the Offer in respect of the IU Shares.

Reverse Termination Fee

COSCO SHIPPING Offeror has agreed, and China COSCO SHIPPING and COSCO SHIPPING Holdings have agreed to procure COSCO SHIPPING Offeror, to pay to OOIL a reverse termination fee of US$253 million in the event that the Offer is not made or does not close (the "Event") for any reason other than due to (i) the Controlling Shareholder's material breach of the Irrevocable Undertaking; or (ii) the non-fulfilment by the Pre-Conditions Long Stop Date of the Pre-Conditions with respect to the PRC, European Union anti-trust clearance and HSR approval as referred to in paragraphs (a), (c) and (d) of the Pre-Conditions; or (iii) the non-fulfilment of the requirements of the Committee on Foreign Investment in the United States, such payment to be made within 14 days of such Event. The reverse termination fee shall be made by COSCO SHIPPING Offeror to OOIL without the withholding or deduction of any tax unless required by law. If any such withholding or deduction is required, COSCO SHIPPING Offeror shall pay to OOIL such additional amount as will ensure that OOIL receives the same total amount that it would have received if no such withholding or deduction had been required.

6. VALUE OF THE OFFER

The Offer Price of HK$78.67 per OOIL Share under the Offer represents:

(a) a premium of approximately 37.8 per cent. over the closing price of HK$57.10 per OOIL Share as quoted on the Stock Exchange on the Last Trading Date;

(b) a premium of approximately 41.1 per cent. over the average closing price of HK$55.76 per OOIL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the Last Trading Date;

(c) a premium of approximately 55.2 per cent. over the average closing price of HK$50.69 per OOIL Share as quoted on the Stock Exchange for the 30 trading days immediately prior to the Last Trading Date;

(d) a premium of approximately 40.0 per cent. over the audited net asset value per OOIL Share of approximately HK$56.20 as at 31 December 2016;

(e) a premium of approximately 35.1 per cent. over the audited net asset value per OOIL Share of approximately HK$58.23 as at 31 December 2017; and

(f) a premium of approximately 1.2 per cent. over the closing price of HK$77.75 per OOIL Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest closing prices of OOIL Shares

During the Relevant Period, the highest closing price of OOIL Shares as quoted on the Stock Exchange was HK$77.75 per OOIL Share on 3 July 2018, and the lowest closing price of OOIL Shares as quoted on the Stock Exchange was HK$36.55 per OOIL Share on 9 January 2017.

Total consideration under the Offer

As at the Latest Practicable Date, there were 625,793,297 OOIL Shares in issue. Based on the Offer Price of HK$78.67 per OOIL Share, the Offer is valued at approximately HK$49,231.2 million. As at the Latest Practicable Date, OOIL had no outstanding share options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into OOIL Shares.

The Offer Price was determined after taking into account, among other things, the trading multiples of comparable companies and precedent transactions in the industry, with reference to privatization transactions in Hong Kong in recent years, as well as the synergies expected to be generated after completion of the Offer.

The trading multiples of comparable companies consisted of price-to-book value ratios of global shipping companies listed on the Stock Exchange and other stock exchanges, in each case based on the share price as at 30 June 2017 and book value per share as at 31 December 2016. Precedent transactions in the industry included transactions involving the consolidation of global shipping companies, and price-to-book value ratios were adjusted by taking into consideration the operating performance of OOIL compared to the target companies in such transactions. Privatization transactions in Hong Kong involving takeovers by third party strategic investors provided useful benchmarks for the premium of the offer price over the closing price in the 10 and 30 trading days prior to the announcement of the offer.

In addition, the Joint Offerors believe that a significant premium to the market price of the OOIL Shares was justified in view of the synergic benefits to be generated following the completion of the Offer, as well as the estimated cost savings on the basis of past transactions in the industry involving the consolidation of shipping companies. The Offer allows COSCO SHIPPING Lines and OOIL to benefit from access to a combined and complementary global sales network and customer base, shipping network optimization, and advanced IT systems, which can drive synergies and operational efficiency.

Confirmation of financial resources

As at the Latest Practicable Date, there were 625,793,297 OOIL Shares in issue. Based on the Offer Price of HK$78.67 per OOIL Share, the Offer is valued at approximately HK$49,231.2 million. Assuming that the Offer is accepted in full, the financial resources required by the Joint Offerors to satisfy the consideration payable under the Offer will amount to approximately HK$49,231.2 million. As disclosed in the section headed "8. Consortium Agreement between the Joint Offerors" in this letter, SIPG Offeror has undertaken to acquire 61,953,536 OOIL Shares out of the 429,950,088 OOIL Shares (representing 9.9% of the total issued share capital of OOIL) to be validly tendered for acceptance under the Offer by the Controlling Shareholder, and COSCO SHIPPING Offeror has undertaken to acquire the remaining OOIL Shares to be validly tendered for acceptance under the Offer (up to 563,839,761 OOIL Shares (representing 90.1% of the total issued share capital of OOIL) assuming the Offer is accepted in full). COSCO SHIPPING Offeror is financing its portion of the consideration payable under the Offer (being up to approximately HK$44,357.3 million) by (a) a loan facility arranged by Bank of China Limited and (b) available cash resources of COSCO SHIPPING Offeror in an escrow account co-managed by COSCO SHIPPING Offeror and UBS (which cash comes from internal cash resources of COSCO SHIPPING Offeror and loan proceeds from a loan provided by a subsidiary of China COSCO Shipping), and SIPG Offeror will finance its portion of the consideration payable under the Offer (being approximately HK$4,873.9 million) from a loan facility from China Construction Bank Shanghai No.1 Branch. UBS, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging its obligations in respect of the full acceptance of the Offer.

7. INFORMATION ON THE JOINT OFFERORS

Information on the COSCO SHIPPING Offeror Group, COSCO and China COSCO SHIPPING

COSCO SHIPPING Offeror was incorporated in BVI on 8 May 2017 and was acquired by COSCO SHIPPING Holdings for the sole purpose of making the Offer and holding OOIL Shares. As at the Latest Practicable Date, COSCO SHIPPING Offeror was directly wholly-owned by COSCO SHIPPING Holdings Hong Kong, which was in turn directly wholly-owned by COSCO SHIPPING Holdings. Assuming the Offer becomes unconditional in all respects, COSCO SHIPPING Offeror will be the new holding company of the OOIL Group upon the close of the Offer. COSCO SHIPPING Offeror has not carried on any business since its incorporation, other than matters in connection with the Offer.

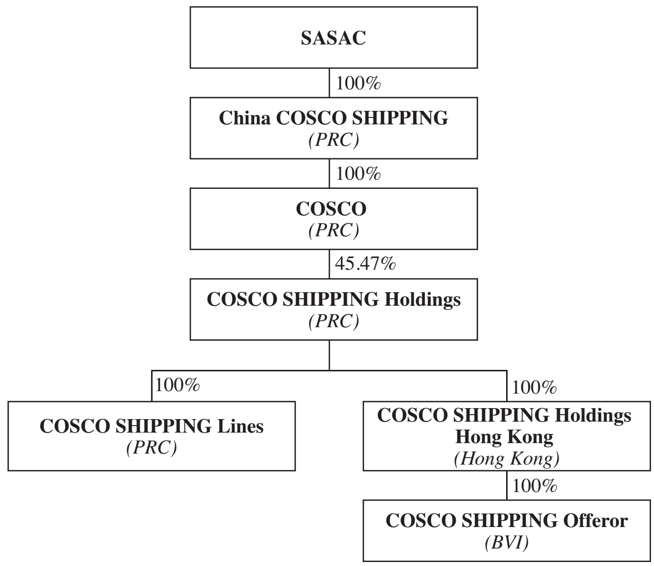
COSCO SHIPPING Holdings Hong Kong was incorporated in Hong Kong on 6 July 2017 by COSCO SHIPPING Holdings as a direct wholly-owned subsidiary for the sole purpose of making the Offer and holding shares of the COSCO SHIPPING Offeror. COSCO SHIPPING Holdings Hong Kong has not carried on any business since its incorporation, other than matters in connection with the Offer.

COSCO SHIPPING Holdings was established in the PRC on 3 March 2005. COSCO SHIPPING Holdings, through its various subsidiaries, provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

COSCO SHIPPING Lines is established in the PRC as a limited liability company. The principal business of COSCO SHIPPING Lines is container shipping.

As at the Latest Practicable Date, (i) COSCO SHIPPING Lines was directly wholly-owned by COSCO SHIPPING Holdings; (ii) COSCO, by itself and through its subsidiaries, was interested in an aggregate of 45.47% of the total registered capital of COSCO SHIPPING Holdings; and (iii) COSCO is wholly-owned by China COSCO SHIPPING, which is in turn wholly-owned by SASAC.

The following chart sets out the relationship among the abovementioned members of the COSCO SHIPPING Offeror Group, COSCO and China COSCO SHIPPING as at the Latest Practicable Date:



Information on SIPG Offeror

SIPG Offeror is a company incorporated in BVI with limited liability and is directly wholly-owned by Shanghai International Port Group (HK) Co., Limited, a company incorporated in Hong Kong with limited liability, which is in turn directly wholly-owned by SIPG.

SIPG Offeror is principally engaged in investment holding. SIPG is a company incorporated under the laws of the PRC (Shanghai Stock Exchange (stock code: 600018)). SIPG is principally engaged in port-related businesses, the main business sections of which include container sector, bulk cargo sector, port logistics sector and port service sector. SIPG is the operator of the public terminals in the Port of Shanghai in the PRC. As at the Latest Practicable Date, China COSCO SHIPPING directly held 3,476,051,198 shares of SIPG, representing 15% of the total issued share capital of SIPG.

Upon completion of the Offer, SIPG Offeror's shareholding in OOIL would count towards "the public" under Rule 8.24 of the Listing Rules.

8. CONSORTIUM AGREEMENT BETWEEN THE JOINT OFFERORS

Pursuant to the Consortium Agreement between the Joint Offerors dated 7 July 2017, the Joint Offerors agreed to acquire the OOIL Shares tendered for acceptance by Qualifying OOIL Shareholders pursuant to and in accordance with the terms of the Offer in the following proportion:

OOIL Shares to be acquired under the Offer	Acquirer of the OOIL Shares and the proportion
For the 429,950,088 OOIL Shares to be validly tendered for acceptance under the Offer pursuant to the Irrevocable Undertaking, representing approximately 68.7% of the issued share capital of OOIL	9.9% of OOIL Shares in issue to SIPG Offeror (representing 61,953,536 OOIL Shares) 58.8% of OOIL Shares in issue to COSCO SHIPPING Offeror (representing 367,996,552 OOIL Shares)
For the remaining OOIL Shares to be validly tendered for acceptance under the Offer	100% of remaining OOIL Shares to COSCO SHIPPING Offeror

Undertaking by SIPG Offeror

As disclosed in the Announcement, the SIPG Offeror would proceed with the Offer unless it could not obtain SAFE approval for the relevant funds to be remitted from the PRC to pay for its consideration under the Offer.

As SIPG Offeror has obtained a loan facility to finance its consideration under the Offer, the loan proceeds of which will be remitted to a non-resident free trade account established by SIPG Offeror in the Shanghai Pilot Free Trade Zone, no SAFE approval is required for the remittance of funds to pay for its consideration under the Offer. Accordingly, SIPG Offeror will proceed with its share of the Offer (being 9.9% of the total issued share capital of OOIL).

Undertaking by COSCO SHIPPING Offeror

If SIPG Offeror does not have sufficient financial resources to complete the Offer according to its proportion of allocation of OOIL Shares to be validly tendered for acceptance as set out above, COSCO SHIPPING Offeror has undertaken to complete the Offer in full as if it were the sole offeror for the Offer and for the purposes of the Announcement.

SIPG Offeror has obtained a loan facility to finance its portion of the consideration payable under the Offer (being approximately HK$4,873.9 million) and UBS, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging its obligations in respect of the full acceptance of the Offer.

9. JOINT OFFERORS' REASONS FOR THE OFFER

For the COSCO SHIPPING Offeror Group

COSCO SHIPPING Holdings believes this acquisition will enable both COSCO SHIPPING Lines and OOIL to realise synergies, enhance profitability and achieve sustainable growth in the long term. The outstanding management system and service capabilities, as well as established global shipping network, of COSCO SHIPPING Holdings and OOIL can provide customers of both COSCO SHIPPING Lines and OOIL with more diversified product offerings and better service experience.

After the completion of the Offer, the combined COSCO SHIPPING Lines and OOIL will become one of the world's leading container shipping companies with more than 400 vessels and capacity exceeding 2.9 million TEUs including order book. In addition to this increase in scale, both parties will benefit from access to a combined and complementary global sales network and customer base, shipping network optimization, as well as advanced IT systems, to further drive synergies and operational efficiency.

Further, COSCO SHIPPING Holdings believes this transaction is of strategic importance to both OOIL and COSCO SHIPPING Holdings. COSCO SHIPPING Holdings believes that it will create value for its shareholders and customers, and will provide great opportunities for the employees of both companies to thrive on this enhanced platform. After the completion of the Offer, OOIL will continue to strengthen its core business in container shipping, as it becomes part of a larger and enhanced platform within COSCO SHIPPING Offeror Group, and can leverage on COSCO SHIPPING Holdings' global shipping network to drive future growth and synergies.

For the SIPG Offeror Group

SIPG has been the operator of the public terminals of the Port of Shanghai, the world's largest port in terms of container throughput for eight consecutive years since 2010. SIPG Offeror can bring significant strategic value and synergies to this transaction as one of the Joint Offerors. COSCO SHIPPING Holdings, SIPG and OOIL can potentially mutually benefit from further collaboration between the container shipping businesses of COSCO SHIPPING Holdings and OOIL, and the port operations of SIPG Offeror Group, among other things.

In addition, as the OOIL Shares to be acquired by SIPG Offeror contribute to the public float of OOIL, this arrangement can help with the intention to retain the listing status of OOIL, which helps support Hong Kong as a global maritime centre.

10. INTENTIONS OF THE JOINT OFFERORS WITH REGARD TO OOIL

Container shipping business will remain COSCO SHIPPING Offeror Group's most important core businesses and most important strategic focus. After the completion of the Offer, the Joint Offerors intend to retain the listing status of OOIL, and maintain OOIL's global headquarters functions and presence in Hong Kong and continue to support Hong Kong as a global maritime centre. The Joint Offerors are committed to the continuity and stability of OOIL management team, business, operations, and global service network as a whole after closing of the Offer. As such, the Joint Offerors intend to keep the existing OOIL branding so that COSCO SHIPPING Lines and OOIL can provide customers with more diversified product offerings and better service experience with their respective brands, as both parties explore ways to achieve synergies and better operational efficiency.

Further, while keeping OOIL management teams and global service network, the Joint Offerors shall retain the existing compensation and benefit system at OOIL and not terminate the employment of any Employee at OOIL as a result of this transaction for at least 24 months after the Offer Closing Date, except for staff movements which are part of the normal conduct of business or due to personal performance or conduct issues. OOIL shall continue its current human resources practice and staff performance measurement, and monitor key performance indicators for operational efficiency and business growth.

11. U.S. BUSINESS AND OTHER BUSINESS

As disclosed in the Announcement, while not being a pre-condition to the Offer, the Joint Offerors and OOIL will together take all necessary steps, including the Joint Offerors taking any accommodation and mitigation actions, to procure the approval or clearance by CFIUS in relation to the Offer.

OOIL and COSCO SHIPPING Offeror have been in discussions with CFIUS and will continue to work through the CFIUS process and fully cooperate with the relevant U.S. Government departments' review of the transaction.

Upon the implementation of the Offer, as a result of which COSCO SHIPPING Offeror will gain indirect control of the OOIL Group's business in Taiwan, ownership restrictions in Taiwan may apply to such business.

12. MAINTAINING THE LISTING

The Joint Offerors intend to maintain the listing of OOIL Shares on the Stock Exchange following closing of the Offer.

There is a possibility that the public will hold less than 25 per cent. of OOIL Shares upon closing of the Offer depending on the level of acceptance.

On 5 July 2018, COSCO SHIPPING Offeror and the Purchasers entered into the Sale and Purchase Agreements in respect of the proposed sale of up to 94,494,789 OOIL Shares (representing approximately 15.1% of the total issued share capital of OOIL) at the sale price of HK$78.67 (equivalent to the Offer Price) by COSCO SHIPPING Offeror to the Purchasers after close of the Offer. The sale and purchase of OOIL Shares under the Sale and Purchase Agreements will only take place in the event the public float of OOIL falls below 25% as required under Rule 8.08(1)(a) of the Listing Rules and to the extent that the disposal of such number of OOIL Shares would restore public float.

Pursuant to the terms of the Offer, in the event the Offer is accepted in full, COSCO SHIPPING Offeror and SIPG Offeror will hold 90.1% and 9.9% of the total issued share capital of OOIL, respectively. Under the Listing Rules, the OOIL Shares held by SIPG Offeror (being less than 10%) would count towards public float and the OOIL Shares held by COSCO SHIPPING Offeror would not count towards public float. In order for COSCO SHIPPING Offeror to maintain its shareholding at no more than 75% and to restore the public float of OOIL Shares to 25% as required under Rule 8.08(1)(a) of the Listing Rules, COSCO SHIPPING Offeror would dispose of OOIL Shares representing up to 15.1% of the total issued share capital of OOIL.

Pursuant to the terms of the Sale and Purchase Agreements, if the public float of OOIL falls below 25% upon close of the Offer, COSCO SHIPPING Offeror will sell and the Purchasers will purchase the Surplus Shares (being the OOIL Shares which are required to be disposed of by COSCO SHIPPING Offeror in order to restore the public float of OOIL) in the following manner:

(i) Crest Apex will acquire the first batch of OOIL Shares of up to a maximum of 31,227,085 OOIL Shares (representing approximately 4.99% of the total issued share capital of OOIL);

(ii) Rongshi International will acquire the next batch of OOIL Shares, up to 14,900,000 OOIL Shares (representing approximately 2.38% of total issued share capital of OOIL); and

(iii) PSD Investco will acquire the remainder of the Surplus Shares, being a maximum of 48,367,704 OOIL Shares (representing approximately 7.73% of total issued share capital of OOIL) assuming the Offer is accepted in full.

Sale and Purchase Agreements

The principal terms of the Sale and Purchase Agreements are set forth as follows:

Crest Apex Sale and Purchase Agreement

Parties:	(i) COSCO SHIPPING Offeror (as seller); and (ii) Crest Apex (as buyer)
Subject Matter:	Crest Apex shall buy and COSCO SHIPPING Offeror shall sell such number of OOIL Shares which is equivalent to the number of Surplus Shares, up to a maximum of 31,227,085 OOIL Shares, at the consideration of HK$78.67 per OOIL Share. The maximum of 31,227,085 OOIL Shares represents approximately 4.99% of the total issued share capital of OOIL as at the date of this Composite Document.
Conditions Precedent:	Completion of the sale and purchase of the OOIL Shares under the Crest Apex Sale and Purchase Agreement shall be conditional upon, amongst others, the following conditions having been fulfilled or (where applicable) waived: (i) the Offer becoming or being declared unconditional in all respects; (ii) the total number of OOIL Shares held by the public (as defined in the Listing Rules) being less than 25% of the total number of OOIL Shares as at the Offer Closing Date;

(iii) if the number of Surplus Shares exceeds 31,227,085 OOIL Shares, COSCO SHIPPING Offeror having completed or simultaneously completing the sale of such excess OOIL Shares to Rongshi International and/or PSD Investco so that the public shareholding of OOIL taken together with the OOIL Shares held by the SIPG Offeror will be at least 25% and the continuous trading and listing of OOIL Shares on the Stock Exchange in accordance with the Listing Rules will be maintained at completion of the sale and purchase of the OOIL Shares under the Crest Apex Sale and Purchase Agreement; and

(iv) no suspension of trading having occurred in OOIL Shares and COSCO SHIPPING Offeror not having received an indication from the Stock Exchange that it will require a suspension of trading in OOIL Shares (other than a suspension of trading upon completion of the Offer as a result of the public shareholding falling below the prescribed limit under the Listing Rules).

The conditions precedent set out in (i) and (ii) above may not be waived by any party. The conditions precedent set out in (iii) and (iv) above may be waived by Crest Apex.

Completion: Completion of the Crest Apex Sale and Purchase Agreement shall take place on the day which is 15 business days after the Offer Closing Date, or such other date as may be agreed in writing between the parties (not being later than the Long Stop Date).

SDIC Sale and Purchase Agreement

Parties:

(i) COSCO SHIPPING Offeror (as seller); and

(ii) Rongshi International (as buyer)

Subject Matter:	Rongshi International shall buy and COSCO SHIPPING Offeror shall sell such number of OOIL Shares which is equivalent to the number of Surplus Shares minus 31,227,085 OOIL Shares, up to a maximum of 14,900,000 OOIL Shares, at the consideration of HK$78.67 per OOIL Share. The maximum of 14,900,000 OOIL Shares represents approximately 2.38% of the total issued share capital of OOIL.
Conditions Precedent:	Completion of the sale and purchase of the OOIL Shares under the SDIC Sale and Purchase Agreement shall be conditional upon, amongst others, the following conditions having been fulfilled or (where applicable) waived: (i) the Offer becoming or being declared unconditional in all respects; (ii) the total number of OOIL Shares held by the public (as defined in the Listing Rules) being less than 25% of the total number of OOIL Shares with the number of Surplus Shares as at the Offer Closing Date being more than 31,227,085 OOIL Shares; and (iii) COSCO SHIPPING Offeror having completed or simultaneously completing the sale of such excess OOIL Shares so that the public shareholding of OOIL taken together with the OOIL Shares held by the SIPG Offeror will be at least 25% at completion of the sale and purchase of the OOIL Shares under the SDIC Sale and Purchase Agreement. The conditions precedent set out in (i) and (ii) above may not be waived by any party. The condition precedent set out in (iii) above may be waived by Rongshi International.

Completion:	Completion of the SDIC Sale and Purchase Agreement shall take place on the day which is 15 business days after the Offer Closing Date, or such other date as may be agreed in writing between the parties (not being later than the Long Stop Date).

PSD Investco Sale and Purchase Agreement

Parties:	(i) COSCO SHIPPING Offeror (as seller); and (ii) PSD Investco (as buyer)
Subject Matter:	PSD Investco shall buy and COSCO SHIPPING Offeror shall sell such number of OOIL Shares which is equivalent to the number of Surplus Share minus 46,127,085 OOIL Shares, at the consideration of HK$78.67 per OOIL Share. As the maximum number of Surplus Shares is 94,494,789 (representing approximately 15.1% of the total issued share capital of OOIL), the maximum number of OOIL Shares which may be acquired by PSD Investco under the PSD Investco Sale and Purchase Agreement is 48,367,704 OOIL Shares, representing approximately 7.73% of the total issued share capital of OOIL.
Conditions Precedent:	Completion of the sale and purchase of the OOIL Shares under the PSD Investco Sale and Purchase Agreement shall be conditional upon, amongst others, the following conditions having been fulfilled or (where applicable) waived: (i) the Offer becoming or being declared unconditional in all respects; (ii) the total number of OOIL Shares held by the public (as defined in the Listing Rules) being less than 25% of the total number of OOIL Shares with the number of Surplus Shares as at the Offer Closing Date being more than 46,127,085 OOIL Shares; and

(iii) COSCO SHIPPING Offeror having completed or simultaneously completing the sale of such excess OOIL Shares so that the public shareholding of OOIL taken together with the OOIL Shares held by the SIPG Offeror will be at least 25% at completion of the sale and purchase of the OOIL Shares under the PSD Investco Sale and Purchase Agreement.

The conditions precedent set out in (i) and (ii) above may not be waived by any party. The condition precedent set out in (iii) above may be waived by PSD Investco.

Completion:	Completion of the PSD Investco Sale and Purchase Agreement shall take place on the day which is 15 business days after the Offer Closing Date, or such other date as may be agreed in writing between the parties (not being later than the Long Stop Date).

Information on the Purchasers to the Sale and Purchase Agreements

Crest Apex and CK Hutchison

Crest Apex is a company incorporated in the BVI. It is an indirect non-wholly owned subsidiary of CK Hutchison and is principally engaged in investment holding. CK Hutchison is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1). CK Hutchison and its subsidiaries are principally engaged in five core businesses: ports and related services, retail, infrastructure, energy, and telecommunications.

Rongshi International and SDIC

Rongshi International is incorporated in Hong Kong. It is a wholly-owned subsidiary of SDIC and is principally engaged in investment holding. SDIC is a PRC state-owned investment holding company under the administration of the State Council of the PRC, engaging in investment in four strategic business sectors, namely infrastructure-related industry, emerging industries, financial services as well as international business. Its portfolio consists of a combination of equity investments as well as wholly-owned companies, in both public and private enterprises.

PSD Investco and Silk Road Fund

PSD Investco is an exempted company incorporated with limited liability in the Cayman Islands principally engaged in investment holding and an indirect wholly-owned subsidiary of Silk Road Fund. Silk Road Fund is a market-oriented, international and professional medium to long-term development and investment institution. It invests in a broad spectrum of sectors under the framework of the "Belt and Road" initiative including infrastructure, energy resources, industrial capacity cooperation and financial cooperation.

To the best knowledge, information and belief of the directors of COSCO SHIPPING Holdings, each of the Purchasers and their ultimate beneficial owners is not a connected person of COSCO SHIPPING Holdings and the Joint Offerors. Each of the Purchasers has also confirmed that it does not hold any OOIL Shares.

Reasons and Benefits of the Sale and Purchase Agreements

The Joint Offerors intend to maintain the listing of OOIL Shares on the Stock Exchange following closing of the Offer. There is a possibility that the public will hold less than 25% of OOIL Shares upon closing of the Offer depending on the level of acceptance.

In view of the premium of the Offer Price over the closing prices of OOIL Shares as traded on the Stock Exchange prior to the Last Trading Date, acceptance level for the Offer is anticipated to be high. In addition, the Controlling Shareholder has irrevocably undertaken to accept the Offer in respect of the OOIL Shares held by it (representing 68.7% of the total issued capital of OOIL). Therefore, the public float of OOIL is likely to fall below 25% immediately upon close of the Offer.

The entry of the Sale and Purchase Agreements prior to despatch of the Composite Document can avoid the uncertain process for the sale of OOIL Shares after close of the Offer, mitigate the uncertainty whether the public float of OOIL can be maintained, and minimize the risk of prolonged suspension of trading of OOIL Shares and delisting from the Stock Exchange in the event the public float of OOIL falls below the minimum requirement of 25% under Rule 8.08(1)(a) of the Listing Rules. Upon completion of the Transactions and assuming full acceptance of the Offer, Crest Apex, Rongshi International and PSD Investco will hold up to 4.99%, 2.38% and 7.73% of the total issued share capital of OOIL, respectively.

The entry of the Crest Apex Sale and Purchase Agreement demonstrates the parties' long term commitments to deepening of future commercial ties, which is also consistent with the PRC's "Belt and Road" initiative, as CK Hutchison operates a number of ports along the "Belt and Road" initiative route. This can foster stronger cooperation between COSCO SHIPPING Holdings and CK Hutchison in developing existing co-invested ports assets, through optimizing operating efficiencies, to achieve increase in investment returns. Further, increased collaboration between the ports and shipping businesses of the two groups will allow further synergies to be achieved, delivering benefits to both parties in the long run. The COSCO SHIPPING Holdings Board believes this deepening of commercial ties will promote the competitive advantages for both parties and maximize respective shareholder returns.

Further, having the support from Silk Road Fund and SDIC, both of which are experienced institutional investors, will further strengthen the shareholder base of OOIL after the completion of the Offer.

The Sale Price is HK$78.67 per OOIL Share, which was determined based on the Offer Price.

The COSCO SHIPPING Holdings Board consider that the terms of the Sale and Purchase Agreements are fair and reasonable and in the interests of COSCO SHIPPING Holdings Shareholders as a whole.

Consent from the Executive pursuant to Rule 21.2 of the Code

COSCO SHIPPING Offeror has obtained the consent of the Executive in respect of the entry of the Sale and Purchase Agreements by COSCO SHIPPING Offeror to achieve the minimum public shareholding of OOIL pursuant to Rule 21.2 of the Code.

Warning

The Transactions are subject to the Offer having been declared unconditional in all respects and the public float of OOIL falling below 25% upon close of the Offer. Therefore, the Transactions may or may not proceed. Please refer to the section headed "4. Conditions to the Offer" in this letter for details of the Conditions to the Offer.

OOIL Shareholders and potential investors should be aware that the entry of the Sale and Purchase Agreements is not an indication that the market price of OOIL Shares may or may not be maintained at the Offer Price upon close of the Offer. The market price of OOIL Shares may fluctuate significantly upon close of the Offer as a result of various factors including variations in the OOIL Group's results of operations, general economic and stock market conditions, conditions and outlook of the shipping industry, departure of key personnel and changes in market's expectation and estimate of the OOIL Group's financial performance. If the Offer is not accepted, OOIL Shareholders should be aware that they may suffer loss in the event the market price of the OOIL Shares falls below the Offer Price after close of the Offer. OOIL Shareholders should carefully consider the terms of the Offer and the contents of this Composite Document before determining whether or not to accept the Offer.

Accordingly, COSCO SHIPPING Holdings Shareholders, OOIL Shareholders and prospective investors are advised to exercise caution when dealing in the securities of OOIL or COSCO SHIPPING Holdings.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to OOIL, being 25 per cent. of the issued OOIL Shares, are held by the public, or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of OOIL Shares or (ii) that there are insufficient OOIL Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in OOIL Shares. The Joint Offerors intend OOIL to remain listed on the Stock Exchange. The Joint Offerors have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in OOIL Shares.

The Joint Offerors do not intend to exercise any rights to compulsorily acquire any OOIL Shares in respect of which the Offer is not accepted.

13. GENERAL MATTERS RELATING TO THE OFFER

Effect of accepting the Offer

By validly accepting the Offer, Qualifying OOIL Shareholders will sell to the Joint Offerors their tendered OOIL Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Offer Closing Date.

Hong Kong stamp duty and taxation

Please see Appendix I to this Composite Document for information regarding Hong Kong stamp duty and taxation.

Overseas Qualifying OOIL Shareholders

If you are an overseas OOIL Shareholder, please see the important information in the section headed "Overseas Qualifying OOIL Shareholders" in Appendix I to this Composite Document.

Form of Acceptance and Settlement

Information regarding the acceptance of the Offer and settlement of consideration is set out in Appendix I to this Composite Document.

Interests in OOIL Shares and relevant securities

The IU shares represented 68.7 per cent. of the issued share capital of OOIL as at the Latest Practicable Date.

Save for the above, as at the Latest Practicable Date:

(i) there was no existing holding of voting rights and rights over OOIL Shares which the Joint Offerors owned or over which it had control or direction;

(ii) there was no existing holding of voting rights and rights over OOIL Shares which was owned or controlled or directed by the Joint Offerors or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers);

(iii) there was no existing holding of voting rights and rights over OOIL Shares in respect of which the Joint Offerors or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that were exempt principal traders or exempt fund managers) held convertible securities, warrants or options;

(iv) there was no outstanding derivative in respect of securities in OOIL entered into by the Joint Offerors or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that were exempt principal traders or exempt fund managers);

(v) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Joint Offerors or the OOIL Shares and which might be material to the Offer, other than the Irrevocable Undertaking;

(vi) there was no agreement or arrangement to which the Joint Offerors was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a Pre-Condition or a Condition; and

(vii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Code) in OOIL which the Joint Offerors or any of its Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that were exempt principal traders or exempt fund managers) had borrowed or lent save for any borrowed OOIL Shares which had either been on-lent or sold.

14. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the OOIL Board on pages 36 to 41, the letter from the Independent Board Committee on pages 42 to 43 and the letter from the Independent Financial Adviser on pages 44 to 68 of this Composite Document in relation to their respective recommendations and advice with respect to the Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of
UBS AG Hong Kong Branch

Samson Lo
Managing Director

David Xiong
Executive Director

ORIENT OVERSEAS (INTERNATIONAL) LIMITED
東方海外(國際)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 316)

Executive Directors:
Mr. TUNG Chee Chen
Mr. TUNG Lieh Cheung Andrew
Mr. TUNG Lieh Sing Alan

Non-executive Director:
Professor Roger KING

Independent Non-executive Directors:
Mr. Simon MURRAY
Mr. CHOW Philip Yiu Wah
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward
Mr. KWOK King Man Clement

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Office:
33rd Floor
Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

6 July 2018

To the Qualifying OOIL Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY UBS ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL OF THE ISSUED SHARES OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED

1. INTRODUCTION

On 7 July 2017, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that UBS, on behalf of the Joint Offerors, firmly intends, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer to acquire all of the issued OOIL Shares held by Qualifying OOIL Shareholders at an offer price in cash of HK$78.67 per OOIL Share.

* *For identification purpose only*

On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions have been satisfied.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the OOIL Group, the Joint Offerors and the Offer, (ii) the letter from UBS containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendation and advice to the Qualifying OOIL Shareholders in respect of the Offer and acceptance of the Offer; and (iv) the letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Qualifying OOIL Shareholders are concerned and as to acceptance in respect of the Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

2. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Simon Murray, Mr. Chow Philip Yiu Wah, Professor Wong Yue Chim Richard, Mr. Cheng Wai Sun Edward and Mr. Kwok King Man Clement has been established for the purpose of making a recommendation to the Qualifying OOIL Shareholders as to whether the Offer is fair and reasonable and as to acceptance.

The Independent Board Committee comprises all the independent non-executive OOIL Directors who have no direct or indirect interest in the Offer, other than as an OOIL Shareholder. The Independent Board Committee excludes the non-executive OOIL Director, Professor Roger King, who is connected to the Controlling Shareholder. Professor Roger King is the brother-in-law of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in the Controlling Shareholder, and Mr. Tung Chee Chen (the Chairman, President and Chief Executive Officer of OOIL) who has an interest in a trust which has an indirect interest in the Controlling Shareholder.

Citigroup, with the approval of the Independent Board Committee, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Qualifying OOIL Shareholders as to whether the Offer is fair and reasonable and as to acceptance.

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Offer (including the Offer Price) to be fair and reasonable so far as the Qualifying OOIL Shareholders are concerned, and accordingly, it recommends the Independent Board Committee to advise the Qualifying OOIL Shareholders to accept the Offer.

The Independent Board Committee, having been so advised, considers the terms of the Offer (including the Offer Price) to be fair and reasonable so far as the Qualifying OOIL Shareholders are concerned, and accordingly, recommends the Qualifying OOIL Shareholders to accept the Offer.

The full text of the letter from the Independent Board Committee addressed to the Qualifying OOIL Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in the Composite Document. You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Offer.

3. THE OFFER

3.1 The Offer

UBS, on behalf of the Joint Offerors, is making a voluntary general cash offer to acquire all of the issued OOIL Shares held by Qualifying OOIL Shareholders on the following basis:

For each OOIL Share . . . . HK$78.67 in cash

Comparisons of value

The Offer Price of HK$78.67 per OOIL Share under the Offer represents:

(a) a premium of approximately 37.8 per cent. over the closing price of HK$57.10 per OOIL Share as quoted on the Stock Exchange on 6 July 2017, the Last Trading Date;

(b) a premium of approximately 41.1 per cent. over the average closing price of HK$55.76 per OOIL Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the Last Trading Date;

(c) a premium of approximately 55.2 per cent. over the average closing price of HK$50.69 per OOIL Share as quoted on the Stock Exchange for the 30 trading days immediately prior to the the Last Trading Date;

(d) a premium of approximately 40.0 per cent. over the audited net asset value per OOIL Share of approximately HK$56.20 as at 31 December 2016;

(e) a premium of approximately 35.1 per cent. over the audited net asset value per OOIL Share of approximately HK$58.23 as at 31 December 2017; and

(f) a premium of approximately 1.2 per cent. over the closing price of HK$77.75 per OOIL Share as quoted on the Stock Exchange on the Latest Practicable Date.

Please refer to the section headed "Market Prices" in Appendix III to this Composite Document for further information on the market prices of the OOIL Shares.

3.2 Highest and lowest closing OOIL Share prices

During the Relevant Period, the highest closing price of OOIL Shares as quoted on the Stock Exchange was HK$77.75 per OOIL Share on 3 July 2018, and the lowest closing price of OOIL Shares as quoted on the Stock Exchange was HK$36.55 per OOIL Share on 9 January 2017.

3.3 Total consideration under the Offer

As at the Latest Practicable Date, there were 625,793,297 OOIL Shares in issue. On the basis of the Offer Price of HK$78.67 per OOIL Share, the Offer is valued at approximately HK$49,231.2 million.

3.4 Further details of the Offer

Further details of the Offer can be found in the letter from UBS in, and Appendix I to, the Composite Document and the accompanying Form of Acceptance, which together set out the terms and conditions of the Offer and certain related information.

4. GENERAL

4.1 Information on the OOIL Group

OOIL is a company incorporated in Bermuda with limited liability and OOIL Shares are listed on the Main Board of the Stock Exchange. The OOIL Group is principally engaged in the provision of container transport and logistic services. OOIL SubCo, an indirect wholly owned subsidiary of OOIL, is one of the world's largest integrated international transportation, logistics and terminal companies, and is an industry leader in the use of information technology and e-commerce to manage the entire cargo transport process.

Your attention is drawn to the financial information of the OOIL Group set out in Appendix II to the Composite Document.

4.2 Information on the Joint Offerors

Your attention is drawn to the letter from UBS contained in the Composite Document for information relating to the Joint Offerors.

5. INTENTIONS OF THE JOINT OFFERORS WITH REGARD TO OOIL

Your attention is drawn to the letter from UBS contained in the Composite Document which sets out the intentions of the Joint Offerors with regard to OOIL.

OOIL notes that the Joint Offerors are committed to the stability of OOIL's business and operations after closing of the Offer. In particular, OOIL notes and welcomes the Joint Offerors' commitment towards OOIL's Employees, that they will retain the existing compensation and benefit system at OOIL and not terminate the employment of any Employee at OOIL as a result of this transaction for at least 24 months after the Offer Closing Date, except for staff movements which are part of the normal conduct of business or due to personal performance or conduct issues.

6. U.S. BUSINESS AND OTHER BUSINESS

Your attention is drawn to the letter from UBS contained in the Composite Document which refers to our U.S. business.

OOIL and COSCO SHIPPING Offeror have been in discussions with CFIUS and will continue to work through the CFIUS process and fully cooperate with the relevant U.S. Government departments' review of the transaction.

Upon the implementation of the Offer, as a result of which COSCO SHIPPING Offeror will gain indirect control of the OOIL Group's business in Taiwan, ownership restrictions in Taiwan may apply to such business.

7. MAINTAINING THE LISTING

OOIL understands that it is the Joint Offerors' intention to maintain the listing status of OOIL following closing of the Offer.

There is a possibility that the public will hold less than 25 per cent. of OOIL Shares upon closing of the Offer depending on the level of acceptance. In that case, OOIL understands that as at the Latest Practicable Date, COSCO SHIPPING Offeror intended to dispose of such number of OOIL Shares in such scenario to third party institutional and strategic investors to ensure that the public float requirement under the Listing Rules can be met as soon as practicable after close of the Offer. Further announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to OOIL, being 25 per cent. of the issued OOIL Shares, are held by the public, or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of OOIL Shares or (ii) that there are insufficient OOIL Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in OOIL Shares. The Joint Offerors intend OOIL to remain listed on the Stock Exchange. The Joint Offerors have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in OOIL Shares.

OOIL understands that Joint Offerors do not intend to exercise any rights to compulsorily acquire any OOIL Shares in respect of which the Offer is not accepted.

8. FURTHER INFORMATION

Please refer to the letter from UBS set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for information relating to the Offer, the acceptance and settlement procedures of the Offer, the making of the Offer to overseas Qualifying OOIL Shareholders and taxation.

9. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in the Composite Document, which contains its recommendation to the Qualifying OOIL Shareholders in respect of the Offer. Your attention is also drawn to the letter from the Independent Financial Adviser in the Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the terms of the Offer (so far as the Qualifying OOIL Shareholders are concerned) and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read the Composite Document and the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer.

Yours faithfully,
By order of the board of
Orient Overseas (International) Limited
TUNG Chee Chen
Chairman

ORIENT OVERSEAS (INTERNATIONAL) LIMITED
東方海外(國際)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 316)

6 July 2018

To the Qualifying OOIL Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY UBS ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL OF THE ISSUED SHARES OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED

INTRODUCTION

We refer to the Composite Document dated 6 July 2018 jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and OOIL, of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the OOIL Board to form the Independent Board Committee to consider and to advise the Qualifying OOIL Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Qualifying OOIL Shareholders are concerned and as to acceptance.

Citigroup has been appointed as the Independent Financial Adviser to advise us as to whether or not the terms of the Offer are fair and reasonable so far as the Qualifying OOIL Shareholders are concerned and as to acceptance of the Offer. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 44 to 68 of the Composite Document.

We also wish to draw your attention to, and advise you to read, the letter from the OOIL Board on pages 36 to 41 of the Composite Document, the letter from UBS on pages 14 to 35 of the Composite Document and the appendices to the Composite Document.

* *For identification purpose only*

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter, we concur with the view of the Independent Financial Adviser and consider that the terms of the Offer are fair and reasonable so far as the Qualifying OOIL Shareholders are concerned. Accordingly, we would recommend the Qualifying OOIL Shareholders to accept the Offer.

Notwithstanding our views and recommendation in respect of the terms of the Offer, the Qualifying OOIL Shareholders are strongly advised that their decision to realise or to hold their investment in OOIL depends on their own individual circumstances and investment objectives. In addition, we note that the OOIL Shares will continue to be listed on the Stock Exchange upon closing of the Offer. Qualifying OOIL Shareholders may, having regard to their own circumstances, consider retaining all or a portion of their OOIL Shares. As we are not in a position to predict the performance of the price of the OOIL Shares after the closing of the Offer, there is no assurance that the future price of the OOIL Shares will be higher or lower than the Offer Price. Moreover, there is a possibility that the public will hold less than 25 per cent. of OOIL Shares upon the closing of the Offer depending on the level of acceptance. In that case, OOIL understands that the Joint Offerors intend to take appropriate steps to restore the public float in compliance with the Listing Rules. If less than 25 per cent. of OOIL Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of OOIL Shares or (ii) that there are insufficient OOIL Shares in public hands to maintain an orderly market, the Stock Exchange may consider exercising its discretion to suspend trading in OOIL Shares. The Qualifying OOIL Shareholders should take this into account and consult their own professional advisers when making a decision on whether to accept the Offer. Furthermore, the Qualifying OOIL Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Composite Document.

Yours faithfully,
For and on behalf of
THE INDEPENDENT BOARD COMMITTEE

Mr. Simon Murray
Independent Non-executive Director

Professor Wong Yue Chim Richard
Independent Non-executive Director

Mr. Kwok King Man Clement
Independent Non-executive Director

Mr. Chow Philip Yiu Wah
Independent Non-executive Director

Mr. Cheng Wai Sun Edward
Independent Non-executive Director

The following is the text of a letter of advice from Citigroup Global Markets Asia Limited, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Composite Document.

CITIGROUP GLOBAL MARKETS ASIA LIMITED
50/F Champion Tower
3 Garden Road
Central
Hong Kong
6 July 2018

To: The Independent Board Committee of Orient Overseas (International) Limited

Dear Sirs,

CONDITIONAL VOLUNTARY GENERAL CASH OFFER BY UBS ON BEHALF OF THE JOINT OFFERORS TO ACQUIRE ALL OF THE ISSUED SHARES OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Offer. Details of the Offer are set out in the Composite Document dated 6 July 2018, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 7 July 2017, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that UBS, on behalf of the Joint Offerors, firmly intends, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer to acquire all of the issued OOIL Shares held by Qualifying OOIL Shareholders at an offer price in cash of HK$78.67 per OOIL Share. On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions have been satisfied. The Controlling Shareholder, who currently holds 429,950,088 OOIL Shares, representing approximately 68.7% of the issued share capital of OOIL, has irrevocably undertaken to accept the Offer. For the IU Shares to be validly tendered for acceptance under the Offer pursuant to the Irrevocable Undertaking, 367,996,552 OOIL Shares will be held by COSCO SHIPPING Offeror, representing

58.8% of the issued share capital of OOIL, while 61,953,536 OOIL Shares will be held by SIPG Offeror, representing 9.9% of the issued share capital of OOIL. The remaining OOIL Shares to be validly tendered for acceptance under the Offer will be 100% held by COSCO SHIPPING Offeror. On 5 July 2018, COSCO SHIPPING Offeror and certain purchasers entered into certain sale and purchase agreements in respect of the proposed sale of up to 94,494,789 OOIL Shares (representing approximately 15.1% of the total issued share capital of OOIL) at the sale price of HK$78.67 (equivalent to the Offer Price) by COSCO SHIPPING Offeror to such purchasers after close of the Offer. Further details are set out in the section headed "12. Maintaining the Listing" in the letter from UBS. As disclosed in the Announcement, while not being a pre-condition to the Offer, the Joint Offerors and OOIL will together take all necessary steps, including the Joint Offerors taking any accommodation and mitigation actions, to procure the approval or clearance by the Committee on Foreign Investment in the United States ("CFIUS") in relation to the Offer. OOIL and COSCO SHIPPING Offeror have been in discussions with CFIUS and will continue to work through the CFIUS process and fully cooperate with the relevant U.S. Government departments' review of the transaction.

An Independent Board Committee comprising the following non-executive OOIL Directors, namely Mr. Simon Murray, Mr. Chow Philip Yiu Wah, Professor Wong Yue Chim Richard, Mr. Cheng Wai Sun Edward and Mr. Kwok King Man Clement, has been established by the OOIL Board to make a recommendation to the Qualifying OOIL Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and whether to accept the Offer.

The Independent Board Committee comprises all the independent non-executive OOIL Directors who have no direct or indirect interest in the Offer, other than as an OOIL Shareholder. The Independent Board Committee excludes the non-executive OOIL Director, Professor Roger King, who is connected to the Controlling Shareholder. Professor Roger King is the brother-in-law of Mr. Tung Chee Hwa who has an interest in a trust which has an indirect interest in the Controlling Shareholder, and Mr. Tung Chee Chen (the Chairman, President and Chief Executive Officer of OOIL) who has an interest in a trust which has an indirect interest in the Controlling Shareholder.

We are not associated with OOIL, the Joint Offerors, or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer to the Independent Board Committee. Apart from the normal professional fees paid or payable to us in connection with this appointment, there are other normal business activities within our and our affiliates' ordinary course of business, and not in connection with this appointment, whereby we and our affiliates have received, and will receive, fees or benefits from OOIL, the Joint Offerors, or any party acting, or presumed to be acting, in concert with any of them. However, these existing arrangements could not be reasonably regarded as relevant to our independence in connection with our role as the independent financial adviser to the Independent Board Committee.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the OOIL Directors and management of the OOIL Group (the "**Management**"), as well as data publicly available or provided to or otherwise reviewed by or discussed with us, which, in each case, we have assumed to be true, accurate and complete. We have reviewed, among other things, the full terms and details of the Offer, the annual report of OOIL for the year ended 31 December 2017 (the "**2017 Annual Report**"), the annual report of OOIL for the year ended 31 December 2016 (the "**2016 Annual Report**"), the annual report of OOIL for the year ended 31 December 2015 (the "**2015 Annual Report**"), the data on the trading performance of the OOIL Shares from the website of the Stock Exchange and sourced from Bloomberg, and information set out in the Composite Document. We have sought and received confirmation from the OOIL Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the OOIL Group, the Joint Offerors or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations and information contained or referred to in the Composite Document are true at the date of the Composite Document, and will continue to be true until the end of the Offer Period and that Qualifying OOIL Shareholders will be informed of any material change as soon as possible. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof.

We have not considered the tax and regulatory implications on the Qualifying OOIL Shareholders of acceptance or non-acceptance of the Offer, as the case may be, since these are particular to their individual circumstances. In particular, the Qualifying OOIL Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

In addition, we note that the OOIL Shares will continue to be listed on the Stock Exchange upon closing of the Offer. As we are not in a position to predict the performance of the price of the OOIL Shares after the closing of the Offer, there is no assurance that the future price of the OOIL Shares will be higher or lower than that of the Offer Price. Qualifying OOIL Shareholders should take this into account and consult their own financial advisers when making a decision on whether to accept the Offer.

PRINCIPAL TERMS OF THE OFFER

Introduction

On 7 July 2017, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that UBS, on behalf of the Joint Offerors, firmly intends, subject only to the satisfaction or waiver of the Pre-Conditions, to make a voluntary conditional cash offer to acquire all of the issued OOIL Shares by Qualifying OOIL Shareholders at an offer price in cash of HK$78.67 per OOIL Share. On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions have been satisfied.

The Voluntary General Offer

The Offer will be made on the follow basis:

For each OOIL Share . . . . HK$78.67 in cash

The Offer will be extended to all Qualifying OOIL Shareholders in accordance with the Code. The OOIL Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Offer Closing Date.

Consideration and Financing

As at the Latest Practicable Date, there were 625,793,297 OOIL Shares in issue. Based on the Offer Price of HK$78.67 per OOIL Share, the Offer is valued at approximately HK$49,231.2 million. Assuming that the Offer is accepted in full, the financial resources required by the Joint Offerors to satisfy the consideration payable under the Offer will amount to approximately HK$49,231.2 million. As disclosed in the section headed "8. Consortium Agreement between the Joint Offerors" in the Letter from UBS, SIPG Offeror has undertaken to acquire 61,953,536 OOIL Shares out of the 429,950,088 OOIL Shares (representing 9.9% of the total issued share capital of OOIL) to be validly tendered for acceptance under the Offer by the Controlling Shareholder, and COSCO SHIPPING Offeror has undertaken to acquire the remaining OOIL Shares to be validly tendered for acceptance under the Offer (up to 563,839,761 OOIL Shares (representing 90.1% of the total issued share capital of OOIL) assuming the Offer is accepted in full). COSCO SHIPPING Offeror is financing its portion of the consideration payable under the Offer (being up to approximately HK$44,357.3 million) by (a) a loan facility arranged by Bank of China Limited and (b) available cash resources of COSCO SHIPPING Offeror in an escrow account co-managed by COSCO SHIPPING Offeror and UBS (which cash comes from internal cash resources of COSCO SHIPPING Offeror and loan proceeds from a loan provided by a subsidiary of China COSCO Shipping), and SIPG Offeror will finance its portion of the consideration payable under the Offer (being approximately HK$4,873.9 million) from a loan facility from China Construction Bank Shanghai No.1 Branch. UBS, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging its obligations in respect of the full acceptance of the Offer.

Conditions to the Offer

The Offer is subject to the fulfilment of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the Offer Closing Date (or such later time and/or date as the Joint Offerors may decide and the Executive may approve) in respect of such number of OOIL Shares which, together with OOIL Shares already owned or agreed to be acquired before or during the Offer, would result in the Joint Offerors and their Concert Parties holding more than 50% of the voting rights in OOIL; and

(b) no dividend or other distribution (whether in cash or in kind) having been declared, made or paid by OOIL to the OOIL Shareholders during the Offer Period (other than (i) any dividend or distribution regarding which OOIL has consulted the Joint Offerors and the amount of which does not exceed 25% of the profit attributable to the equity holders of OOIL for the relevant period for which such dividend or distribution was declared) and (ii) if any dividend or distribution has been declared, made or paid pursuant to (i), any further dividend or distribution shall be subject to the consent of the Joint Offerors).

Pursuant to Note 2 to Rule 30.1 of the Code, the Joint Offerors may only invoke Condition (b) as a basis for not proceeding with the Offer if the circumstances which give rise to a right to invoke such Condition are of material significance to the Joint Offerors in the context of the Offer.

If the Conditions are not satisfied on or before the Offer Closing Date, the Offer will lapse unless the Offer Period is extended by the Joint Offerors (with the consent of the Executive).

CONSORTIUM AGREEMENT BETWEEN THE JOINT OFFERORS

Pursuant to the Consortium Agreement between the Joint Offerors dated 7 July 2017, the Joint Offerors agreed to acquire the OOIL Shares tendered for acceptance by Qualifying OOIL Shareholders pursuant to and in accordance with the terms of the Offer in the following proportion:

OOIL Shares to be acquired under the Offer	**Acquirer of the OOIL Shares and the proportion**
For the 429,950,088 OOIL Shares to be validly tendered for acceptance under the Offer pursuant to the Irrevocable Undertaking, representing approximately 68.7% of the issued share capital of OOIL.	9.9% of OOIL Shares in issue to SIPG Offeror (representing 61,953,536 OOIL Shares) 58.8% of OOIL Shares in issue to COSCO SHIPPING Offeror (representing 367,996,552 OOIL Shares)
For the remaining OOIL Shares to be validly tendered for acceptance under the Offer.	100% of remaining OOIL Shares to COSCO SHIPPING Offeror

UNDERTAKING BY THE JOINT OFFERORS

Undertaking by SIPG Offeror

As disclosed in the Announcement, the SIPG Offeror would proceed with the Offer unless it could not obtain SAFE approval for the relevant funds to be remitted from the PRC to pay for its consideration under the Offer.

As SIPG Offeror has obtained a loan facility to finance its consideration under the Offer, the loan proceeds of which will be remitted to a non-resident free trade account established by SIPG Offeror in the Shanghai Pilot Free Trade Zone, no SAFE approval is required for the remittance of funds to pay for its consideration under the Offer. Accordingly, SIPG Offeror will proceed with its share of the Offer (being 9.9% of the total issued share capital of OOIL).

Undertaking by COSCO SHIPPING Offeror

If SIPG Offeror does not have sufficient financial resources to complete the Offer according to its proportion of allocation of OOIL Shares to be validly tendered for acceptance as set out above, COSCO SHIPPING Offeror has undertaken to complete the Offer in full as if it were the sole offeror for the Offer and for purposes of the Announcement.

SIPG Offeror has obtained a loan facility to finance its portion of the consideration payable under the Offer (being approximately HK$4,873.9 million) and UBS, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of the Joint Offerors for discharging its obligations in respect of the full acceptance of the Offer.

INTEREST IN OOIL SHARES

As at the Latest Practicable Date, the Joint Offerors did not hold any OOIL Shares or any warrants, options, derivatives or securities carrying conversion or subscription rights into OOIL Shares.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background to and Reasons for the Offer

The OOIL Group is principally engaged in the provision of container transport and logistic services. The OOIL Group's container shipping services are provided in major trade lanes, including Trans-Pacific, Intra-Asia/Australasia, Asia-Europe and Trans-Atlantic. The OOIL Group's logistics services include domestic and international distribution services, supply-chain management, freight management services, and truck and intermodal services. The OOIL Group also provides terminal services at major key ports in its trade lanes globally with two container terminals under its operation, one at Long Beach in California and one at Kaohsiung in Taiwan. OOIL is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange.

On 7 July 2017, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly published the Announcement stating that UBS would, on behalf of the Joint Offerors, make a voluntary general offer to acquire all of the issued OOIL Shares held by Qualifying OOIL Shareholders for HK$78.67 per OOIL Share, subject to the satisfaction or waiver of the Pre-Conditions.

On 29 June 2018, the Joint Offerors, COSCO SHIPPING Holdings and OOIL jointly announced that all the Pre-Conditions had been fulfilled, and accordingly, UBS is making the Offer on behalf of the Joint Offerors on 6 July 2018 pursuant to the Code.

COSCO SHIPPING Holdings believes this acquisition will enable both COSCO SHIPPING Lines and OOIL to realize synergies, enhance profitability and achieve sustainable growth in the long term. The outstanding management system and service capabilities, as well as established global shipping network, of COSCO SHIPPING Holdings and OOIL can provide customers of both COSCO SHIPPING Lines and OOIL with more diversified product offerings and better service experience. After the completion of the Offer, the combined COSCO SHIPPING Lines and OOIL will become one of the world's leading container shipping companies with more than 400 vessels and capacity exceeding 2.9 million TEUs including order book. In addition to this increase in scale, both parties will benefit from access to a combined and complementary global sales network and customer base, shipping network optimization, as well as advanced IT systems, to further drive synergies and operational efficiency. Further, COSCO SHIPPING Holdings believes this transaction is of strategic importance to both OOIL and COSCO SHIPPING Holdings. COSCO SHIPPING Holdings believes that it will create value for its shareholders and customers, and will provide great opportunities for the employees of both companies to thrive on this enhanced platform. After the completion of the Offer, OOIL will continue to strengthen its core business in container shipping, as it becomes part of a larger and enhanced platform within COSCO SHIPPING Offeror Group, and can leverage on COSCO SHIPPING Holdings' global shipping network to drive future growth and synergies.

SIPG has been the operator of the public terminals of the Port of Shanghai, the world's largest port in terms of container throughput for eight consecutive years since 2010. SIPG Offeror can bring significant strategic value and synergies to this transaction as one of the Joint Offerors. COSCO SHIPPING Holdings, SIPG and OOIL can potentially mutually benefit from further collaboration between the container shipping businesses of COSCO SHIPPING Holdings and OOIL, and the port operations of SIPG Offeror Group, among other things.

In addition, as the OOIL Shares to be acquired by SIPG Offeror contribute to the public float of OOIL, this arrangement can help with the intention to retain the listing status of OOIL, which helps support Hong Kong as a global maritime centre.

2. Intentions of the Joint Offerors in Relation to OOIL

As stated in the Letter from UBS, the container shipping business will remain COSCO SHIPPING Offeror Group's most important core business and most important strategic focus. After the completion of the Offer, the Joint Offerors intend to retain the listing status of OOIL, and maintain OOIL global headquarters functions and presence in Hong Kong and continue to support Hong Kong as a global maritime centre. The Joint Offerors are committed to the continuity and stability of the OOIL management team, business, operations, and global service network as a whole after closing of the Offer. As such, the Joint Offerors intend to keep the existing OOIL branding so that COSCO SHIPPING Lines and OOIL can provide customers with more diversified product offerings and better service experience with their respective brands, as both parties explore ways to achieve synergies and better operational efficiency.

Further, while keeping OOIL management teams and global service network, the Joint Offerors shall retain the existing compensation and benefit system at OOIL and not terminate the employment of any Employee at OOIL as a result of this transaction for at least 24 months after the Offer Closing Date, except for staff movements which are part of the normal conduct of business or due to personal performance or conduct issues. OOIL shall continue its current human resources practice and staff performance measurement, and monitor key performance indicators for operational efficiency and business growth.

It is also stated in the Letter from UBS that the Joint Offerors intend to maintain the listing of OOIL Shares on the Stock Exchange following closing of the Offer. There is a possibility that the public will hold less than 25% of OOIL Shares upon closing of the Offer depending on the level of acceptance.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to OOIL, being 25 per cent. of the issued OOIL Shares, are held by the public, or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of OOIL Shares or (ii) that there are insufficient OOIL Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in OOIL Shares. The Joint Offerors intend OOIL to remain listed on the Stock Exchange. The Joint Offerors have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in OOIL Shares.

The Joint Offerors do not intend to exercise any rights to compulsorily acquire any OOIL Shares in respect of which the Offer is not accepted.

3. Irrevocable Undertaking to Accept the Offer

On 7 July 2017, COSCO SHIPPING Offeror, COSCO SHIPPING Holdings, China COSCO SHIPPING and the Controlling Shareholder entered into the Irrevocable Undertaking under which the Controlling Shareholder has irrevocably undertaken to accept, or procure the acceptance of, the Offer in respect of all of the IU Shares (being 429,950,088 OOIL Shares) owned by them, such IU Shares representing approximately 68.7% of the issued share capital of OOIL as at the Last Trading Date. The Irrevocable Undertaking is subject to the following conditions:

(a) the offer price under the Offer being not less than HK$78.67 per OOIL Share; and

(b) the Offer being made within 7 days of the fulfilment or waiver (as applicable) of the Pre-Conditions, which fulfilment or waiver (as applicable) shall occur by no later than 30 June 2018 (unless otherwise agreed between the parties).

4. Financial Information of the OOIL Group

(a) Financial performance

Set out below are certain key financial information on the OOIL Group's operating segments as reported in its annual reports, for the three years ended 31 December 2017, 2016, and 2015, as extracted, respectively, from the 2017, 2016 and 2015 annual reports of the OOIL Group:

	For the year ended 31 December		
	2017	**2016**	**2015**
	Approx.	*Approx.*	*Approx.*
	US$'000	*US$'000*	*US$'000*
Total Revenue	$6,108,350	$5,297,693	$5,953,444
Container Transport and Logistics[(1)]	$86,311	($202,529)	$276,211
Others[(1)]	145,859	64,302	76,857
Total Operating Profit	$232,170	($138,227)	$353,068
Finance costs	($101,215)	($79,393)	($63,642)
Share of profits of JV	5,177	5,135	4,168
Share of profits of associated companies	13,957	12,818	13,614
(Loss)/profit before taxation	$150,089	($199,667)	$307,208
Taxation[(2)]	($12,433)	($19,554)	($23,357)
(Loss)/profit for the period	$137,656	($219,221)	$283,851

Note:

1. The principal activities of the OOIL Group are container transport and logistics, as reported under the "Container Transport and Logistics" segment. The segment's revenue comprises gross freight, charter hire, service and other related income. "Others" comprises income from the OOIL Group's investment property, investment holdings in bonds as well as direct and indirect holdings in Hui Xian REIT.

2. Taxation has been provided at the appropriate tax rates prevailing in the countries in which the OOIL Group operates, on the estimated assessable profits for the period.

Commentary

i. 2017 versus 2016

For the year ended 31 December 2017, total revenues amounted to approximately US$6,108 million as compared to approximately US$5,298 million in 2016, representing an increase of approximately 15.3%. In the Container Transport and Logistics segment, overall revenue levels per TEU and lifting volumes increased by approximately 11.4% and approximately 3.6%, respectively. During 2017, the container shipping industry experienced better trading conditions as compared to 2016.

Operating profit from the OOIL Group's Container Transport and Logistics segment increased to approximately US$86 million in the year ended 31 December 2017, from a loss of approximately US$203 million in 2016, and operating profit margins for the segment improved to approximately 1.4%, from approximately negative 3.8%. While fuel costs were higher in 2017 than in 2016, improvements in freight rates allowed the OOIL Group to realize an improvement in the profitability of its Container Transport and Logistics segment. Overall operating profit increased to approximately US$232 million in 2017, from a loss of approximately US$138 million in 2016, with support from higher operating profit from the OOIL Group's Others segment.

Profit for the year increased to approximately US$138 million in 2017, as compared to a loss of approximately US$219 million in 2016. This was in large part driven by the improvements in the Container Transport and Logistics segment described above as well as an increase in income from the Others segment.

ii. 2016 versus 2015

For the year ended 31 December 2016, total revenues amounted to approximately US$5,298 million as compared to approximately US$5,953 million in 2015, representing a decrease of approximately 11.0%. In the Container Transport and Logistics segment, while lifting volumes for the year ended 31 December 2016 was up by approximately 9.1% as compared to 2015, revenue levels per TEU dropped significantly, by approximately 17.4% in 2016. This was driven by overall challenging market conditions that saw freight rates drop to historic lows in certain instances, driving companies in the industry to focus on maximizing utilization at the expense of freight rates.

Operating profit from the OOIL Group's Container Transport and Logistics segment decreased to a loss of approximately US$203 million in 2016, from approximately US$276 million in 2015, and the segment's operating profit margins dropped from approximately 4.7% in 2015 to approximately negative 3.8% in 2016. This deterioration was driven mainly by the lower freight rates mentioned above, despite the OOIL Group's continued focus on fuel saving programs involving optimizing routing and vessel speeds to reduce costs. Operating profit from the Others segment also saw a decline of approximately 16.3% in 2016. Overall operating profit in 2016 was a loss of approximately US$138 million, representing a decrease of approximately 139.2% compared to approximately US$353 million in 2015.

Profit for the year was a loss of approximately US$219 million in 2016 as compared to a profit of approximately US$284 million in 2015, representing a decrease of approximately 177.2%. This was primarily driven by the challenging environment in freight rates described above. A decrease in operating profit from the Others segment was also a contributor.

(b) Financial position

Set out below is a summary of the OOIL Group's consolidated financial positions as at 31 December 2017, 31 December 2016, and 31 December 2015, as extracted from the 2017, 2016, and 2015 Annual Reports, respectively:

	For the year ended 31 December		
	2017	**2016**	**2015**
	US$'000	*US$'000*	*US$'000*
Non-current Assets			
Property, plant and equipment	$6,251,457	$6,076,673	$6,020,744
Investment property	270,000	220,000	200,000
Joint ventures and associated companies	159,673	148,752	154,136
Intangible assets	49,204	60,143	55,646
Available-for-sale financial assets	45,383	93,148	127,998
Held-to-maturity investments	217,889	195,296	217,004
Other non-current assets	110,968	44,539	39,204
Total non-current assets	7,104,574	6,838,551	6,814,732

	For the year ended 31 December		
	2017	**2016**	**2015**
	US$'000	*US$'000*	*US$'000*
Current Assets			
Cash and bank balances	$1,940,975	$1,625,676	$2,015,581
Restricted bank balances	3,425	1,023	443
Debtors and prepayments	589,936	474,158	499,409
Portfolio investments	294,720	322,927	295,894
Other current assets	135,666	142,255	105,515
Total current assets	2,964,722	2,566,039	2,916,842
Total Assets	**$10,069,296**	**$9,404,590**	**$9,731,574**
Non-current Liabilities			
Borrowings	$3,930,025	$3,489,272	$3,663,100
Other non-current liabilities	76,887	83,194	62,150
Total non-current liabilities	4,006,912	3,572,466	3,725,250
Current Liabilities			
Creditors and accruals	$740,260	$695,897	$750,378
Borrowings	624,158	601,465	438,619
Other current liabilities	15,453	15,476	19,817
Total current liabilities	1,379,871	1,312,838	1,208,814
Total Liabilities	**$5,386,783**	**$4,885,304**	**$4,934,064**
Equity			
Share capital	$62,579	$62,579	$62,579
Reserves	4,619,934	4,456,707	4,734,931
Total Equity	**$4,682,513**	**$4,519,286**	**$4,797,510**

Commentary

i. Assets

As at 31 December 2017, total assets amounted to approximately US$10,069 million, representing an increase of approximately 7.1% when compared with 31 December 2016. Non-current assets amounted to approximately US$7,105 million as of 31 December 2017, accounting for approximately 70.6% of total assets. Non-current assets primarily consisted of property, plant and equipment of approximately US$6,251 million. Property, plant and equipment of the OOIL Group includes vessels, containers and chassis, terminal equipment, and land and buildings. Current assets amounted to approximately US$2,965 million as at 31 December 2017, representing approximately 29.4% of total assets. Current assets primarily consisted of cash and bank balances, debtors and prepayments, and portfolio investments. Based on our discussions with Management and other diligence steps we view as appropriate, we understand that there are no assets on the balance sheet which are undervalued in any material way.

ii. Liabilities

As at 31 December 2017, total liabilities amounted to approximately US$5,387 million, representing an increase of approximately 10.3% compared with levels at 31 December 2016. Borrowings from bank loans (secured and unsecured) and finance lease obligations amounted to approximately US$4,554 million as at 31 December 2017, accounting for approximately 84.5% of total liabilities.

5. Analysis on the Offer Price

The Offer Price is HK$78.67 in cash for each OOIL Share under the Offer. In assessing the valuation of the OOIL Shares, we have adopted two commonly used valuation methodologies to analyse the Offer Price, namely, comparable companies analysis and comparable transactions analysis. As general reference for transactions of this nature, we have also conducted an analysis of the trading of the OOIL Shares and reviewed public takeover precedents for companies listed on the Stock Exchange.

(a) Comparable companies analysis

The OOIL Group is principally engaged in the provision of container shipping services and is listed on the Stock Exchange, which is an international exchange in a jurisdiction with free capital flows. In light of this, we have considered companies principally engaged in the provision of container shipping services that are listed on international stock exchanges in jurisdictions without capital control measures as of the Latest Practicable Date. We consider companies listed on other international stock exchanges in addition to the Stock Exchange to be relevant because the container shipping industry is global in nature, and a company engaged in the provision of container shipping services is exposed to the global flows of capital irrespective of its listing location, provided that it is listed in a jurisdiction without capital controls. The companies that fit the criteria are Hapag-Lloyd AG ("**Hapag-Lloyd**"), Evergreen Marine Corporation (Taiwan) Limited ("**Evergreen**"), Wan Hai Lines Limited ("**Wan Hai**"), Hyundai Merchant Marine Company Limited ("**HMM**"), and Yang Ming Marine Transport Corporation ("**Yang Ming**") (collectively, the "**Comparable Companies**"). Neptune Orient Lines Limited ("**NOL**"), a container shipping company that was listed on the main board of Singapore Exchange Securities Trading Limited does not fit the criteria because it was de-listed in 2016 after its acquisition by CMA CGM S.A. ("**CMA CGM**") as mentioned hereunder. The list of Comparable Companies is exhaustive based on the above criteria and in our view is a fair representation of the companies comparable to the OOIL Group.

The price-to-book ("**P/B**") ratio illustrates the ratio of the market price of a company's shares relative to its historical book net asset value (defined as a company's total assets less its total liabilities, and excludes minority interests) per share as recorded in its financial statements.

P/B ratio is the most commonly used methodology for judging the valuations of container shipping companies. Ratios based on earnings, such as price-to-earnings or enterprise value-to-earnings before interest, tax, depreciation and amortisation, are not commonly used methodologies for judging the valuations of container shipping companies, due to the volatile nature of the earnings and profitability levels of container shipping companies individually and the industry as a whole. Set out below are the P/B ratios of the Comparable Companies:

Comparable Companies	**Listing location**	**Market capitalization**[1]	**P/B**[1,2]
		Approx. US$ million	*Approx. times*
Hapag-Lloyd	Germany	5,942	0.87
Evergreen	Taiwan	1,732	0.84
Wan Hai	Taiwan	1,240	1.13
HMM	South Korea	1,335	2.00
Yang Ming	Taiwan	676	0.87
High			**2.00**
Median			**0.87**
Mean			**1.14**
Low			**0.84**
The Offer		**6,275**	**1.34**[3]

Source: Bloomberg, company financial reports

Notes:

1. Approximate foreign exchange rates (as at the Latest Practicable Date) used for the calculations above where relevant: US$1 = EUR0.858; US$1 = NT$30.58; US$1 = KRW1,118.8; US$/HK$=7.846.

2. Calculated based on the market capitalisation on the Latest Practicable Date, divided by the total book value attributable to equity holders of the relevant companies based on the latest disclosed balance sheet information, which is as at 31 March 2018 for Hapag-Lloyd, Evergreen, Wan Hai, HMM and Yang Ming, and as at 31 December 2017 for OOIL.

3. Offer Price of HK$78.67 to the audited book net asset value per OOIL Share of approximately HK$58.71 as at 31 December 2017, based on the foreign exchange rate of US$1 = HK$7.846 as at the Latest Practicable Date.

As shown in the table above, the implied P/B ratio of OOIL based on the Offer Price of approximately 1.34 times compares favourably with both the median and mean P/B ratios of the Comparable Companies of 0.87 times and 1.14 times, respectively.

(b) Comparable transactions analysis

The OOIL Group is principally engaged in the provision of container shipping services. In assessing the fairness and reasonableness of the Offer Price under the Offer, we have also reviewed comparable transactions with the following criteria: (i) the target company being principally engaged in the provision of container shipping services; (ii) announced between 1 January 2012 and the Latest Practicable Date; (iii) cash consideration only; (iv) acquisition of a majority stake; and (v) target company with publicly disclosed transaction terms and financial information. Only one comparable transaction was identified, being the voluntary conditional general offer by CMA CGM for all the issued and paid-up ordinary shares of NOL, a container shipping company listed on the main board of Singapore Exchange Securities Trading Limited, made on 30 May 2016. At the time of CMA CGM's offer, NOL was of a similar size to OOIL and operated in the same alliance.

On 30 May 2016, CMA CGM made a voluntary conditional general offer for all the issued and paid-up ordinary shares of NOL at an offer price of SG$1.30 per NOL share (the "**NOL Offer**").

As mentioned above, P/B ratio is the most commonly used methodology for judging the valuations of container shipping companies. Set out below is a comparison between the implied P/B of the Offer and the implied P/B of the NOL Offer:

	The Offer	**NOL Offer**
Implied P/B ratio	1.34 times[1]	0.96 times[2]

Notes:

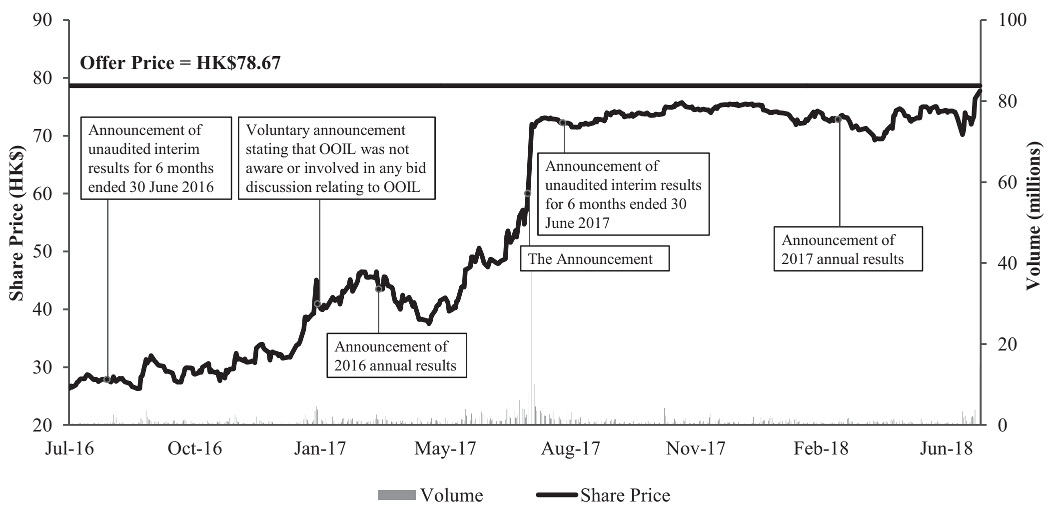
1. Offer Price of HK$78.67 to the audited book net asset value per OOIL Share of approximately HK$58.71 as at 31 December 2017, based on the foreign exchange rate of US$1 = HK$7.846 as at the Latest Practicable Date.

2. CMA CGM announcement dated 7 December 2015.

As shown in the table above, the implied P/B of the Offer is approximately 1.34 times, significantly higher than that of the NOL Offer.

(c) Public trading analysis

Set out below are the daily closing prices of the OOIL Shares for the period commencing from 6 July 2016 (being the first trading day of the 12-month period ending on the Last Trading Day) up to and including the Latest Practicable Date (the "**Review Period**").



Source: Bloomberg

As shown in the chart above, the closing prices of the OOIL Shares were below the Offer Price under the Offer during the Review Period. The OOIL Shares closed at HK$57.10 on the Last Trading Date and went up by approximately 26.1% to HK$72.00 on 10 July 2017, being the trading day immediately after the release of the Announcement.

From the Last Trading Date and up to the Latest Practicable Date, the closing prices of OOIL Shares have fluctuated between HK$57.10 and HK$77.75, below the Offer Price under the Offer. As at the Latest Practicable Date, the OOIL Shares closed at HK$77.75 per OOIL Share.

Set out below are the premia represented by the Offer Price of HK$78.67 per OOIL Share over a number of average closing prices of OOIL Shares on and immediately prior to the Last Trading Date, as well as the Latest Practicable Date:

Period	**Average closing prices**	**Premium represented by the Offer Price of HK$78.67 per OOIL Share**
Last Trading Date	HK$57.10	37.8%
5 trading days prior to the Last Trading Date	HK$55.76	41.1%
30 trading days prior to the Last Trading Date	HK$50.69	55.2%
Latest Practicable Date	HK$77.75	1.2%

(d) Public takeover precedents for companies listed on the Stock Exchange

As identified after due enquiry of the relevant sources, including the website of the Stock Exchange and other publicly available information, the table below sets out an exhaustive list of all the public takeover precedents for companies listed on the Stock Exchange ("**Takeover Precedents**") with the following criteria: (i) announced between 1 January 2012 and the Latest Practicable Date; (ii) cash consideration only; (iii) the respective offeror being a minority shareholder with less than 30% shareholding or a third party; (iv) the market capitalization of the respective offerees being above HK$2.0 billion at the time of the respective announcements; and (v) voluntary general offer and scheme of arrangement transaction structures only. However, given the Takeover Precedents involved companies different from the OOIL Group in terms of business nature, financial performance and financial position, we consider that the Takeover Precedents may only serve as general reference.

		Premium over/(discount to) the average closing share price		
Date Announced	**Company**	**On the last trading day**	**For the 5 trading days prior to the last trading day**	**For the 30 trading days prior to the last trading day**
28-Apr-2017	Belle International Holdings Limited	19.5%	24.3%	21.4%
01-Mar-2017	Yingde Gases Group Company Limited[1]	109.1%	97.0%	90.1%
31-Mar-2014	Wing Hang Bank Limited[2]	49.2%	52.2%	59.8%
09-Sep-2013	Vinda International Holdings Limited	38.4%	32.4%	34.8%
19-Aug-2013	Tysan Holdings Limited	10.0%	21.7%	39.0%
02-Aug-2013	Magic Holdings International Limited	24.8%	29.2%	26.0%
17-Jan-2013	Trauson Holdings Company Limited	66.7%	81.6%	82.3%
31-Aug-2012	Winteam Pharmaceutical Group Limited[3]	17.2%	18.2%	20.1%
	High	109.1%	97.0%	90.1%
	Mean	41.8%	44.6%	46.7%
	Median	31.6%	30.8%	36.9%
	Low	10.0%	18.2%	20.1%
07-Jul-2017	**The Offer**	**37.8%**	**41.1%**	**55.2%**

Source: Bloomberg, website of the Stock Exchange.

Note:

1. Based on the offer of HK$6.00 per share in cash from PAG Asia II LP on 1 March 2017. Prior to this, Yingde Gases Group Company Limited received an offer of HK$5.50 per share in cash (with the possibility to increase to HK$6.00 per share) from Air Products and Chemicals, Inc. which was announced on 9 January 2017, and also made an announcement of a possible offer from StellarS Capital (Hong Kong) Limited on 23 December 2016. Premiums shown are calculated based on the average closing prices on and prior to 23 December 2016, which is the last trading day prior to the halt of trading resulting from the announcement of a possible offer from StellarS Capital (Hong Kong) Limited referenced above.

2. Premium calculated based on the closing price on 16 September 2013 and average closing prices immediately prior to 16 September 2013, which is the last trading day prior to the publication of an announcement in relation to a possible disposal of interests in Wing Hang Bank, Limited by its controlling shareholders.

3. Offer consists of base offer price of HK$1.40 per share plus an additional amount of HK$0.30 contingent on Winteam Pharmaceutical Group Limited achieving a certain net profit target for fiscal year 2012. Premium calculated based on the HK$1.70 maximum offer price.

Based on the table above, the means of the premia over average closing share price for the Takeover Precedents over the respective last trading days prior to the respective announcements, 5 trading days prior to the respective last trading days and 30 trading days prior to the respective last trading days were approximately 41.8%, 44.6% and 46.7% respectively, while the medians of the premia over the average closing share price for the Takeover Precedents over the respective last trading days prior to the respective announcements, 5 trading days prior to the respective last trading days and 30 trading days prior to the respective last trading days were approximately 31.6%, 30.8% and 36.9%, respectively. The premia represented by the Offer Price over the closing price of OOIL Shares on the Last Trading Date and the average closing price of OOIL Shares for the 5 trading days immediately prior to the Last Trading Date were between the medians and means of the premia of the Takeover Precedents, while the premium represented by the Offer Price over the average closing price of OOIL Shares for the 30 trading days immediately prior to the Last Trading Date was above the means and medians of the premia of the Takeover Precedents. In general, we consider the premia represented by the Offer Price to be in line with those of the Takeover Precedents.

(e) Prospects of the OOIL Group

Based on our discussions with the management of OOIL, we understand that the container shipping industry as a whole has seen a level of volatility in freight rates and consequently profitability in the last several years. This has had the greatest impact on companies that are of medium or small scale such as the OOIL Group.

Furthermore, in recent years, there have been several transactions in the container shipping industry that have been announced and completed. These include (i) Hapag-Lloyd's acquisition of Chilean Compañía Sud Americana de Vapores SA, (ii) CMA CGM's acquisition of NOL, (iii) COSCO SHIPPING Holdings' merger with China Shipping Container Lines Company Limited, (iv) Hapag-Lloyd's merger with United Arab Shipping Company, (v) Kawasaki Kisen Kaisha Limited, Mitsui O.S.K. Lines Limited and Nippon Yusen Kabushiki Kaisha's establishment of a container shipping joint venture and (vi) AP Moller – Maersk A/S's acquisition of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG. These transactions are expected to result in a further widening of the gap in scale between the larger and the medium-sized or smaller companies in the industry.

Based on our discussions with the management of OOIL, we understand that two key benefits of scale for companies in the container shipping industry is a reduction in per-unit costs that can be achieved, and the ability to achieve a greater degree of network optimization, namely the ability to redeploy parts of a company's fleet in more profitable trade lanes as and when needed. These can result in favourable improvements in profitability margins as well as a greater ability to maintain profitability during periods of freight rate volatility.

We also understand from our discussions with the management of OOIL that historically, the OOIL Group has sought to achieve the benefits of scale via other means. This included joining alliances such as the Ocean Alliance as well as investing in additional vessels to build scale organically. However, the management of OOIL believes that, in light of the aforementioned industry dynamics, consolidation activity and the widening of the gap in scale, the outlook for the OOIL Group on a standalone basis, given its relative position in the industry, remains uncertain, despite the above measures.

6. Discussion and Analysis

We draw your attention to the following principal factors and analysis in our assessment of the Offer:

(a) P/B ratio

P/B ratio is the most commonly used methodology for judging the valuations of container shipping companies. Ratios based on earnings, such as price-to-earnings or enterprise value-to-earnings before interest, tax, depreciation and amortisation, are not commonly used methodologies for judging the valuations of container shipping companies, due to the volatile nature of the earnings and profitability levels of container shipping companies individually and the industry as a whole.

The implied P/B ratio of the Offer of approximately 1.34 times compares favourably with the prevailing P/B ratios of the Comparable Companies of 0.87 times, being the median of the P/B ratios of the Comparable Companies.

In addition, the implied P/B ratio of the Offer of approximately 1.34 times is significantly higher than the implied P/B ratio of the NOL Offer of 0.96 times, being the only comparable transaction identified based on the aforementioned criteria.

(b) Prospects of the OOIL Group

The outlook for the OOIL Group on a standalone basis is uncertain, given the aforementioned industry dynamics and the recent wave of consolidation that has widened and is expected to further widen the gap in scale between the larger companies in the industry versus medium and smaller scale companies such as the OOIL Group.

(c) Irrevocable Undertaking

The Irrevocable Undertaking that the Joint Offerors have secured would mean that the Joint Offerors will acquire over 50% of the OOIL Shares, satisfying the acceptance condition of the Offer. Therefore, in our view, there is no material prospect of any competing proposal for OOIL emerging.

(d) Opportunity to exit at a significant premium over trading levels

As general reference, the Offer Price of HK$78.67 per OOIL Share represents (i) a premium of approximately 37.8% over the closing price of OOIL Shares on the Last Trading Date, (ii) a premium of approximately 41.1% over the average closing prices of OOIL Shares for the last five trading days immediately prior to the Last Trading Date, and (iii) a premium of approximately 55.2% over the average closing prices of OOIL Shares for the last 30 trading days immediately prior to the Last Trading Date. In general, we consider the premia represented by the Offer Price to be in line with those of the Takeover Precedents. In addition, the Offer Price is higher than the highest closing price during the 12-month period prior to the Latest Practicable Date.

(e) Maintaining the listing of OOIL Shares on the Stock Exchange

We note that the Joint Offerors intend to maintain the listing of OOIL Shares on the Stock Exchange following closing of the Offer. Qualifying OOIL Shareholders may, having regard to their own circumstances, consider retaining all or a portion of their OOIL Shares.

OPINION AND RECOMMENDATIONS

Based on the principal factors set out in this letter, we consider the terms of the Offer to be fair and reasonable so far as the Qualifying OOIL Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Qualifying OOIL Shareholders to accept the Offer.

Yours faithfully, for and on behalf of
CITIGROUP GLOBAL MARKETS ASIA LIMITED
Chul Young Kim
Director

Mr. Chul Young Kim is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Citigroup Global Markets Asia Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

(a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your OOIL Shares is/are in your name, and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to OOIL'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, by post or by hand, marked "**Orient Overseas (International) Limited – Offer**" on the envelope, as soon as possible and in any event reach the Share Registrar no later than 4:00 p.m. (Hong Kong time) on 27 July 2018, being the Offer Closing Date, or such later time and/or date as the Joint Offerors may determine and announce in compliance with the requirements of the Code.

(c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your OOIL Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of OOIL Shares in respect of which you intend to accept the Offer to the Share Registrar in an envelope marked "**Orient Overseas (International) Limited – Offer**";

(ii) arrange for the OOIL Share(s) to be registered in your name through the Share Registrar and send the accompanying Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Share Registrar in an envelope marked "**Orient Overseas (International) Limited – Offer**";

(iii) if your OOIL Share(s) have been lodged with your licensed securities dealer (or other registered dealer in securities)/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your OOIL Share(s) have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your OOIL Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**Orient Overseas (International) Limited – Offer**" to the Share Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available and any satisfactory indemnity required in respect thereof. If you subsequently find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Share Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Share Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Share Registrar. The Joint Offerors shall have the absolute discretion to decide whether any OOIL Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Joint Offerors.

(e) If you have lodged transfer(s) of any of your OOIL Shares for registration in your name and have not yet received your share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**Orient Overseas (International) Limited – Offer**" to the Share Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of UBS and/or the Joint Offerors and/or any of their respective agent(s) to collect from OOIL or the Share Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Share Registrar and to authorise and instruct the Share Registrar to hold such share certificate(s), subject to the terms and conditions to the Offer, as if it/they were delivered to the Share Registrar with the Form of Acceptance.

(f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Share Registrar by no later than 4:00 p.m. (Hong Kong time) on 27 July 2018, being the Offer Closing Date, or such later time and/or date as the Joint Offerors may determine and announce in compliance with the requirements of the Code, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant OOIL Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant OOIL Share(s); or

(ii) from a registered Qualifying OOIL Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to OOIL Share(s) which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Share Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Qualifying OOIL Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Share Registrar must be produced.

(g) No acknowledgement of receipt for any Form(s) of Acceptance, share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer have previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Share Registrar by 4:00 p.m. on 27 July 2018, being the Offer Closing Date.

(b) If the Offer is extended, the announcement of such extension will state the next closing date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to Qualifying OOIL Shareholders before the Offer is closed. If, during the course of the Offer, the Joint Offerors revises the terms of the Offer, all Qualifying OOIL Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Offer Closing Date.

(c) If the Offer Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Offer Closing Date.

(d) There is no obligation to extend the Offer if the Conditions are not satisfied by the Offer Closing Date or any subsequent closing date of the Offer.

3. SETTLEMENT

(a) Settlement of the consideration under the Offer will be made as soon as possible, but in any event within seven (7) business days (as defined in the Code) following the later of (i) the Offer Unconditional Date and (ii) the date of receipt of a complete and valid Form of Acceptance and the relevant documents of title of OOIL Shares in respect of such acceptance by the Share Registrar in respect of the Offer.

(b) In the case of Qualifying OOIL Shareholders accepting the Offer, each cheque will be despatched by ordinary post to the address specified on the relevant Qualifying OOIL Shareholder's Form of Acceptance or, if no name and address is stated in the Form of Acceptance, to the relevant Qualifying OOIL Shareholder or the first-named of the joint registered shareholders at the registered address shown in the register of members of OOIL at his/her own risk.

(c) No fractions of a cent will be payable and the amount of cash consideration payable to a Qualifying OOIL Shareholder who accepts the Offer will be rounded up to the nearest cent.

(d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Joint Offerors for payment.

(e) Settlement of the consideration to which a Qualifying OOIL Shareholder is entitled under the Offer will be implemented in full accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such Qualifying OOIL Shareholder.

4. EFFECT OF ACCEPTANCE OF THE OFFER AND RIGHT OF WITHDRAWAL

(a) By validly accepting the Offer, Qualifying OOIL Shareholders will sell to the Joint Offerors their tendered OOIL Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Offer Closing Date.

(b) The Offer is conditional upon fulfilment of the Conditions set out in the "Letter from UBS" in this Composite Document. Acceptance of the Offer tendered by Qualifying OOIL Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance within 21 days from the Offer Closing Date if the Offer has not by then become unconditional as to acceptances. In such a case, an acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Share Registrar.

(c) Under Rule 19.2 of the Code, if the Joint Offerors are unable to comply with any of the requirements of making announcements relating to the Offer set out in section 5 of this Appendix, the Executive may require that the Qualifying OOIL Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

(d) Upon the withdrawal of acceptance by a Qualifying OOIL Shareholder, the Joint Offerors shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post, in the case of a Qualifying OOIL Shareholder, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the OOIL Share(s) lodged with the Form of Acceptance to such Qualifying OOIL Shareholder.

5. ANNOUNCEMENTS

(a) The announcement of the results of the Offer will be jointly issued by the Joint Offerors, COSCO SHIPPING Holdings and OOIL and posted on the website of the Stock Exchange by 7:00 p.m. on 27 July 2018, being the Offer Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offer.

(b) In any announcement of an extension of the Offer, either the next closing date must be stated or, if the Offer is unconditional in all respects, a statement may be made that the Offer will remain open for acceptance for 14 days thereafter in accordance with the Code. If the Offer becomes or is declared unconditional in all respects by no later than the date falling 7 days following the despatch date of this Composite Document, the Joint Offerors shall be entitled to make an announcement to the effect that the Offer will close for acceptance on the date falling 21 days following the despatch date of this Composite Document.

(c) The results announcements shall specify the total number of OOIL Shares and rights over OOIL Shares:

(i) for which acceptances of the Offer have been received;

(ii) held, controlled or directed by the Joint Offerors or parties acting in concert with them before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Joint Offerors or any parties acting in concert with them.

(d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Code) of OOIL which the Joint Offerors or any parties acting in concert with them (save for those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) has borrowed or lent, save for any borrowed OOIL Shares which have been either on-lent or sold.

(e) The results announcements shall include the percentages of the relevant classes of share capital of OOIL, and the percentages of voting rights, represented by these numbers.

(f) If the Joint Offerors, any parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of accepting Qualifying OOIL Shareholders during the Offer Period, then the Joint Offerors must make an immediate announcement in compliance with Note 2 to Rule 19 of the Code.

(g) As required under the Code and the Listing Rules, all announcements in relation to the Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and OOIL.

6. NOMINEE REGISTRATION

To ensure the equality of treatment of all Qualifying OOIL Shareholders, registered Qualifying OOIL Shareholders who hold the OOIL Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of OOIL Share(s) whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions of their intentions to the Offer to their respective nominees.

7. POSTING

All documents and remittances to be sent to Qualifying OOIL Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent, in the case of Qualifying OOIL Shareholders, at their addresses as they appear in the register of members of OOIL or, in the case of joint OOIL Shareholders, to the Qualifying OOIL Shareholder whose name appears first in the register of members of OOIL. None of the Joint Offerors, OOIL, UBS, J.P. Morgan, HSBC, Citigroup, the Share Registrar or any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS QUALIFYING OOIL SHAREHOLDERS

(a) The Offer is in respect of a company incorporated in Bermuda with limited liability and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong which may be different to those in other jurisdictions. The ability of Qualifying OOIL Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offer may be subject to the laws and regulations of the relevant jurisdictions. It is the responsibility of each such Qualifying OOIL Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Qualifying OOIL Shareholder in such relevant jurisdictions.

(b) Any acceptance by any Qualifying OOIL Shareholder will be deemed to constitute a representation and warranty from such Qualifying OOIL Shareholder to the Joint Offerors and OOIL that all local laws and requirements have been complied with and that the Offer can be accepted by such Qualifying OOIL Shareholder lawfully under the laws of the relevant jurisdiction. Qualifying OOIL Shareholders should consult their professional advisers if in doubt.

(c) Notice to U.S. Qualifying OOIL Shareholders.

The Offer is being made for the securities of a company incorporated in Bermuda with limited liability and listed in Hong Kong and is subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong, which are different from those of the United States. In addition, U.S. holders of OOIL Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws.

The receipt of cash pursuant to the Offer by a U.S. holder of OOIL Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of OOIL Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of OOIL included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2017, 31 December 2016 and 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States.

U.S. holders of OOIL Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as (i) each of COSCO SHIPPING Holdings, the Joint Offerors and OOIL is located in a country other than the United States, (ii) some or all of their respective officers and directors may be residents of a country other than the United States and (iii) most of their respective assets are located outside the United States. U.S. holders of OOIL Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of OOIL Shares may encounter difficulty effecting service of process within the United States upon COSCO SHIPPING Holdings, the Joint Offerors, OOIL or their respective officers or directors, to enforce against them a judgment of a U.S. court, or to compel them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Joint Offerors hereby disclose that they or their affiliates, or their nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, OOIL Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remain open for acceptance. In accordance with the Code and Rule 14e-5(b) of the U.S. Exchange Act, UBS and its affiliates may continue to act as exempt principal traders in the OOIL Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at www.sfc.hk.

9. TAXATION

(a) Seller's ad valorem stamp duty at the rate of 0.1 per cent. of the value of the consideration arising on acceptance of the Offer or, if higher, the market value of OOIL Shares subject to such acceptance, will be payable by the Qualifying OOIL Shareholders who accept the Offer insofar as their shares are registered on the Hong Kong Branch Register of OOIL. The relevant amount of stamp duty payable by the relevant Qualifying OOIL Shareholders will be deducted from the consideration payable to such Qualifying OOIL Shareholders under the Offer. Each of the Joint Offerors will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1 per cent. of the consideration payable in respect of relevant acceptances of the Offer or, if higher, the market value of OOIL Shares subject to such acceptance, and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the relevant OOIL Shares which are validly tendered for acceptance under the Offer.

(b) Qualifying OOIL Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasized that none of the Joint Offerors or OOIL, and their ultimate beneficial owners and parties acting in concert with any of them, UBS, J.P. Morgan, HSBC, Citigroup, the Share Registrar or any of their respective directors or professional advisers or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Offer.

10. GENERAL

(a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Qualifying OOIL Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Joint Offerors, OOIL, UBS, J.P. Morgan, HSBC, Citigroup, the Share Registrar or any of their respective directors or agents or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Qualifying OOIL Shareholder will constitute such Qualifying OOIL Shareholder's (as the case may be) agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(e) Due execution of a Form of Acceptance will constitute an authority to the Joint Offerors, UBS or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Joint Offerors, or such person or persons as it may direct, the OOIL Share(s) in respect of which such person or persons has/have accepted the Offer.

(f) The settlement of the consideration to which any Qualifying OOIL Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such Qualifying OOIL Shareholder.

(g) Any Qualifying OOIL Shareholders accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(h) In making their decision, Qualifying OOIL Shareholders must rely on their own examination of the OOIL Group and the terms of the Offer including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Joint Offerors, OOIL, UBS, J.P. Morgan, HSBC or their respective professional advisers. Qualifying OOIL Shareholders should consult their own professional advisers for professional advice.

(i) The making of the Offer to the overseas Qualifying OOIL Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The overseas Qualifying OOIL Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each overseas Qualifying OOIL Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such overseas Qualifying OOIL Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such overseas Qualifying OOIL Shareholders in respect of the relevant jurisdictions. The overseas Qualifying OOIL Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

(j) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

11. INTERPRETATION

(a) A reference in this Composite Document to a Qualifying OOIL Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of OOIL Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(b) References to the Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.

(c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. SUMMARY OF FINANCIAL INFORMATION OF THE OOIL GROUP

Set out below is a summary of the consolidated financial statements of the OOIL Group for each of the three years ended 31 December 2015, 2016 and 2017, which is extracted from the audited consolidated financial statements of the OOIL Group as set forth in the annual reports of OOIL for each of the three years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
RESULTS			
Revenue	5,953,444	5,297,693	6,108,350
Profit/(loss) before taxation	307,208	(199,667)	150,089
Taxation	(23,357)	(19,554)	(12,433)
Profit/(loss) for the year	283,851	(219,221)	137,656
Profit/(loss) attributable to:			
Equity holders of OOIL	283,851	(219,221)	137,656
Earnings/(loss) per ordinary share *(US cents)*	45.4	(35.0)	22.0
Dividends			
Interim dividend	60,179	–	13,388
Proposed final dividend	11,577	–	–
Dividends per Share *(US cents)*			
Interim dividend	9.6	–	2.14
Proposed final dividend	1.85	–	–

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
ASSETS AND LIABILITIES AND EQUITY			
Total assets	9,731,574	9,404,590	10,069,296
Total liabilities	4,934,064	4,885,304	5,386,783
Total equity	4,797,510	4,519,286	4,682,513

The consolidated financial statements of the OOIL Group for each of the three years ended 31 December 2015, 2016 and 2017 were audited by PricewaterhouseCoopers, *Certified Public Accountants*, Hong Kong, and each did not contain any qualifications.

There were no exceptional items which because of their size, nature or incidence were recognised in the consolidated financial results of the OOIL Group for any of the aforesaid periods.

2. FINANCIAL STATEMENTS

Set out below are the latest published consolidated financial statements of the OOIL Group together with the accompanying notes relating thereto and the comparative figures for the year ended 31 December 2017 as extracted from the annual report of OOIL for the year ended 31 December 2017.

FINANCIAL STATEMENTS OF THE OOIL GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2017

	Note	**2017** *US$'000*	**2016** *US$'000*
Revenue	*5*	6,108,350	5,297,693
Operating costs	*6*	(5,531,438)	(5,032,272)
Gross profit		576,912	265,421
Fair value gain from an investment property	*17*	43,436	18,522
Other operating income	*7*	72,082	72,456
Business and administrative expenses		(487,299)	(468,897)
Other gains/(losses), net	*8*	27,039	(25,729)
Operating profit/(loss)	*11*	232,170	(138,227)
Finance costs	*12*	(101,215)	(79,393)
Share of profits of joint ventures	*19*	5,177	5,135
Share of profits of associated companies	*20*	13,957	12,818
Profit/(loss) before taxation		150,089	(199,667)
Taxation	*13*	(12,433)	(19,554)
Profit/(loss) for the year		137,656	(219,221)
Profit/(loss) attributable to:			
Equity holders of OOIL		137,656	(219,221)
Earnings/(loss) per ordinary share *(US cents)*	*14*		
Basic and diluted		22.0	(35.0)

The accompanying notes set out on pages II-10 to II-87 form part of these financial statements. Details of dividends payable to equity shareholders of OOIL attributable to the profit for the year are set out in note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

	2017	2016
	US$'000	*US$'000*
Profit/(loss) for the year	137,656	(219,221)
Other comprehensive income/(loss):		
Item that will not be subsequently reclassified to profit or loss:		
Remeasurement gains/(losses) on defined benefit schemes	10,506	(20,118)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	12,492	(28,012)
– Release of assets revaluation reserve upon disposal	–	4,753
– Release of assets revaluation reserve upon impairment	–	13,201
Currency translation adjustments		
– Foreign subsidiaries	6,978	(6,880)
– Associated companies	8,505	(9,176)
– Joint ventures	478	(1,167)
Total items that have been reclassified or may be reclassified subsequently to profit or loss	28,453	(27,281)
Other comprehensive income/(loss) for the year, net of tax	38,959	(47,399)
Total comprehensive income/(loss) for the year	176,615	(266,620)
Total comprehensive income/(loss) attributable to:		
Equity holders of OOIL	176,615	(266,620)

The accompanying notes set out on pages II-10 to II-87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st December 2017

	Note	**2017** *US$'000*	**2016** *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	6,251,457	6,076,673
Investment property	*17*	270,000	220,000
Prepayments of lease premiums	*18*	7,972	7,818
Joint ventures	*19*	10,833	11,225
Associated companies	*20*	148,840	137,527
Intangible assets	*21*	49,204	60,143
Deferred taxation assets	*22*	1,476	4,227
Pension and retirement assets	*23*	243	–
Restricted bank balances	*24*	60,414	403
Available-for-sale financial assets	*25*	45,383	93,148
Held-to-maturity investments	*26*	217,889	195,296
Other non-current assets	*27*	40,863	32,091
		7,104,574	6,838,551
Current assets			
Inventories	*28*	102,157	84,472
Debtors and prepayments	*29*	589,936	474,158
Amount due from an associated company	*30*	–	2,854
Amounts due from joint ventures	*31*	6,007	431
Held-to-maturity investments	*26*	17,040	41,621
Portfolio investments	*32*	294,720	322,927
Derivative financial instruments	*33*	1,825	2,097
Tax recoverable		8,637	10,780
Restricted bank balances	*24*	3,425	1,023
Cash and bank balances	*34*	1,940,975	1,625,676
		2,964,722	2,566,039
Total assets		10,069,296	9,404,590
EQUITY			
Equity holders			
Share capital	*35*	62,579	62,579
Reserves	*36*	4,619,934	4,456,707
Total equity		4,682,513	4,519,286

	Note	2017	2016
		US$'000	US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	37	3,930,025	3,489,272
Deferred taxation liabilities	22	65,221	71,337
Pension and retirement liabilities	23	38	11,857
Other non-current liabilities		11,628	–
		4,006,912	3,572,466
Current liabilities			
Creditors and accruals	38	740,260	695,897
Amounts due to joint ventures	39	7,526	10,712
Borrowings	37	624,158	601,465
Current taxation		7,927	4,764
		1,379,871	1,312,838
Total liabilities		5,386,783	4,885,304
Total equity and liabilities		10,069,296	9,404,590

The accompanying notes set out on pages II-10 to II-87 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2017

	Note	**2017** *US$'000*	**2016** *US$'000*
Cash flows from operating activities			
Operating profit/(loss)		232,170	(138,227)
Interest income		(46,611)	(39,580)
Dividend income and distribution		(22,975)	(30,016)
Depreciation and amortisation		439,824	408,874
Loss on disposal of intangible assets		6,690	–
Impairment on available-for-sale financial assets		–	13,201
Fair value gain from assets and liabilities		(50,196)	(28,791)
Net (gain)/loss on disposal of non-current assets		(8,434)	6,171
Operating profit before working capital changes		550,468	191,632
Increase in inventories		(17,685)	(11,991)
(Increase)/decrease in debtors and prepayments		(115,641)	26,118
Increase/(decrease) in creditors and accruals		41,161	(56,580)
Increase in other non-current liabilities		11,628	–
Change in net pension assets/liabilities		(1,556)	(688)
Settlement of derivative financial instruments		2,319	852
Cash generated from operations		470,694	149,343
Interest and financing charges paid		(90,095)	(72,343)
Hong Kong profits tax (paid)/refunded		(21)	334
Overseas taxes paid		(10,220)	(8,863)
Net cash from operating activities		370,358	68,471
Cash flows from investing activities			
Sale and redemption on maturity of non-current assets		155,757	41,128
Purchase of property, plant and equipment		(470,428)	(251,822)
Purchase of other non-current assets		(98,101)	(59,181)
Decrease/(increase) in portfolio investments		46,200	(23,375)
Investment in a joint venture		(154)	–
Net change in amounts due to joint ventures		(8,762)	2,115
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months		(61,956)	277,596
Interest received		46,496	40,036
Dividends and distribution received from investments		9,710	15,766
Dividends received from joint ventures and associated companies		20,204	10,140
Net cash (used in)/from investing activities		(361,034)	52,403

	Note	**2017** *US$'000*	**2016** *US$'000*
Cash flows from financing activities			
Drawdown of loans	*41(a)*	447,361	559,289
Repayment of loans	*41(a)*	(552,076)	(658,098)
Drawdown of finance lease obligations	*41(a)*	659,521	–
Capital element of finance lease rental payments	*41(a)*	(236,838)	(129,649)
Dividend paid to equity holders of OOIL		(13,388)	(11,604)
Net cash from/(used in) financing activities		304,580	(240,062)
Net increase/(decrease) in cash and cash equivalents		313,904	(119,188)
Cash and cash equivalents at beginning of year		1,625,219	1,737,511
Currency translation adjustments		1,852	6,896
Cash and cash equivalents at end of year	*41(c)*	1,940,975	1,625,219

The accompanying notes set out on pages II-10 to II-87 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2017

	Equity holders		
	Share capital	**Reserves**	**Total**
	US$'000	*US$'000*	*US$'000*
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
Total comprehensive income for the year	–	176,615	176,615
Transactions with owners			
2017 interim dividend	–	(13,388)	(13,388)
At 31st December 2017	62,579	4,619,934	4,682,513

The accompanying notes set out on pages II-10 to II-87 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

OOIL 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.

OOIL has its shares listed on the Main Board of Stock Exchange.

The ultimate parent company of the OOIL Group is Tung Holdings (Trustee) Inc., incorporated in the Republic of Liberia.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 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.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the OOIL Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The adoption of revised HKFRS

In 2017, the OOIL Group adopted the following amendments to existing HKFRS below, which are relevant to its operations.

Amendments to existing standards

HKAS 7 (Amendments)	Statement of Cash Flows
HKAS 12 (Amendments)	Income Taxes
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The adoption of the above amendments to existing HKFRS do not have a material impact to the OOIL Group and the additional disclosure on the reconciliation of liabilities arising from financing activities required by HKAS 7 (Amendments) have been disclosed.

New standards, amendments, improvements and interpretations to existing standards that are relevant but not yet effective to the OOIL Group

New standards, amendments, improvements and interpretations to existing standards		Effective for accounting periods beginning on or after
HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HKAS 40 (Amendment)	Transfer of Investment Property	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HKFRSs	Annual Improvements 2015 – 2017 Reporting Cycle	1st January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021

The adoption of HKFRSs Annual Improvements 2014 – 2016 Reporting Cycle, HKFRSs Annual Improvements 2015 – 2017 Reporting Cycle, HKFRS 17, HKAS 40 (Amendment), HK(IFRIC)-Int 22 and HK(IFRIC)-Int 23 are not expected to have a significant effect on the consolidated financial statements of the OOIL Group. The following assessment on HKFRS 9, 15 and 16 have been carried out.

HKFRS 9 Financial Instruments

HKFRS 9 will have impact on the classification and measurement of financial assets using the expected credit loss method. Management has preliminarily assessed its impact to the OOIL Group's consolidated financial statements and considers adoption of HKFRS 9 will not have a significant impact on the OOIL Group's results or financial position.

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 an assessment on HKFRS 15 and considers there is no significant impact on the OOIL Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 will affect primarily the accounting for the OOIL 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 as disclosed in note 40(b) will result in the recognition of an asset and a liability for future payments and how this will affect the OOIL Group's results and classification of cash flows.

2.2 Consolidation

The consolidated financial statements include the financial statements of OOIL and its subsidiaries made up to 31st December.

The consolidated financial statements also include the OOIL Group's attributable share of post-acquisition results and reserves of its joint ventures and associated companies.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the OOIL Group has control. The OOIL Group controls an entity when the OOIL Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the OOIL Group. They are de-consolidated from the date that control ceases.

The OOIL Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the OOIL Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The OOIL Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between OOIL Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the OOIL Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the OOIL Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The OOIL Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the OOIL Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the OOIL Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the OOIL Group's net investment in the joint ventures), the OOIL Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the OOIL Group and its joint ventures are eliminated to the extent of the OOIL Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Associated companies

Associated companies are all entities over which the OOIL Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The OOIL Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The OOIL Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the OOIL Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the OOIL Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Profits and losses resulting from upstream and downstream transactions between the OOIL Group and its associated companies are recognised in the OOIL Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the OOIL Group.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the OOIL Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for assets under construction and freehold land.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers and Chassis	10 to 12 years
Terminal equipment and improvement	3 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Leasehold improvement	Over period of the lease or 5 years whichever is lower
Furniture, vehicles, computer and other equipment	3 to 15 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the OOIL Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out semi-annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the OOIL Group's share of the net identifiable assets of the acquired subsidiary, associated company or joint ventures at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and joint ventures is included within investments in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the OOIL Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the OOIL Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate account exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Investments

The OOIL Group classifies its investments into the following categories: portfolio investments, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the OOIL Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; which are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the OOIL Group's management has the positive intention and ability to hold to maturity. If the OOIL Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated profit and loss account as part of "other operating income" when the OOIL Group's right to receive payments is established.

(e) Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date – the date on which the OOIL Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the OOIL Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the OOIL Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The OOIL Group may choose to reclassify a non-derivative trading financial asset out of the portfolio investments category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the OOIL Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the portfolio investments or available-for-sale financial assets categories if the OOIL Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The OOIL Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the OOIL Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Inventories

Inventories mainly comprise bunkers and consumable stores. Cost is calculated on weighted average basis. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the OOIL Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the OOIL Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where OOIL's subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the OOIL Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

The OOIL Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the OOIL Group operates. These schemes are generally funded by payments from employees and by relevant OOIL Group companies, taking into account of the recommendations of independent qualified actuaries where required.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected expected benefit payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated profit and loss account in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated profit and loss account.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated profit and loss account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The OOIL Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to OOIL's shareholders after certain adjustments. The OOIL Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.17 Provisions

Provisions are recognised when the OOIL Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Insurance contracts

OOIL regards its financial guarantees provided to its subsidiaries as insurance contracts. OOIL initially and subsequently assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss account.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the OOIL Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollar, which is OOIL's functional currency and the OOIL Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the assets revaluation reserve in other comprehensive income.

(c) OOIL Group companies

The results and financial position of all the OOIL Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the OOIL Group. The OOIL Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the OOIL Group's activities as described below. Revenue is recognised as follows:

(a) Freight revenues from the operation of the container transport are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or on an accrual basis.

(c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.

(d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(e) Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the OOIL Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.23 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.24 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.25 Dividend distribution

Dividend distribution to OOIL's equity holders is recognised as a liability in the OOIL Group's financial statements in the period in which the dividends are approved by OOIL's Directors/equity holders.

3. Financial risk management

3.1 Financial risk factors

The OOIL Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The OOIL Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the OOIL Group's financial performance.

The OOIL Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the OOIL Group's liquidity requirements can be met in the short and longer term.

The OOIL Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated financial statements.

(a) Foreign exchange risk

The OOIL 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.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2017 of approximately US$3.5 million (2016: US$3.9 million).

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The OOIL Group is exposed to freight rate risk. The OOIL Group's revenue will increase/decrease by US$53.1 million (2016: US$45.4 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The OOIL Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. To manage its price risk arising from bunker, the OOIL Group enters into bunker price derivative contracts. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating cost will be increased by approximately US$2.0 million (2016: US$1.8 million) for one US dollar increase in bunker price per ton.

The OOIL Group is also exposed to equity/debt securities price risk because of investments held by the OOIL Group include available-for-sale financial assets or portfolio investments which are accounted at fair value. To manage its price risk arising from investments in equity/debt securities, the OOIL Group diversifies its portfolio. If the prices of the respective quoted equity/debt securities of the OOIL Group had been increased/decreased by 1% and all other variables held constant, the profit after taxation and the other comprehensive income of the OOIL Group for the year ended 31st December 2017 would increase/decrease by US$2.9 million (2016: US$3.2 million) and US$nil (2016: US$0.6 million) respectively as a result of the changes in fair value of equity/debt securities under portfolio investments and equity securities classified as available-for-sale.

(c) Credit risk

The OOIL Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the OOIL Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, held-to-maturity investments, derivative financial instruments, restricted bank balances and trade receivables. The credit quality of these exposures is disclosed in relevant notes to the consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The OOIL Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the OOIL Group Treasury. OOIL Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the OOIL Group held liquid assets of US$2,235.7 million (2016: US$2,008.9 million) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the OOIL Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31st December 2017				
Borrowings	740,200	609,937	2,044,341	1,692,884
Other non-current liabilities	–	1,317	6,026	4,285
Creditors and accruals	740,260	–	–	–
Amounts due to joint ventures	7,526	–	–	–
At 31st December 2016				
Borrowings	695,212	615,892	1,783,751	1,377,205
Creditors and accruals	695,897	–	–	–
Amounts due to joint ventures	10,712	–	–	–

(e) Cash flow interest rate risk

The OOIL Group's income and operating cash flows are substantially independent of changes in market interest rates. The OOIL Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the OOIL Group on a short-term basis.

The OOIL Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings.

At 31st December 2017, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$1.8 million lower/higher (2016: post-tax loss would have been US$2.2 million higher/lower), mainly as a result of higher/lower net interest expense on the net floating rate borrowings.

3.2 Capital risk management

The OOIL Group's objectives when managing capital are to safeguard the OOIL Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the OOIL Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the OOIL Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments.

The gearing ratios at 31st December 2017 and 2016 were as follows:

US$'000	**2017**	**2016**
Total borrowings *(note 37)*	(4,554,183)	(4,090,737)
Less: Restricted bank balances *(note 24)*	63,839	1,426
Cash and bank balances *(note 34)*	1,940,975	1,625,676
Portfolio investments *(note 32)*	294,720	322,927
Net debt	(2,254,649)	(2,140,708)
Total equity	4,682,513	4,519,286
Gearing ratio	0.48	0.47

The change in net debt position results primarily from the purchase of property, plant and equipment during the year.

3.3 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 OOIL Group's financial assets and liability that are measured at fair value at 31st December 2017 and 2016.

		2017		
US$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Portfolio investments				
– Equity securities	35,852	–	–	35,852
– Debt securities	252,728	–	–	252,728
– Funds and other investments	–	6,140	–	6,140
Derivative financial instruments	–	1,825	–	1,825
Available-for-sale financial assets				
– Other investments	–	–	45,383	45,383
Total assets	288,580	7,965	45,383	341,928

		2016		
US$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Portfolio investments				
– Equity securities	36,720	–	–	36,720
– Debt securities	280,445	–	–	280,445
– Funds and other investments	–	5,762	–	5,762
Derivative financial instruments	–	2,097	–	2,097
Available-for-sale financial assets				
– Listed equity securities	60,259	–	–	60,259
– Other investments	–	–	32,889	32,889
Total assets	377,424	7,859	32,889	418,172

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the OOIL Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments and listed equity securities classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments in level 2 include the derivative financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 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.
- Marketability discount rate derived from management's judgement is applied to estimate the fair value of unlisted equity security classified as available-for-sale financial asset.

There were no changes in valuation techniques during the year.

Instruments included in level 3 mainly comprise unlisted equity securities classified as available-for-sale financial assets.

The following table presents the changes in level 3 instruments.

US$'000	**2017**	**2016**
Opening balance	32,889	52,036
Currency translation adjustments	2	–
Additions	–	229
Fair value change recognised in other comprehensive income	12,492	(19,376)
Closing balance	45,383	32,889

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 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The OOIL Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the OOIL Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$90.0 million or US$53.0 million respectively (2016: US$63.4 million or US$47.1 million respectively).

Management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$10.3 million or US$10.6 million respectively (2016: US$11.6 million or US$11.5 million respectively).

(c) Provision of operating costs

Operating costs, which mainly comprise cargo cost, vessel and voyage costs, equipment and repositioning costs and terminal operating cost. Invoices in relation to these expenses are received several months after the expenses have been incurred. Consequently, recognition of accrued operating costs is based on the known services entered, pattern of historical cost as well as the estimated vendor tariff.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the OOIL Group has not experienced significant deviation from the actual expenses.

5. Revenue and segment information

(a) Revenue

US$'000	**2017**	**2016**
Container transport and logistics	6,078,192	5,270,323
Others	30,158	27,370
	6,108,350	5,297,693

The principal activities of the OOIL 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.

(b) Segment information

The principal activities of the OOIL 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 OOIL 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 OOIL Group's chief operating decision makers.

Operating segments

The segment results for the year ended 31st December 2017 are as follows:

US$'000	**Container transport and logistics**	**Others**	**Elimination**	**OOIL Group**
Revenue	6,078,192	30,619	(461)	6,108,350
Operating profit	86,311	145,859	–	232,170
Finance costs *(note 12)*	(101,215)	–	–	(101,215)
Share of profits of joint ventures *(note 19)*	5,177	–	–	5,177
Share of profits of associated companies *(note 20)*	13,957	–	–	13,957
Profit before taxation	4,230	145,859	–	150,089
Taxation *(note 13)*	(16,232)	3,799	–	(12,433)
Profit/(loss) for the year	(12,002)	149,658	–	137,656
Fair value gain from an investment property	–	43,436	–	43,436
Capital expenditure	612,126	6,564	–	618,690
Depreciation	428,482	–	–	428,482
Amortisation	11,342	–	–	11,342

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

US$'000	**Container transport and logistics**	**Others**	**Elimination**	**OOIL Group**
Revenue	5,270,323	27,986	(616)	5,297,693
Operating (loss)/profit	(202,529)	64,302	–	(138,227)
Finance costs *(note 12)*	(79,393)	–	–	(79,393)
Share of profits of joint ventures *(note 19)*	5,135	–	–	5,135
Share of profits of associated companies *(note 20)*	12,818	–	–	12,818
(Loss)/profit before taxation	(263,969)	64,302	–	(199,667)
Taxation *(note 13)*	(9,645)	(9,909)	–	(19,554)
(Loss)/profit for the year	(273,614)	54,393	–	(219,221)
Fair value gain from an investment property	–	18,522	–	18,522
Capital expenditure	477,159	1,478	–	478,637
Depreciation	400,351	–	–	400,351
Amortisation	8,523	–	–	8,523

The segment assets and liabilities at 31st December 2017 and 2016 are as follows:

US$'000	**2017** Container transport and logistics	**2017** Others	**2017** OOIL Group
Segment assets	7,404,001	2,499,615	9,903,616
Joint ventures	16,840	–	16,840
Associated companies	148,840	–	148,840
Total assets	7,569,681	2,499,615	10,069,296
Segment liabilities	(5,320,815)	(65,968)	(5,386,783)

US$'000	**2016** Container transport and logistics	**2016** Others	**2016** OOIL 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)

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.

Geographical information

The OOIL 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 OOIL 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 2017		
Asia	4,262,323	11,271
Europe	868,912	529
North America	812,183	52,103
Australia	164,932	–
Unallocated *	–	554,787
	6,108,350	618,690
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

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

6. Operating costs

US$'000	**2017**	**2016**
Cargo	3,088,556	2,930,530
Vessel and voyage	986,428	935,145
Bunker cost	657,853	435,238
Equipment and repositioning	783,046	715,711
	5,515,883	5,016,624
Investment property	15,555	15,648
	5,531,438	5,032,272

7. Other operating income

US$'000	**2017**	**2016**
Income from available-for-sale financial assets		
– Distribution	–	6,883
– Dividend income	21,182	22,168
Interest income from banks	24,616	16,973
Interest income from held-to-maturity investments	11,041	11,622
Portfolio investment income		
– Interest income	10,954	10,985
– Distribution	606	–
– Dividend income	1,187	965
Others	2,496	2,860
	72,082	72,456

8. Other gains/(losses), net

US$'000	**2017**	**2016**
Fair value gain on portfolio investments (realised and unrealised)	4,713	3,658
Gain on bunker price derivative contracts	164	3,364
Net gain on interest rate swap contracts	–	56
Fair value gain on foreign exchange forward contracts	1,883	3,191
Profit/(loss) on disposal of property, plant and equipment	2,330	(2,076)
Loss on disposal of available-for-sale financial assets	(192)	(4,021)
Gain/(loss) on disposal of held-to-maturity investments	6,296	(74)
Impairment on available-for-sale financial assets	–	(13,201)
Loss on disposal of intangible assets	(6,690)	–
Exchange gain/(loss)	18,535	(16,626)
	27,039	(25,729)

9. Employee benefit expense

US$'000	**2017**	**2016**
Wages and salaries	545,456	524,840
Pension and retirement benefits		
– Defined contribution plans *(note 23)*	28,914	26,164
– Defined benefit plans *(note 23)*	1,555	904
	575,925	551,908

Employee benefit expenses of US$222.3 million (2016: US$213.3 million) are included in "operating costs" in the consolidated profit and loss account.

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of each OOIL Director is set out below:

Name of Director US$'000	Fees	Salary and benefits	Discre-tionary bonuses	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31 December 2017						
Mr. C C Tung	107	717	–	106	71	1,001
Prof. Roger King	60	–	–	–	–	60
Mr. Philip Chow	97	–	–	–	–	97
Mr. Andrew Tung	–	543	–	10	54	607
Mr. Alan Tung	–	437	–	10	43	490
Mr. Simon Murray	51	–	–	–	–	51
Prof. Richard Wong	85	–	–	–	–	85
Mr. Edward Cheng	51	–	–	–	–	51
Mr. Clement Kwok	51	–	–	–	–	51

Name of Director US$'000	Fees	Salary and benefits	Discre-tionary bonuses	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31 December 2016						
Mr. C C Tung	107	691	113	94	80	1,085
Prof. Roger King	60	–	–	–	–	60
Mr. Philip Chow	66	–	–	–	–	66
Mr. Andrew Tung	–	523	86	10	61	680
Mr. Alan Tung	–	421	68	10	49	548
Mr. Simon Murray	32	–	–	–	–	32
Prof. Richard Wong	47	–	–	–	–	47
Mr. Edward Cheng	32	–	–	–	–	32
Mr. Clement Kwok	32	–	–	–	–	32

The discretionary bonuses paid in 2016 relate to performance for year 2015.

*1 *Other benefits include car related expenses and club membership.*

None of the OOIL Directors has waived the right to receive their emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the OOIL Group for the year include three (2016: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2016: two individuals) are as follows:

US$'000	**2017**	**2016**
Basic salaries, housing allowances, other allowances and benefits in kind	965	909
Discretionary bonuses	–	147
Estimated money value of other benefits	12	9
Pension costs – defined contribution plans	70	76
	1,047	1,141

The emoluments of the five individuals fell within the following bands:

		Number of individuals	
Emolument bands (US$)		**2017**	**2016**
448,701 ~ 512,800	(HK$3,500,001 ~ HK$4,000,000)	2	–
512,801 ~ 576,900	(HK$4,000,001 ~ HK$4,500,000)	1	2
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	1	1
641,001 ~ 705,100	(HK$5,000,001 ~ HK$5,500,000)	–	1
961,501 ~ 1,025,600	(HK$7,500,001 ~ HK$8,000,000)	1	–
1,025,601 ~ 1,089,700	(HK$8,000,001 ~ HK$8,500,000)	–	1
		5	5

(c) Key management compensation

US$'000	**2017**	**2016**
Salaries and other employee benefits	4,756	5,292
Estimated money value of other benefits	152	138
Pension costs – defined contribution plans	439	488
	5,347	5,918

The OOIL Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the OOIL Group for the preceding year. The discretionary bonuses shown above represent actual payments to the OOIL Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit/(loss)

US$'000	**2017**	**2016**
Operating profit/(loss) is arrived at after crediting:		
Operating lease rental income		
Land and buildings	30,158	27,370
and after charging:		
Depreciation		
Owned assets	298,765	299,296
Leased assets	129,717	101,055
Operating lease rental expense		
Vessels and equipment	244,698	260,264
Terminals and berths	58,760	47,203
Land and buildings	33,472	34,601
Rental outgoings in respect of an investment property	15,555	15,648
Amortisation of intangible assets	11,123	8,302
Amortisation of prepayments of lease premiums	219	221
Auditors' remuneration		
Audit	2,610	2,630
Non-audit	2,770	902

Operating lease rental expenses of US$311.2 million and US$25.7 million (2016: US$316.4 million and US$25.7 million) respectively are included in "operating costs" and "business and administrative expenses" in the consolidated profit and loss account.

The non-audit remuneration paid to the OOIL Group's auditor is inclusive of a one-off fee in respect of a non-recurring advisory project. Excluding this fee, the total fees paid to the OOIL Group's auditor for non-audit services was less than 50% of the amount paid for audit services.

12. Finance costs

US$'000	**2017**	**2016**
Interest expense		
Bank loans and bank overdrafts	54,168	47,506
Finance lease obligations	54,547	37,070
	108,715	84,576
Amount capitalised under assets	(7,500)	(5,183)
Net interest expense	101,215	79,393

The borrowing costs of the loans to finance the assets under construction (note 16) represent an average capitalisation rate of approximately 2.0% (2016: 1.8%) per annum.

13. Taxation

US$'000	**2017**	**2016**
Current taxation		
Hong Kong profits tax	411	78
Overseas taxation	15,318	10,533
	15,729	10,611
Deferred taxation		
Hong Kong profits tax	359	108
Overseas taxation	(3,655)	8,835
	(3,296)	8,943
	12,433	19,554

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the OOIL Group operates on the estimated assessable profits for the year. These rates range from 13% to 46% (2016: 11% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2016: 16.5%).

The associated companies in the People's Republic of China enjoy preferential tax treatment.

The tax of the OOIL Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rates, being the weighted average of rates prevailing in the territories in which the OOIL Group operates, as follows:

US$'000	**2017**	**2016**
Profit/(loss) before taxation	150,089	(199,667)
Share of profits of joint ventures	(5,177)	(5,135)
Share of profits of associated companies	(13,957)	(12,818)
	130,955	(217,620)
Tax calculated at applicable tax rates	38,054	(23,939)
Income not subject to tax	(284,335)	(252,116)
Expenses not deductible for tax purposes	278,050	289,495
Tax losses not recognised	2,849	3,227
Temporary differences not recognised	935	755
Utilisation of previously unrecognised tax losses	(1,359)	(1,281)
Utilisation of previously unrecognised temporary differences	(946)	(374)
Recognition of previously unrecognised temporary differences	1,601	–
Withholding tax	1,571	3,320
Change in tax rates	(22,876)	167
Other items	(1,111)	300
	12,433	19,554

14. Earnings/(loss) per ordinary share

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

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

US$'000	**2017**	**2016**
Number of ordinary shares in issue *(thousands)*	625,793	625,793
Group's profit/(loss) attributable to:		
Equity holders of OOIL	137,656	(219,221)
Earnings/(loss) per share attributable to equity holders of OOIL *(US cents)*	22.0	(35.0)

15. Dividends

US$'000	**2017**	**2016**
Interim paid: US2.14 cents (2016: nil) per ordinary share	13,388	–

The Board of Directors do not recommend a final dividend in respect of 2017 (2016: nil).

16. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Cost									
At 31st December 2016	4,970,230	727,511	2,196,392	482,066	7,005	46,701	59,237	145,574	8,634,716
Currency translation adjustments	–	–	61	–	170	2,813	1,902	1,890	6,836
Additions	18,091	340,505	227,934	2,054	–	27	1,170	15,471	605,252
Reclassification	810,893	(895,134)	–	84,241	–	–	–	–	–
Disposals	(69,767)	–	(67,720)	(68,266)	–	–	(2,175)	(2,537)	(210,465)
At 31st December 2017	5,729,447	172,882	2,356,667	500,095	7,175	49,541	60,134	160,398	9,036,339
Accumulated depreciation									
At 31st December 2016	1,268,761	–	970,062	150,841	2,948	17,026	41,390	107,015	2,558,043
Currency translation adjustments	–	–	46	–	127	1,048	1,568	1,461	4,250
Charge for the year	216,106	–	154,002	34,939	75	1,842	6,792	14,726	428,482
Disposals	(69,615)	–	(63,791)	(68,006)	–	–	(2,098)	(2,383)	(205,893)
At 31st December 2017	1,415,252	–	1,060,319	117,774	3,150	19,916	47,652	120,819	2,784,882
Net book amount									
At 31st December 2017	4,314,195	172,882	1,296,348	382,321	4,025	29,625	12,482	39,579	6,251,457
At 31st December 2016	3,701,469	727,511	1,226,330	331,225	4,057	29,675	17,847	38,559	6,076,673
Net book amount of leased assets									
At 31st December 2017	2,549,229	–	109,391	91,301	–	–	–	761	2,750,682
At 31st December 2016	1,890,435	–	120,513	98,192	–	–	–	980	2,110,120
Cost									
At 31st December 2015	4,964,814	716,396	2,114,951	180,430	6,992	49,774	52,955	133,813	8,220,125
Currency translation adjustments	–	–	(77)	–	13	(3,113)	(1,606)	(1,643)	(6,426)
Additions	15,683	303,646	107,711	9,807	–	40	12,224	15,249	464,360
Reclassification	–	(292,531)	–	292,531	–	–	–	–	–
Disposals	(10,267)	–	(26,193)	(702)	–	–	(4,336)	(1,845)	(43,343)
At 31st December 2016	4,970,230	727,511	2,196,392	482,066	7,005	46,701	59,237	145,574	8,634,716
Accumulated depreciation									
At 31st December 2015	1,079,910	–	840,028	123,433	2,835	16,291	39,974	96,910	2,199,381
Currency translation adjustments	–	–	(69)	–	7	(1,021)	(1,210)	(1,242)	(3,535)
Charge for the year	198,857	–	152,268	27,467	106	1,756	6,870	13,027	400,351
Disposals	(10,006)	–	(22,165)	(59)	–	–	(4,244)	(1,680)	(38,154)
At 31st December 2016	1,268,761	–	970,062	150,841	2,948	17,026	41,390	107,015	2,558,043
Net book amount									
At 31st December 2016	3,701,469	727,511	1,226,330	331,225	4,057	29,675	17,847	38,559	6,076,673
At 31st December 2015	3,884,904	716,396	1,274,923	56,997	4,157	33,483	12,981	36,903	6,020,744
Net book amount of leased assets									
At 31st December 2016	1,890,435	–	120,513	98,192	–	–	–	980	2,110,120
At 31st December 2015	1,788,072	105,940	131,430	73	–	–	–	1,608	2,027,123

(a) The aggregate net book amount of assets pledged as security for bank loans amounts to US$2,597.8 million (2016: US$2,785.5 million). Specific charges on vessels of the OOIL Group include legal mortgages and assignments of insurance claims and charter hire income relating to these vessels.

(b) Interest costs of US$7.5 million (2016: US$5.2 million) during the year were capitalised as part of assets under construction.

(c) Depreciation charge of US$407.2 million (2016: US$380.3 million) for the year has been expensed in "operating costs" and US$21.3 million (2016: US$20.1 million) in business and administrative expenses.

(d) As at 31st December 2017 and 2016, the buildings outside Hong Kong are held under medium-term leasehold land.

Property, plant and equipment include the following amounts where the OOIL Group is a lessee under finance leases:

US$'000	**2017**	**2016**
Cost – capitalised finance leases	3,456,987	2,669,690
Accumulated depreciation	(706,305)	(559,570)
Net book amount	2,750,682	2,110,120

The OOIL Group leases various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements for both years. The lease terms are between 5 and 25 years.

17. Investment property

US$'000	**2017**	**2016**
Balance at beginning of year	220,000	200,000
Additions	6,564	1,478
	226,564	201,478
Fair value gain	43,436	18,522
Balance at end of year	270,000	220,000

Background and valuation processes of the OOIL Group

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, all of which are wholly owned by the OOIL Group (2016: two of which are wholly owned by the OOIL Group, and freehold interest in the third parcel, representing approximately 10% of the site, is 50% owned by the OOIL Group under a long-term lease to the OOIL Group expiring in the year 2066).

Valuation processes of the OOIL Group

The OOIL Group's investment property was valued at 31st December 2017 by an independent professionally qualified valuer who holds a recognised relevant professional qualification. The OOIL Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer "CFO". Discussions of valuation processes and results are held between the CFO, the finance team and the valuer. As at 31st December 2017, the fair value of the property has been determined by Cushman & Wakefield, Inc.

Valuation techniques

Fair value of the investment property is derived by using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

There were no changes to the valuation techniques during the year.

Information about fair value measurement using significant unobservable inputs

Discount rate is estimated by Cushman & Wakefield, Inc. based on the risk profile of the property being valued. If the discount rate is higher, the fair value would be lower. At 31st December 2017, discount rate of 7.3% per annum (2016: 7.3% per annum) is used in the valuation.

Net operating income growth rates of 3% per annum (2016: 5% per annum) for the second and third years and 3% per annum (2016: 3% per annum) for the remaining years are used in the valuation. If the growth rate is higher, the fair value would be higher.

Prevailing market rents are estimated based on recent lettings of US$50 per sq ft to US$53 per sq ft (2016: US$44 per sq ft to US$46 per sq ft), within the subject property. If the rents are higher, the fair value would be higher.

18. Prepayments of lease premiums

The OOIL Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases between 28 and 42 years and their net book values are analysed as follows:

US$'000	**2017**	**2016**
Balance at beginning of year	7,818	8,462
Currency translation adjustments	373	(423)
Amortisation	(219)	(221)
Balance at end of year	7,972	7,818

Amortisation of US$0.2 million (2016: US$0.2 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

19. Joint ventures

US$'000	**2017**	**2016**
Share of net assets	10,833	11,225

The OOIL Group's share of assets, liabilities and results of the joint ventures are summarised below:

US$'000	**2017**	**2016**
Non-current assets	1,246	95
Current assets	14,488	13,526
Current liabilities	(4,901)	(2,396)
Share of net assets	10,833	11,225
Income	15,579	15,319
Expenses	(10,402)	(10,184)
Share of profits of joint ventures	5,177	5,135
Share of total comprehensive income of joint ventures	5,655	3,968

20. Associated companies

US$'000	**2017**	**2016**
Share of net assets	148,840	137,527

The OOIL Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	**2017**	**2016**
Non-current assets	144,699	142,764
Current assets	14,197	14,528
Non-current liabilities	(69)	(2,854)
Current liabilities	(9,987)	(16,911)
Share of net assets	148,840	137,527
Income	39,467	41,543
Expenses	(25,510)	(28,725)
Share of profits of associated companies	13,957	12,818
Share of total comprehensive income of associated companies	22,462	3,642

21. Intangible assets

US$'000	**Computer software costs**
At 1st January 2016	
Cost	168,079
Accumulated amortisation	(112,433)
Net book amount	55,646
Year ended 31st December 2016	
Opening net book amount	55,646
Additions	12,799
Amortisation	(8,302)
Closing net book amount	60,143
At 31st December 2016	
Cost	180,878
Accumulated amortisation	(120,735)
Net book amount	60,143
Year ended 31st December 2017	
Opening net book amount	60,143
Additions	6,874
Disposal	(6,690)
Amortisation	(11,123)
Closing net book amount	49,204
At 31st December 2017	
Cost	145,389
Accumulated amortisation	(96,185)
Net book amount	49,204

Computer software costs mainly comprise internally generated capitalised software development costs.

Amortisation of US$11.1 million (2016: US$8.3 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

The OOIL Group had written-off fully amortised intangible assets of US$35.7 million during the year (2016: nil).

22. Deferred taxation assets/(liabilities)

US$'000	**2017**	**2016**
Deferred taxation assets	1,476	4,227
Deferred taxation liabilities	(65,221)	(71,337)
	(63,745)	(67,110)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same taxation authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	**2017**	**2016**
Deferred taxation assets to be recovered after more than twelve months	723	3,240
Deferred taxation liabilities to be settled after more than twelve months	(65,006)	(71,337)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the OOIL Group operates. The movements in deferred taxation assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

US$'000	**Accelerated accounting depreciation**	**Pensions**	**Revenue expenditure**	**Tax losses**	**Total**
Deferred taxation assets					
At 31st December 2015	1,027	117	8,826	2,527	12,497
Currency translation adjustments	15	(20)	(14)	(48)	(67)
(Charged)/credited to consolidated profit and loss account	(494)	(271)	(1,913)	728	(1,950)
Credited to other comprehensive income	–	174	–	–	174
At 31st December 2016	548	–	6,899	3,207	10,654
Currency translation adjustments	7	–	63	–	70
(Charged)/credited to consolidated profit and loss account	134	–	(3,043)	1,088	(1,821)
At 31st December 2017	689	–	3,919	4,295	8,903

US$'000	**Accelerated tax depreciation**	**Revaluation of investment property**	**Revenue expenditure**	**Undistributed profits of affiliates**	**Total**
Deferred taxation liabilities					
At 31st December 2015	5,950	61,903	2,920	–	70,773
Currency translation adjustments	(2)	–	–	–	(2)
(Credited)/charged to consolidated profit and loss account	(5,566)	7,326	3,189	2,044	6,993
At 31st December 2016	382	69,229	6,109	2,044	77,764
(Credited)/charged to consolidated profit and loss account	1,296	(9,167)	2,477	278	(5,116)
At 31st December 2017	1,678	60,062	8,586	2,322	72,648

Deferred taxation assets of US$31.6 million (2016: US$30.1 million) arising from unused tax losses of US$146.8 million (2016: US$139.5 million) have not been recognised in the consolidated financial statements. Unused tax losses of US$101.6 million (2016: US$112.9 million) have no expiry date and the remaining balance will expire at various dates up to and including 2037.

Deferred taxation liabilities of US$102.0 million (2016: US$93.1 million) on temporary differences associated with investments in subsidiaries of US$430.4 million (2016: US$394.8 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

23. Pension and retirement benefits

The OOIL Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the OOIL Group operates. The total charges to the consolidated profit and loss account for the year were US$30.5 million (2016: US$27.1 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong, the People's Republic of China and the USA. These schemes cover approximately 80% of the OOIL Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the OOIL Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the OOIL Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions.

In 2008, the OOIL Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the OOIL Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the OOIL Group as defined contribution plans.

The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	**2017**	**2016**
Contributions to the schemes	29,006	26,755
Forfeitures utilised	(92)	(591)
	28,914	26,164

Defined benefit schemes

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	**2017**	**2016**
Funded scheme assets	243	–
Funded scheme liabilities	–	(11,782)
Unfunded scheme liabilities	(38)	(75)
	(38)	(11,857)
Net scheme assets/(liabilities)	205	(11,857)

Net funded scheme assets/(liabilities)

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the ''Scheme'') cover less than 1% of the OOIL Group's employees and are funded. The assets of the Scheme are held in trust funds separate from the OOIL Group. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the OOIL Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net scheme assets/(liabilities) of the Scheme recognised in the consolidated balance sheet are determined as follows:

US$'000	**2017**	**2016**
Fair value of plan assets	220,490	200,690
Present value of funded obligations	(220,247)	(212,472)
Surplus/(deficit) of funded plan	243	(11,782)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

US$'000	**2017**	**2016**
Balance at beginning of year	200,690	226,692
Currency translation adjustments	19,116	(39,608)
Interest income on plan assets	5,420	7,565
Remeasurement gain on assets	6,781	14,382
Contributions from the OOIL Group	3,074	2,813
Contributions from the plan members	94	74
Benefits paid	(14,685)	(11,228)
Balance at end of year	220,490	200,690

Movements in the present value of obligations of the Scheme during the year are as follows:

US$'000	**2017**	**2016**
Balance at beginning of year	212,472	218,837
Currency translation adjustments	20,272	(38,354)
Current service cost	1,251	1,208
Interest expense	5,724	7,261
Experience gains on liabilities	(2,233)	(1,727)
Gains from changes to demographic assumptions	(5,293)	(782)
Losses from changes to financial assumptions	2,645	37,183
Contributions from the plan members	94	74
Benefits paid	(14,685)	(11,228)
Balance at end of year	220,247	212,472

The charges of the Scheme recognised in the consolidated profit and loss account are as follows:

US$'000	**2017**	**2016**
Current service cost	1,251	1,208
Interest expense	5,724	7,261
Interest income on plan assets	(5,420)	(7,565)
Net expense recognised for the year	1,555	904

Charges of US$1.6 million (2016: US$0.9 million) were included in "business and administrative expenses" in the consolidated profit and loss account.

The main actuarial assumptions made for the Scheme were as follows:

	2017	2016
Discount rate	2.5%	2.6%
Inflation rate	3.4%	3.0%
Expected future salary increases	3.4%	3.5%
Expected future pension increases	2.6%	2.7%
Actual return on plan assets *(US$'000)*	12,201	(5,600)

At 31st December 2017, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$6.2 million lower/US$6.5 million higher. At 31st December 2017, if inflation rate had been 0.1% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$2.1 million higher/US$2.0 million lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

US$'000	2017		2016	
Equity	39,041	18%	30,221	15%
Debt	159,205	72%	154,467	77%
Others	22,244	10%	16,002	8%
	220,490	100%	200,690	100%

Expected normal and deficit reduction contributions to the Scheme for the year ending 31st December 2018 is US$3.1 million.

Through its defined benefit pension plans, the OOIL Group is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.

- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.

- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

24. Restricted bank balances

US$'000	**2017**	**2016**
Non-current	60,414	403
Current	3,425	1,023
Restricted bank balances	63,839	1,426

As at 31st December 2017, the restricted bank balances of US$63.8 million (2016: US$1.4 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the OOIL Group's restricted bank balances are mainly denominated in US dollar (2016: New Taiwan dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's, and/ or Moody's credit ratings is as follows:

US$'000	**2017**	**2016**
AA	1,709	386
A	62,128	1,037
BBB	2	3
	63,839	1,426

25. Available-for-sale financial assets

US$'000	**2017**	**2016**
Balance at beginning of year	93,148	127,998
Currency translation adjustments	2	(2)
Additions	–	14,494
Disposals	(60,259)	(21,330)
Change in fair value recognised in other comprehensive income	12,492	(28,012)
Balance at end of year	45,383	93,148

Available-for-sale financial assets include the following:

US$'000	**2017**	**2016**
Market value of listed equity securities		
Hong Kong	–	60,259
Unlisted equity security	44,200	31,900
Others	1,183	989
	45,383	93,148

The carrying amounts of the OOIL Group's available-for-sale financial assets are denominated in the following currencies:

US$'000	**2017**	**2016**
Renminbi	44,231	92,189
Hong Kong dollar	999	817
Other currencies	153	142
	45,383	93,148

26. Held-to-maturity investments

US$'000	**2017**	**2016**
Listed debt securities		
Hong Kong	129,043	141,912
Overseas	105,886	95,005
	234,929	236,917
Less: Current portion included in current assets	(17,040)	(41,621)
	217,889	195,296
Market value	242,672	249,984

Movements in held-to-maturity investments are as follows:

US$'000	**2017**	**2016**
Balance at beginning of year	236,917	236,078
Currency translation adjustments	2,317	(8,952)
Additions	78,627	29,219
Disposals	(40,611)	(4,122)
Redemptions on maturity	(41,881)	(14,950)
Amortisation	(440)	(356)
Balance at end of year	234,929	236,917

The carrying amounts of held-to-maturity investments are mainly denominated in US dollar (2016: US dollar).

The credit quality of held-to-maturity investments by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	**2017**	**2016**
AAA	8,011	9,517
AA	6,292	6,789
A	70,651	58,793
BBB	82,710	101,258
BB	–	4,908
B	–	8,280
Non-ranking	67,265	47,372
	234,929	236,917

The maximum exposure to credit risk at the balance sheet date is the carrying amount of held-to-maturity investments.

27. Other non-current assets

US$'000	**2017**	**2016**
Other deposit	28,405	19,891
Others	12,458	12,200
	40,863	32,091

28. Inventories

US$'000	**2017**	**2016**
Bunker	87,698	72,304
Consumable stores	14,459	12,168
	102,157	84,472

29. Debtors and prepayments

US$'000	**2017**	**2016**
Trade receivables		
– Fully performing	230,973	182,934
– Past due but not impaired	152,639	111,495
– Impaired and provided for	16,061	16,313
	399,673	310,742
Less: provision for impairment	(16,061)	(16,313)
Trade receivables – net	383,612	294,429
Other debtors	86,291	72,806
Other prepayments	107,756	93,996
Utility and other deposits	12,277	12,927
	589,936	474,158

The credit quality of trade receivables net of provision for impairment, by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US$'000	**2017**	**2016**
Counterparties with external credit rating		
A	16,627	11,495
BBB	7,384	9,564
BB	163	758
	24,174	21,817
Counterparties without external credit rating		
Group 1	18,035	14,817
Group 2	341,178	257,614
Group 3	225	181
	359,438	272,612
	383,612	294,429

Notes:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

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 OOIL Group's trade receivables, net of provision for impairment, prepared in accordance with the due dates of invoices, is as follows:

US$'000	**2017**	**2016**
Below one month	344,374	271,913
Two to three months	27,608	16,598
Four to six months	7,523	4,839
Over six months	4,107	1,079
	383,612	294,429

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

The carrying amounts of the OOIL Group's trade receivables are denominated in the following currencies:

US$'000	**2017**	**2016**
US dollar	145,868	114,915
Canadian dollar	12,978	9,654
Euro	61,027	40,469
Japanese yen	19,212	15,454
Hong Kong dollar	5,692	5,516
Renminbi	46,403	38,950
Pound sterling	11,025	8,883
Australian dollar	24,237	15,282
Other currencies	57,170	45,306
	383,612	294,429

Movements in the provision for impairment of trade receivables are as follows:

US$'000	**2017**	**2016**
Balance at beginning of year	16,313	9,548
Provision	3,683	7,176
Write off	(1,287)	(256)
Reversal	(2,648)	(155)
Balance at end of year	16,061	16,313

The provision for impairment has been included in "business and administrative expenses" in the consolidated profit and loss account.

30. Amount due from an associated company

The amount receivable is unsecured, interest free and has no specific repayment terms.

31. Amounts due from joint ventures

The amounts receivable are unsecured, interest free and have no specific repayment terms.

32. Portfolio investments

US$'000	**2017**	**2016**
Listed equity securities		
Hong Kong	23,379	19,569
Overseas	12,473	17,151
Market value of listed equity securities	35,852	36,720
Unit trust	6,140	5,762
Listed debt securities		
Hong Kong	173,900	174,899
Overseas	78,828	105,546
	294,720	322,927

The carrying amounts of the OOIL Group's portfolio investments are mainly denominated in US dollar (2016: US dollar).

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	**2017**	**2016**
A	40,320	42,460
BBB	121,618	136,203
BB	9,688	22,013
Non-ranking	81,102	79,769
	252,728	280,445

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

33. Derivative financial instruments

US$'000	**2017**	**2016**
Assets		
Current assets		
Bunker price derivative contracts	1,825	2,097

The credit quality of derivative financial assets by reference to the Standard & Poor's and/or Moody's credit rating is as follows:

US$'000	**2017**	**2016**
AA	589	2,097
A	1,236	–
	1,825	2,097

At 31st December 2017, the OOIL Group had entered into contracts covering approximately 7% (2016: 11%) of expected purchase of bunker for the next year through bunker price derivative contracts.

34. Cash and bank balances

US$'000	**2017**	**2016**
Short-term bank deposits		
– Maturing within three months from the date of placement	1,485,327	1,213,057
Cash at bank and in hand	455,648	412,162
	1,940,975	1,625,219
Short-term bank deposits		
– Maturing more than three months from the date of placement	–	457
	1,940,975	1,625,676

The carrying amounts of the OOIL Group's cash and bank balances are mainly denominated in US dollar (2016: US dollar).

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's, Moody's and/or Fitch's credit ratings is as follows:

US$'000	**2017**	**2016**
AA	504,840	344,528
A	1,001,437	823,592
BBB	424,027	446,852
BB	6,849	5,739
B	182	272
Others	3,640	4,693
	1,940,975	1,625,676

35. Share capital

US$'000	**2017**	**2016**
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

	Number of shares *(thousands)*	**Ordinary shares** *US$'000*
Issued and fully paid:		
At 31st December 2016 and 2017	625,793	62,579

36. Reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Available-for-sale financial assets revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2015	172,457	88,547	4,696	40,910	44,302	4,384,019	4,734,931
Total comprehensive loss for the year	–	–	–	(10,058)	(17,223)	(239,339)	(266,620)
Transactions with owners							
2015 final dividend	–	–	–	–	–	(11,604)	(11,604)
Balance at 31st December 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707
Total comprehensive income for the year	–	–	–	12,492	15,961	148,162	176,615
Transactions with owners							
2017 interim dividend	–	–	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	172,457	88,547	4,696	43,344	43,040	4,267,850	4,619,934

37. Borrowings

US$'000	**2017**	**2016**
Non-current		
Bank loans		
– Secured	1,531,192	1,624,089
– Unsecured	275,974	309,972
Finance lease obligations	2,122,859	1,555,211
	3,930,025	3,489,272
Current		
Bank loans		
– Secured	256,258	242,848
– Unsecured	33,998	21,498
Finance lease obligations	333,902	337,119
	624,158	601,465
Total borrowings	4,554,183	4,090,737

The maturity of borrowings is as follows:

		Finance leases	
US$'000	**Bank loans**	**Present value**	**Minimum payments**
As at 31st December 2017			
2018	290,256	333,902	392,262
2019	318,809	192,216	242,516
2020	453,011	155,191	200,140
2021	384,164	447,895	509,969
2022	237,426	150,202	180,958
2023 onwards	413,756	1,177,355	1,247,815
	2,097,422	2,456,761	2,773,660
As at 31st December 2016			
2017	264,346	337,119	383,581
2018	268,495	278,337	306,168
2019	295,376	134,881	157,717
2020	429,572	173,699	201,022
2021	360,719	227,462	260,817
2022 onwards	579,899	740,832	763,875
	2,198,407	1,892,330	2,073,180

Borrowings are secured by property, plant and equipment of the OOIL Group (note 16(a)).

The effective interest rates at the balance sheet date were as follows:

	2017	2016
Bank loans	2.8%	2.0%
Finance lease obligations	3.1%	2.4%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	2017	2016	2017	2016
Bank loans	1,807,166	1,934,061	1,805,997	1,932,904
Finance lease obligations	2,122,859	1,555,211	2,095,766	1,550,622
	3,930,025	3,489,272	3,901,763	3,483,526

The fair values are based on cash flows discounted using rates based on the borrowing rates ranging from 2.0% to 5.1% (2016: 2.1% to 3.9%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the OOIL Group's borrowings are denominated in US dollar (2016: US dollar).

The fixed interest rate borrowings of the OOIL Group as at 31st December 2017 amounted to US$892.3 million (2016: US$443.7 million). The remaining borrowings of US$3,661.9 million (2016: US$3,647.0 million) were subject to floating interest rates.

38. Creditors and accruals

US$'000	**2017**	**2016**
Trade payables	179,189	198,819
Other creditors	113,216	102,116
Accrued expenses	420,654	354,239
Deferred revenue	27,201	40,723
	740,260	695,897

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

US$'000	**2017**	**2016**
Below one month	138,973	142,754
Two to three months	32,483	44,932
Four to six months	1,309	656
Over six months	6,424	10,477
	179,189	198,819

The carrying amounts of the OOIL Group's trade payables are denominated in the following currencies:

US$'000	**2017**	**2016**
US dollar	88,149	107,692
Canadian dollar	8,033	6,120
Euro	14,007	14,583
Japanese yen	16,503	16,458
Hong Kong dollar	16,007	14,624
Renminbi	27,991	20,561
Other currencies	8,499	18,781
	179,189	198,819

39. Amounts due to joint ventures

The amounts payable are unsecured, interest free and repayable on demand.

40. Commitments

(a) Capital commitments – Property, plant and equipment

US$'000	**2017**	**2016**
Contracted but not provided for	284,416	663,951

(b) Operating lease commitments

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

US$'000	**Vessels and equipment**	**Land and buildings**	**Total**
At 31st December 2017			
2018	145,501	32,294	177,795
2019	75,240	29,604	104,844
2020	67,999	19,162	87,161
2021	46,791	11,630	58,421
2022	19,295	8,210	27,505
2023 onwards	8,920	19,381	28,301
	363,746	120,281	484,027
At 31st December 2016			
2017	145,136	28,954	174,090
2018	89,135	18,679	107,814
2019	67,095	15,750	82,845
2020	64,770	12,015	76,785
2021	44,043	10,729	54,772
2022 onwards	26,167	24,885	51,052
	436,346	111,012	547,358

The OOIL Group entered into the Preferential Assignment Agreement (the "Agreement") with the City of Long Beach ("COLB") for the use of the Middle Harbor Terminal (the "Terminal") in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st of July 2011. As at 31st December 2017, the OOIL Group signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within the Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US$180,000 to US$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the OOIL Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by early 2021 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 31st December 2017, the acreages of the Terminal used to determine the rental is 193.0 acreages (31st December 2016: 193.0 acreages). The OOIL Group and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

(c) Operating lease rental receivable

The future aggregate minimum lease rental income under non-cancellable operating leases are receivable in the following years:

US$'000	**Vessels and equipment**	**Land and buildings**	**Total**
At 31st December 2017			
2018	1,235	24,000	25,235
2019	–	21,128	21,128
2020	–	19,425	19,425
2021	–	17,278	17,278
2022	–	14,920	14,920
2023 onwards	–	42,889	42,889
	1,235	139,640	140,875
At 31st December 2016			
2017	–	28,772	28,772
2018	–	23,486	23,486
2019	–	20,472	20,472
2020	–	18,212	18,212
2021	–	15,964	15,964
2022 onwards	–	24,130	24,130
	–	131,036	131,036

41. Notes to consolidated cash flow statement

(a) The reconciliation of liabilities arising from financing activities is as follows:

US$'000	Bank borrowings (current)	Bank borrowings (non-current)	Finance lease obligations (current)	Finance lease obligations (non-current)	Total
At 31st December 2015	312,367	1,981,561	126,238	1,681,539	4,101,705
Cash flow					
– Inflow from financing activities	–	559,289	–	–	559,289
– Outflow from financing activities	(658,098)	–	(129,649)	–	(787,747)
Non-cash changes					
– Reclassification	610,077	(610,077)	340,530	(340,530)	–
– Inception of finance leases *(note 41(b))*	–	–	–	205,070	205,070
– Finance costs	–	3,288	–	9,132	12,420
At 31st December 2016	264,346	1,934,061	337,119	1,555,211	4,090,737
Cash flow					
– Inflow from financing activities	–	447,361	–	659,521	1,106,882
– Outflow from financing activities	(552,076)	–	(236,838)	–	(788,914)
Non-cash changes					
– Reclassification	577,986	(577,986)	233,621	(233,621)	–
– Inception of finance leases *(note 41(b))*	–	–	–	129,401	129,401
– Finance costs	–	3,730	–	12,347	16,077
At 31st December 2017	290,256	1,807,166	333,902	2,122,859	4,554,183

(b) Major non-cash transactions

During the year, major non-cash transactions included the inception of finance leases of US$129.4 million (2016: US$205.1 million) and non-cash dividend received from available-for-sale financial assets of US$13.3 million (2016: US$14.3 million).

(c) Analysis of cash and cash equivalents

US$'000	2017	2016
Bank balances and deposits maturing within three months from the date of placement	1,940,975	1,625,219

42. OOIL balance sheet

As at 31st December 2017

US$'000	**2017**	**2016**
ASSETS		
Non-current assets		
Subsidiaries	169,487	169,487
Current assets		
Prepayments	48	47
Amounts due from subsidiaries	2,876,770	2,811,186
Restricted bank balances	345	349
Cash and bank balances	93	74
	2,877,256	2,811,656
Total assets	3,046,743	2,981,143
EQUITY		
Equity holders		
Share capital	62,579	62,579
Reserves (note)	1,015,718	991,380
Total equity	1,078,297	1,053,959
LIABILITIES		
Non-current liability		
Amount due to a subsidiary	1,589,229	1,629,229
	1,589,229	1,629,229
Current liabilities		
Accruals	1,829	363
Amounts due to subsidiaries	377,388	297,592
	379,217	297,955
Total liabilities	1,968,446	1,927,184
Total equity and liabilities	3,046,743	2,981,143

Note:

Movements of reserves

US$'000	**Share premium**	**Contributed surplus**	**Capital redemption reserve**	**Retained profit**	**Total**
Balance at 31st December 2015	172,457	88,547	4,696	738,595	1,004,295
Total comprehensive loss for the year	–	–	–	(1,311)	(1,311)
Transactions with owners					
2015 final dividend	–	–	–	(11,604)	(11,604)
Balance at 31st December 2016	172,457	88,547	4,696	725,680	991,380
Total comprehensive income for the year	–	–	–	37,726	37,726
Transactions with owners					
2017 interim dividend	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	172,457	88,547	4,696	750,018	1,015,718

Under the Companies Act of Bermuda and the Bye-laws of OOIL, the contributed surplus is also distributable. Accordingly, total distributable reserves of OOIL amount to US$838.6 million as at 31st December 2017 (2016: US$814.2 million).

43. Approval of consolidated financial statements

The consolidated financial statements were approved by the OOIL Board on 9th March 2018.

3. INDEBTEDNESS

Statement of Indebtedness

(i) Borrowings and Indebtedness

As at the close of business of 31 May 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Composite Document, the OOIL Group has outstanding borrowings and indebtedness of approximately US$4,438.3 million (representing approximately HK$34,618.7 million), comprising secured bank loans of approximately US$1,618.7 million (representing approximately HK$12,625.8 million), unsecured bank loans of approximately US$299.2 million (representing approximately HK$2,333.8 million) and finance lease obligations of approximately US$2,520.4 million (representing approximately HK$19,659.1 million).

(ii) Contingent liabilities

As at the close of business of 31 May 2018, the OOIL Group had no material contingent liability.

(iii) Pledges of assets

The OOIL Group's general banking facilities and the above outstanding secured borrowings were secured by the OOIL Group's property, plant and equipment and certain bank deposits.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the OOIL Gorup, the OOIL Group did not have any outstanding indebtedness in respect of any mortgages, charges and debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 May 2018.

The OOIL Directors have confirmed that, save as disclosed, there has not been any material change in the indebtedness or contingent liabilities of the OOIL Group since 31 May 2018, up to and including the Latest Practicable Date.

4. MATERIAL CHANGE

The OOIL Directors confirm that, as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the OOIL Group since 31 December 2017, being the date to which the latest published audited accounts of OOIL were made.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Offer, the Joint Offerors and OOIL.

The information contained in this Composite Document relating to the COSCO SHIPPING Offeror Group has been supplied by COSCO SHIPPING Offeror. As at the date of this Composite Document, the directors of COSCO SHIPPING Offeror are Mr. WANG Haimin, Mr. DENG Huangjun and Ms. LI Yan, and the directors of COSCO SHIIPPING Holdings are Mr. HUANG Xiaowen (Vice Chairman), Mr. WANG Haimin, Mr. MA Jianhua, Mr. ZHANG Wei（張為）, Mr. FENG Boming, Mr. ZHANG Wei（張煒）, Mr. CHEN Dong, Mr. YANG, Liang Yee Philip, Mr. WU Dawei, Mr. ZHOU Zhonghui and Mr. TEO Siong Seng. The issue of this Composite Document has been approved by the directors of COSCO SHIPPING Offeror and the directors of COSCO SHIPPING Holdings, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to OOIL or any of its associates or any parties acting in concert with any of them, SIPG Offeror or any of its associates or SIPG or any of its associates) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by OOIL or any of its associates or any parties acting in concert with any of them, SIPG Offeror or any of its associates or SIPG or any of its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to the SIPG Offeror Group has been supplied by SIPG Offeror. As at the date of this Composite Document, the sole director of SIPG Offeror is XI Yanbing, and the directors of SIPG are CHEN Xuyuan, BAI Jingtao, YAN Jun, WANG Erzhang, ZHUANG Xiaoqing, ZHENG Shaoping, GUAN Yimin, DU Yongcheng and LI Yifan. The issue of this Composite Document has been approved by the directors of SIPG Offeror and the directors of SIPG, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to OOIL or any of its associates or any parties acting in concert with any of them, COSCO SHIPPING Offeror or any of its associates or COSCO SHIPPING Holdings or any of its associates), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by OOIL or any of its associates or any parties acting in concert with any of them, COSCO SHIPPING Offeror or any of its associates or COSCO SHIPPING Holdings or any of its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to OOIL has been supplied by OOIL. As at the date of this Composite Document, Executive Directors of OOIL are Messrs. TUNG Chee Chen, TUNG Lieh Cheung Andrew and TUNG Lieh Sing Alan; Non-Executive Director of OOIL is Professor Roger KING and Independent Non-Executive Directors of OOIL 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. The issue of this Composite Document has been approved by the OOIL Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Joint Offerors or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Joint Offerors or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

SHARE CAPITAL OF OOIL

As at the Latest Practicable Date, the share capital of OOIL was as follows:

	Number of shares
Ordinary shares	625,793,297

All of the OOIL Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital. The OOIL Shares are listed on the Main Board of the Stock Exchange and no OOIL Shares are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

OOIL has not issued any shares since the end of the financial year ended 31 December 2017.

As at the Latest Practicable Date, OOIL has no outstanding share options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into OOIL Shares.

DISCLOSURE OF INTERESTS

(a) Interests of the Joint Offerors in OOIL

As at the Latest Practicable Date, the Joint Offerors did not hold any OOIL Shares or any warrants, options, derivatives or securities carrying conversion or subscription rights into OOIL Shares.

(b) Interests of the Joint Offerors' directors in OOIL

As at the Latest Practicable Date, none of the Joint Offerors' directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(c) Interests of the Concert Parties in OOIL

As at the Latest Practicable Date, none of the Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) owned or controlled or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(d) Interests of OOIL and OOIL Directors in the Joint Offerors

As at the Latest Practicable Date, OOIL did not own or control and no OOIL Director had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Joint Offerors, COSCO SHIPPING Holdings or SIPG.

(e) Interests of OOIL Directors in OOIL

As at the Latest Practicable Date, the following OOIL Directors had the following interests in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL:

Name of OOIL Director	Personal interest	Family Interest	Total	Percentage of OOIL's issued share capital
Tung Chee Chen	–	429,950,088 *(Note 1)*	429,950,088	68.70%
Chow Philip Yiu Wah	133,100	20,000 *(Note 2)*	153,100	0.024%
Simon Murray	10,000	–	10,000	0.002%

Notes:

1. Mr. Tung Chee Chen has an interest in a trust which, through Artson Global Limited as trustee, holds shares of Thelma Holdings Limited ("Thelma"), which has an indirect interest in 429,950,088 OOIL Shares, in which Fortune Crest Inc. and Gala Way Company Inc., wholly-owned subsidiaries of Thelma, have direct interests in 350,722,656 OOIL Shares and 79,227,432 OOIL Shares respectively.

2. 20,000 OOIL Shares are held by the spouse of Mr. Chow Philip Yiu Wah.

(f) Other disclosures:

(i) Prior to the posting of this Composite Document, the Controlling Shareholder has irrevocably undertaken to the COSCO SHIPPING Offeror that the Offer will be accepted by them in respect of all of the OOIL Shares held by them, being 429,950,088 OOIL Shares representing approximately 68.7 per cent. of the issued share capital of OOIL as at the Latest Practicable Date.

The 429,950,088 OOIL Shares are held by the Controlling Shareholder as follows:

Name of Undertaking Shareholder	No. of OOIL Shares	Percentage of OOIL's issued share capital
Gala Way Company Inc.	79,227,432	12.66
Fortune Crest Inc.	350,722,656	56.04

(ii) Save as disclosed in paragraph (f)(i) above, as at the Latest Practicable Date:

(A) No person who owned or controlled OOIL Shares or any convertible securities, warrants, options or derivatives in respect of any OOIL Shares had irrevocably committed themselves to accept or reject the Offer.

(B) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Joint Offerors or any Concert Parties.

(C) None of the Joint Offerors or any Concert Parties (save for those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL, save for any borrowed OOIL Shares which had been either on-lent or sold.

(D) None of the subsidiaries of OOIL, any pension funds of the OOIL Group and any adviser to OOIL as specified in class (2) of the definition of "associate" under the Code (but excluding any exempt principal traders or exempt fund managers) owned or controlled any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(E) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with OOIL or with any person who was an associate of OOIL (but excluding any exempt principal traders or exempt fund managers) by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Code.

(F) No relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with OOIL.

(G) Neither OOIL nor any of the OOIL Directors had borrowed or lent any of the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL, save for any borrowed OOIL Shares which had been either on-lent or sold.

(iii) Each of Mr. Tung Chee Chen, Mr. Chow Philip Yiu Wah and Mr. Simon Murray had indicated that he intended to accept the Offer.

DEALINGS IN SECURITIES

(a) During the Relevant Period:

(i) None of the Joint Offerors, its directors and Concert Parties (excluding those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(ii) No person who had irrevocably committed themselves to accept or reject the Offer had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(iii) None of the Joint Offerors and Concert Parties (excluding those entities controlling, controlled by or under the same control as UBS that are exempt principal traders or exempt fund managers) who had borrowed or lent the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL, save for any borrowed OOIL Shares which had been either on-lent or sold, had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

(iv) The following OOIL Director had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL in the Relevant Period:

The spouse of Professor Wong Yue Chim Richard sold all the OOIL Shares she held on 21 March 2018, consisting of 500 OOIL Shares.

(v) Neither OOIL nor any of the OOIL Directors had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of the Joint Offerors.

(b) During the Offer Period and up to the Latest Practicable Date:

(i) None of the subsidiaries of OOIL, any pension funds of the OOIL Group and any adviser to OOIL as specified in class (2) of the definition of "associate" under the Code (but excluding any exempt principal traders or exempt fund managers) had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL (other than trades for the account of non-discretionary investment clients).

(ii) Except for the Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with OOIL or with any person who was an associate of OOIL (but excluding any exempt principal traders or exempt fund managers) by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Code.

(iii) No fund manager (other than exempt fund managers) connected with OOIL who manage shareholdings in OOIL on a discretionary basis had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Code) of OOIL.

ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date:

(a) there was no arrangement whereby any OOIL Director would be given any benefit as compensation for loss of office or otherwise in connection with the Offer;

(b) except for the Irrevocable Undertaking, no agreement or arrangement existed between the Joint Offerors and any person which relate to the circumstances in which the Joint Offerors may or may not invoke or seek to invoke a condition to its offer and the consequences of its doing so; and

(c) except for the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Joint Offerors or any Concert Party or any other person on the one hand, and any OOIL Director, recent OOIL Director, OOIL Shareholder or recent OOIL Shareholder on the other hand, having any connection with or conditional on or dependent upon the outcome of the Offer.

OOIL DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the OOIL Directors had entered into any service contracts with OOIL or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

MARKET PRICES

The table below shows the closing price per OOIL Share as quoted on the Stock Exchange on (a) the Latest Practicable Date; (b) the Last Trading Date (being the last trading date immediately preceding the date of the Announcement); (c) 6 July 2017, being the last business day immediately preceding the date of the Announcement; and (d) the last trading date at or before the end of each of the calendar months during the Relevant Period.

Date	**Closing price per OOIL share** *(HK$)*
27 January 2017	40.25
28 February 2017	45.55
31 March 2017	41.50
28 April 2017	41.50
31 May 2017	49.45
30 June 2017	56.00
6 July 2017	57.10
31 July 2017	72.75
31 August 2017	72.40
29 September 2017	73.35
31 October 2017	75.10
30 November 2017	74.00
29 December 2017	75.40
31 January 2018	73.65
28 February 2018	73.10
29 March 2018	71.00
30 April 2018	74.70
31 May 2018	74.00
29 June 2018	76.40
Latest Practicable Date	77.75

HIGHEST AND LOWEST SHARE PRICE

During the Relevant Period, the highest closing price of OOIL Shares as quoted on the Stock Exchange was HK$77.75 per OOIL Share on 3 July 2018, and the lowest closing price of OOIL Shares as quoted on the Stock Exchange was HK$36.55 per OOIL Share on 9 January 2017.

LITIGATION

As at the Latest Practicable Date, none of the members of the OOIL Group was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the OOIL Directors to be pending or threatened by or against any member of the OOIL Group.

MATERIAL CONTRACTS

No contract (being contract not entered into in the ordinary course of business carried on or intended to be carried on by the OOIL Group) has been entered into by the OOIL Group within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, which is or may be material.

No material contract has been entered into by the Joint Offerors in which an OOIL Director has a material personal interest.

EXPERTS AND CONSENTS

Name	Qualification
UBS	A registered institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO.
J.P. Morgan	A registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO.

Name	Qualification
HSBC	A registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).
Citigroup	An institution licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO.

Each of UBS, J.P. Morgan, HSBC and Citigroup has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion or letter (as the case may be, where applicable) and/or references to its name in the form and context in which it is included.

MISCELLANEOUS

The registered office of COSCO SHIPPING Offeror is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The correspondence address of COSCO SHIPPING Offeror is at Rm 4211-4213, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The registered office of COSCO SHIPPING Holdings is at 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.

The registered office of the SIPG Offeror is at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. The correspondence address of SIPG Offeror is at Flat/Rm 03-4A, 19/F, Allied Kajima Building, No.138 Gloucester Road, Wanchai, Hong Kong.

The registered office of the SIPG is at 4th Floor, Section A, Integrated Building, No. 1 Tonghui Road, Luchaogang Town, Pudong New District, Shanghai, the PRC.

The registered office of OOIL is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The correspondence address of OOIL is at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

UBS is making the Offer for and on behalf of the Joint Offerors. The address of UBS is at 52nd Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The Independent Financial Adviser is Citigroup whose address is at 50th Floor, Champion Tower, Three Garden Road, Central, Hong Kong.

The share registrar and transfer office of OOIL is Computershare whose address is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

As at the Latest Practicable Date, the Joint Offerors had no agreement or understanding to transfer, charge or pledge any of the OOIL Shares acquired pursuant to the Offer to any other persons.

The Joint Offerors, COSCO SHIPPING Holdings and SIPG confirm that they do not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the OOIL Group.

In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours between 9:00 am and 6:00 pm (except public holidays) at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong; (ii) on the website of OOIL at www.ooilgroup.com; and (iii) on the website of the SFC at www.sfc.hk from the date of this Composite Document until the end of the Offer Period:

(1) the memorandum and articles of association of COSCO SHIPPING Offeror;

(2) the memorandum and articles of association of SIPG Offeror;

(3) the memorandum of association and bye-laws of OOIL;

(4) the annual reports of OOIL for the two financial years ended 31 December 2016 and 2017 respectively;

(5) the letter from UBS, the text of which is set out on pages 14 to 35 of this Composite Document;

(6) the letter from the OOIL Board, the text of which is set out on pages 36 to 41 of this Composite Document;

(7) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this Composite Document;

(8) the letter from Citigroup, the text of which is set out on pages 44 to 68 of this Composite Document; and

(9) the written consents as referred to in the section headed "Experts and Consents" in this Appendix III.