

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司†

(Incorporated in Bermuda with members' limited liability)

(Stock code: 316)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2020

The Directors of Orient Overseas (International) Limited (the “Company” or “OOIL”) announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2020. The following financial information, including the Group’s unaudited condensed consolidated balance sheet as at 30th June 2020 and the unaudited condensed consolidated profit and loss account, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated cash flow statement and the unaudited condensed consolidated statement of changes in equity for the six-month period and explanatory notes 1 to 22 as presented below are extracted from the Interim Financial Information which has been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Condensed Consolidated Profit and Loss Account (Unaudited) For the six months ended 30th June 2020

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

Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the six months ended 30th June 2020

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

Condensed Consolidated Balance Sheet (Unaudited)
As at 30th June 2020

US\$'000	Note	30th June 2020	31st December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,365,386	3,162,424
Right-of-use assets	13	2,536,072	2,830,674
Investment property	13	300,000	310,000
Investments in joint ventures and associated companies		140,972	147,828
Intangible assets	13	23,204	30,824
Deferred taxation assets		6,259	5,083
Restricted bank balances		337	56,795
Investments at fair value through other comprehensive income		7,874	15,694
Investments at amortised cost		118,869	147,420
Other non-current assets		<u>63,060</u>	<u>49,371</u>
		<u>6,562,033</u>	<u>6,756,113</u>
Current assets			
Inventories		118,649	113,485
Debtors and prepayments	14	578,327	656,122
Amounts due from related parties		38,550	12,146
Investments at amortised cost		64,434	43,886
Portfolio investments at fair value through profit or loss		127,171	152,923
Tax recoverable		7,860	8,121
Restricted bank balances		59,472	3,499
Cash and bank balances		<u>2,050,340</u>	<u>3,455,570</u>
		<u>3,044,803</u>	<u>4,445,752</u>
Total assets		<u>9,606,836</u>	<u>11,201,865</u>
EQUITY			
Equity holders			
Share capital	15	62,579	62,579
Reserves	16	<u>4,778,963</u>	<u>4,864,828</u>
		4,841,542	4,927,407
Non-controlling interests			
		<u>216</u>	<u>-</u>
Total equity		<u>4,841,758</u>	<u>4,927,407</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	929,016	1,033,141
Lease liabilities	18	1,879,563	2,309,083
Deferred taxation liabilities		146,745	150,479
Pension and retirement liabilities		<u>17,686</u>	<u>11,494</u>
		<u>2,973,010</u>	<u>3,504,197</u>
Current liabilities			
Creditors and accruals	19	1,124,373	1,034,577
Amounts due to related parties		17,559	38,028
Borrowings	17	199,630	394,996
Lease liabilities	18	401,717	253,869
Current taxation		48,789	47,522
Dividend payable		-	1,001,269
		<u>1,792,068</u>	<u>2,770,261</u>
Total liabilities		<u>4,765,078</u>	<u>6,274,458</u>
Total equity and liabilities		<u>9,606,836</u>	<u>11,201,865</u>

Condensed Consolidated Cash Flow Statement (Unaudited)
For the six months ended 30th June 2020

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

Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the six months ended 30th June 2020

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

Notes to the Interim Financial Information

1. General information

The Company is a members' limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office is 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

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

The ultimate parent company of the Group is China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the People's Republic of China (the "PRC").

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

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

2. Basis of preparation

The interim financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, investments at fair value through other comprehensive income and portfolio investments at fair value through profit or loss which are carried at fair value and in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2019 except for the adoption of amendments to existing standards effective for the financial year ending 31st December 2020.

The adoption of revised standards

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

Amendments to existing standards

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

2. Basis of preparation (Continued)

The adoption of revised standards (Continued)

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

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

New standard and amendments to existing standards		Effective for accounting periods beginning on or after
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions	1st June 2020
HKFRS 17	Insurance Contracts	1st January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of HKFRS 16 (Amendment), HKFRS 17 and HKFRS 10 and HKAS 28 (Amendments) are not expected to have a significant effect on the consolidated financial statements of the Group.

3. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31st December 2019.

3.1 Fair value estimation

The financial instruments that are measured in the consolidated balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management (Continued)

3.1 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 30th June 2020:

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

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

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

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

Specific valuation techniques used to value level 3 financial instruments include:

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

3. Financial risk management (Continued)

3.1 Fair value estimation (Continued)

There were no changes in valuation techniques during the period.

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

The following table presents the changes in level 3 instruments:

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

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

	Carrying amounts		Fair values	
	30th June 2020	31st December 2019	30th June 2020	31st December 2019
US\$'000				
Investments at amortised cost	<u>183,303</u>	<u>191,306</u>	<u>192,187</u>	<u>199,305</u>

3. Financial risk management (Continued)

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

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Debtors and prepayments
- Cash and bank balances
- Restricted bank balances
- Other current financial assets
- Creditors and accruals
- Borrowings
- Lease liabilities
- Other current financial liabilities

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31st December 2019.

5. Revenue

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

5. Revenue (Continued)

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

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

6. Operating profit

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

7. Key management compensation

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

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

8. Finance costs

US\$'000	2020	2019
Interest expense		
- Bank loans	16,317	33,271
- Lease liabilities	39,928	48,853
	<u>56,245</u>	<u>82,124</u>
Amount capitalised under assets under construction	(350)	-
Net interest expense	<u>55,895</u>	<u>82,124</u>

9. Taxation

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

9. Taxation (Continued)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. These rates range from 5% to 35% (2019: 5% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2019: 16.5%).

10. Earnings per ordinary share

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

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

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

11. Dividends

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

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

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

11. Dividends (Continued)

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

12. Discontinued operation

On 29th April 2019, the Group entered into the Sale and Purchase Agreement with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of the Company which operates the Long Beach Container Terminal (“U.S. Terminal Business”), for a consideration of US\$1,780.0 million (subject to certain post-completion adjustments). The sale was completed on 24th October 2019.

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

(a) Results

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

Note:

The Directors consider it is more appropriate to reflect only the revenue and the results arising from transactions with third parties under the discontinued operation. The inter-company profits are presented under continuing operations.

(b) Cash flows

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

13. Capital expenditure

US\$'000	Property, plant and equipment	Right-of-use assets	Investment property	Intangible assets	Total
Net book amounts					
At 1st January 2020	3,162,424	2,830,674	310,000	30,824	6,333,922
Currency translation adjustments	(672)	(865)	-	(1)	(1,538)
Fair value loss	-	-	(10,000)	-	(10,000)
Additions	159,612	17,335	-	1,998	178,945
Acquisition of a subsidiary*	33	225	-	-	258
Reclassification, disposals/written off	156,210	(211,369)	-	-	(55,159)
Depreciation and amortisation	<u>(112,221)</u>	<u>(99,928)</u>	<u>-</u>	<u>(9,617)</u>	<u>(221,766)</u>
At 30th June 2020	<u>3,365,386</u>	<u>2,536,072</u>	<u>300,000</u>	<u>23,204</u>	<u>6,224,662</u>
At 1st January 2019	3,173,911	2,924,494	310,000	32,428	6,440,833
Currency translation adjustments	13	115	-	-	128
Additions	133,229	15,633	-	18,542	167,404
Reclassification, disposals/written off	45,572	(52,830)	-	(3,270)	(10,528)
Classified as assets held for sale	(36,019)	-	-	-	(36,019)
Depreciation and amortisation	<u>(104,917)</u>	<u>(97,403)</u>	<u>-</u>	<u>(8,728)</u>	<u>(211,048)</u>
At 30th June 2019	<u>3,211,789</u>	<u>2,790,009</u>	<u>310,000</u>	<u>38,972</u>	<u>6,350,770</u>

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

14. Debtors and prepayments

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

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted.

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

US\$'000	30th June 2020	31st December 2019
Below one month	219,953	273,168
Two to three months	79,786	75,440
Four to six months	6,934	8,224
Over six months	3,204	4,338
	<u>309,877</u>	<u>361,170</u>

15. Share capital

US\$'000	30th June 2020	31st December 2019
Authorised:		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	<u>50,000</u>	<u>50,000</u>
	<u>205,000</u>	<u>205,000</u>
Issued and fully paid :		
625,793,297 ordinary shares of US\$0.10 each	<u>62,579</u>	<u>62,579</u>

16. Reserves

US\$'000	Share premium	Employee share-based compensation reserve	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 1st January 2020	172,457	2,651	88,547	4,696	14,488	22,977	4,559,012	4,864,828
Total comprehensive income/(loss) for the period	-	-	-	-	(7,820)	(5,108)	91,804	78,876
Transactions with owners								
Employee share-based compensation	-	2,283	-	-	-	-	-	2,283
2019 final dividend	-	-	-	-	-	-	(16,834)	(16,834)
2019 special dividend	-	-	-	-	-	-	(150,190)	(150,190)
Balance at 30th June 2020	172,457	4,934	88,547	4,696	6,668	17,869	4,483,792	4,778,963
Balance at 1st January 2019	172,457	-	88,547	4,696	22,413	26,701	4,311,431	4,626,245
Total comprehensive income/(loss) for the period	-	-	-	-	(8,095)	(470)	138,349	129,784
Transactions with owners								
Employee share-based compensation	-	356	-	-	-	-	-	356
2018 final dividend	-	-	-	-	-	-	(48,181)	(48,181)
Balance at 30th June 2019	172,457	356	88,547	4,696	14,318	26,231	4,401,599	4,708,204

17. Borrowings

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

18. Lease liabilities

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

19. Creditors and accruals

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

19. Creditors and accruals (Continued)

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

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

20. Commitments

(a) Capital commitments - Property, plant and equipment

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

(b) Capital commitments - Investment in an associated company

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

(c) Lease commitments

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

US\$'000	Vessels and equipment	Land and buildings	Total
At 30th June 2020			
Less than 1 year	74,116	1,073	75,189
Between 1 and 2 years	6,403	-	6,403
Between 2 and 5 years	11,509	-	11,509
Over 5 years	6,627	-	6,627
	<u>98,655</u>	<u>1,073</u>	<u>99,728</u>

20. Commitments (Continued)

(c) Lease commitments (Continued)

US\$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2019			
Less than 1 year	41,835	1,679	43,514
Between 1 and 2 years	2,332	-	2,332
Between 2 and 5 years	1,047	-	1,047
	<u>45,214</u>	<u>1,679</u>	<u>46,893</u>

21. Significant related party transactions

The Company is controlled by COSCO SHIPPING, the ultimate parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries (other than the Group) (collectively referred to as “COSCO SHIPPING Group”) and related entities of COSCO SHIPPING (including joint ventures and associated companies), other government-related entities and their subsidiaries, entities in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies and related entities of COSCO SHIPPING (including joint ventures and associated companies) for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the interim financial information.

In addition to the related party information and transactions disclosed elsewhere in the interim financial information, the following is a summary of significant related party transactions conducted in the ordinary course of business between the Group and its related parties during the period.

21. Significant related party transactions (Continued)

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

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

21. Significant related party transactions (Continued)

(b) Transactions with joint ventures of the Group

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

(c) Transactions with other related parties

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

Notes:

- (i) These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual costs incurred, or as mutually agreed between the Group and the parties in concern.
- (ii) Terminal charges of US\$37.5 million (2019: US\$33.9 million) were transacted with the associated companies of COSCO SHIPPING during the six months ended 30th June 2020.

22. Segment information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others. The Executive Directors are the Group's chief operating decision-makers.

Operating segments

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

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

22. Segment information (Continued)

Operating segments (Continued)

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

US\$'000	Continuing operations			Discontinued operation*	Total
	Container transport and logistics	Others	Sub-total		
Revenue from contracts with customers:					
At a point in time	242,213	-	242,213	-	242,213
Over time	3,045,359	-	3,045,359	67,612	3,112,971
	3,287,572	-	3,287,572	67,612	3,355,184
Revenue from other source:					
Rental income	-	12,961	12,961	-	12,961
	3,287,572	12,961	3,300,533	67,612	3,368,145
Other operating income	8,325	35,077	43,402	1,008	44,410
	3,295,897	48,038	3,343,935	68,620	3,412,555
Operating profit	144,457	53,826	198,283	44,932	243,215
Finance costs	(82,124)	-	(82,124)	(22,687)	(104,811)
Share of profits of joint ventures	2,115	-	2,115	-	2,115
Share of profits of associated companies	6,088	-	6,088	-	6,088
Profit before taxation	70,536	53,826	124,362	22,245	146,607
Taxation	(6,257)	(1,372)	(7,629)	-	(7,629)
Profit for the period	64,279	52,454	116,733	22,245	138,978
Capital expenditure	163,843	-	163,843	3,561	167,404
Depreciation of property, plant and equipment	104,912	5	104,917	-	104,917
Depreciation of right-of-use assets	97,403	-	97,403	-	97,403
Amortisation	8,728	-	8,728	-	8,728

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

22. Segment information (Continued)

Operating segments (Continued)

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

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

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

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

The segment of “Others” primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of “Others” consist primarily of investment property, investments at fair value through other comprehensive income, investments at amortised cost and portfolio investments at fair value through profit or loss together with cash and bank balances that are managed at the corporate level. Liabilities under the segment of “Others” primarily include creditors and accruals and deferred taxation liabilities related to investment property and corporate level activities.

22. Segment information (Continued)

Geographical information

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

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

US\$'000	Revenue	Capital expenditure
Six months ended 30th June 2020		
Continuing operations		
Asia	2,401,394	25,595
Europe	569,857	639
North America	368,296	329
Australia	90,949	13
Unallocated*	-	152,369
	<u>3,430,496</u>	<u>178,945</u>
Six months ended 30th June 2019		
Continuing operations		
Asia	2,359,599	29,307
Europe	503,193	273
North America	356,151	8,129
Australia	81,590	10
Unallocated*	-	126,124
	<u>3,300,533</u>	<u>163,843</u>
Discontinued operation		
North America	67,612	3,561
	<u>3,368,145</u>	<u>167,404</u>

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

Results for First Half 2020

For the first six months of 2020, the Group recorded a profit attributable to equity holders of US\$102.1 million compared with US\$139.0 million profit for the corresponding period of 2019.

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

Review of Operations

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

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

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

The Trans-Pacific trade overall has performed well, clearly better than expectations given the exceptional circumstances during the first half of 2020. Despite the extended shutdown in China during Chinese New Year, and the lockdowns in many parts of North America forcing the temporary closure of retail stores that use our services, volume growth for OOCL has only been slightly negative. This is due in part to the economic slowdown not being as bad as predicted, and to government support provided to individuals and corporates. The specifics of our customer portfolio, and our reputation as a creditworthy counterparty with reliable and efficient customer service also helped us to maintain business activity. Trans-Pacific liftings decreased by only 0.3% compared to the same period last year, with revenue increasing by 0.1%.

The Asia-Europe trade has also performed better than expected. However, the relatively less robust European economies (as compared to the US) provided a less resilient backdrop than we saw on the Trans-Pacific trades. Furthermore, lockdowns in several European countries were very severe, which had immediate impact in terms of onward transportation of containers and in terms of economic sentiment. It is unclear how quickly economic activity will recover in the second half, even if there have been some encouraging data points, for example UK retail sales improved significantly in June 2020. In the first half of 2020, liftings decreased by 2.3%, but revenue increased by 8.1%, compared to the same period in 2019.

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

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

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

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

For the first half of 2020, OOCL Logistics revenue increased by 5.3% while contribution dropped by 12.2% compared with the same period last year. The contribution from International Supply Chain Management Service (ISCMS) decreased by 23.9% because many retail shops and outlets were forced to close due to the COVID-19 outbreak and city lockdowns which significantly reduced the volume in the first half of the year. Although the volume of Import/Export Services increased but the overall contribution decreased slightly by 4.9% due to the increased procurement costs. There was a 28.5% improvement on Domestic Logistics contribution after effective cost control initiatives, improved utilisation of warehousing resources and new customers being secured.

Looking Forward

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

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

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

Interim Dividend

The Board of Directors of the Company (the “Board”) is pleased to announce an interim dividend of US4.89 cents (HK\$0.381 at the exchange rate of US\$1 : HK\$7.8) per ordinary share for the six months ended 30th June 2020 to be paid on 23rd October 2020 to the shareholders of the Company whose names appear on the register of members of the Company on 22nd September 2020. Shareholders should complete the dividend election form (if applicable) and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited (the “Branch Share Registrar”) at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14th October 2020.

Closure of Register of Members

The register of members of the Company will be closed from 18th September 2020 to 22nd September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17th September 2020.

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

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

Corporate Governance

Compliance with the Corporate Governance Code

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value.

The Company has adopted its own corporate governance code (the “CG Code”), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (the “SEHK Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Group and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the period from 1st January 2020 to 30th June 2020, the Company complied with the SEHK Code, save for the following:-

- Mr. XU Lirong, Chairman of the Board, did not attend the annual general meeting of the Company held on 15th May 2020 due to prior business engagement and delegated to Mr. CHOW Philip Yiu Wah to chair the meeting.

Review of Financial Statements

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th June 2020, in conjunction with the external and internal auditors of the Company.

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Code and the Model Code throughout the period from 1st January 2020 to 30th June 2020.

Publication of Results Announcement and Interim Report

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (“HKEX”) at <http://www.hkexnews.hk> and the Company at <http://www.ooilgroup.com>. The 2020 Interim Report will be published on the HKEX’s website and the Company’s website and will be despatched to the shareholders of the Company on or around 17th September 2020.

Employee Information

As at 30th June 2020, the Group had 10,436 full-time equivalent employees. Salary and benefit levels are maintained at competitive levels and employees are rewarded on a performance-related basis within the general policy and framework of the Group’s salary and discretionary bonus schemes. These schemes, based on the performance of the Company and individual employees, are regularly reviewed. Other benefits are also provided including medical insurance and retirement funds. In support of the continuous development of individual employees, training and development programmes are offered for different levels of employee. Social and recreational activities are arranged for our employees around the world.

Directors

As at the date of this announcement, our Executive Directors are Mr. XU Lirong, Mr. HUANG Xiaowen, Mr. YANG Zhijian and Mr. FENG Boming; our Non-Executive Directors are Mr. TUNG Lieh Cheung Andrew, Mr. YAN Jun, Ms. WANG Dan, Mr. IP Sing Chi and Ms. CUI Hongqin; and our Independent Non-Executive Directors are Mr. CHOW Philip Yiu Wah, Dr. CHUNG Shui Ming Timpson, Mr. YANG Liang Yee Philip, Ms. CHEN Ying and Mr. SO Gregory Kam Leung.

Forward Looking Statements

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

On behalf of the Board
Orient Overseas (International) Limited

XU Lirong
Chairman

Hong Kong, 21st August 2020

† *For identification purpose only*

Website : <http://www.ooilgroup.com>