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ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司*

(Incorporated in Bermuda with members' limited liability)

(Stock code: 316)

2020 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited (the “Company” or “OOIL”) announce the results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2020 as follows:

Consolidated Profit and Loss Account For the year ended 31st December 2020

US\$'000	Note	2020	2019
Revenue	4	8,191,304	6,878,740
Operating costs		(6,602,121)	(6,069,201)
Gross profit		1,589,183	809,539
Other operating income		78,853	83,679
Business and administrative expenses		(642,031)	(562,435)
Net impairment losses on financial assets		(15,446)	(4,915)
Other (losses)/gains, net		(18,372)	35,413
Operating profit	5	992,187	361,281
Finance costs	6	(91,312)	(151,599)
Share of profits of joint ventures		3,290	4,116
Share of profits of associated companies		9,509	10,028
Profit before taxation		913,674	223,826
Taxation	7	(10,656)	(69,839)
Profit for the year from continuing operations		903,018	153,987
Discontinued operation:			
Profit for the year from discontinued operation	10	-	1,194,806
Profit for the year		903,018	1,348,793
Profit attributable to:			
Equity holders of the Company		902,723	1,348,793
Non-controlling interests		295	-
		903,018	1,348,793
Earnings per ordinary share (US cents)	8		
From continuing operations		144.3	24.6
From discontinued operation		-	190.9
Basic and diluted		144.3	215.5

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2020

US\$'000	2020	2019
Profit for the year	<u>903,018</u>	<u>1,348,793</u>
Other comprehensive income/(loss):		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement losses on defined benefit schemes	(6,777)	(10,084)
Investments at fair value through other comprehensive income		
Change in fair value	<u>(7,800)</u>	<u>(7,925)</u>
Total items that will not be subsequently reclassified to profit or loss	<u>(14,577)</u>	<u>(18,009)</u>
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
Foreign subsidiaries	9,366	(1,643)
Associated companies	8,862	(2,066)
Joint ventures	495	(15)
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>19,375</u>	<u>(3,724)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>4,798</u>	<u>(21,733)</u>
Total comprehensive income for the year	<u><u>907,816</u></u>	<u><u>1,327,060</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	907,556	1,327,060
Non-controlling interests	<u>260</u>	<u>-</u>
	<u><u>907,816</u></u>	<u><u>1,327,060</u></u>
Total comprehensive income for the year attributable to equity holders of the Company arising from:		
Continuing operations	907,556	132,254
Discontinued operation	<u>-</u>	<u>1,194,806</u>
	<u><u>907,556</u></u>	<u><u>1,327,060</u></u>

Consolidated Balance Sheet
As at 31st December 2020

US\$'000	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment		3,744,666	3,162,424
Right-of-use assets		2,303,265	2,830,674
Investment property		280,000	310,000
Investments in joint ventures		9,848	10,163
Investments in associated companies		144,987	137,665
Intangible assets		18,856	30,824
Deferred taxation assets		6,255	5,083
Restricted bank balances		321	56,795
Investments at fair value through other comprehensive income		7,895	15,694
Investments at amortised cost		113,295	147,420
Other non-current assets		21,344	49,371
		<u>6,650,732</u>	<u>6,756,113</u>
Current assets			
Inventories		94,778	113,485
Debtors and prepayments	11	681,126	668,268
Investments at amortised cost		34,117	43,886
Portfolio investments at fair value through profit or loss		100,560	152,923
Tax recoverable		8,520	8,121
Restricted bank balances		1,925	3,499
Cash and bank balances		3,072,795	3,455,570
		<u>3,993,821</u>	<u>4,445,752</u>
Total assets		<u><u>10,644,553</u></u>	<u><u>11,201,865</u></u>
EQUITY			
Equity holders			
Share capital		62,579	62,579
Reserves		5,579,535	4,864,828
		<u>5,642,114</u>	<u>4,927,407</u>
Non-controlling interests		<u>380</u>	<u>-</u>
Total equity		<u><u>5,642,494</u></u>	<u><u>4,927,407</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		820,325	1,033,141
Lease liabilities		1,669,163	2,309,083
Deferred taxation liabilities		143,121	150,479
Pension and retirement liabilities		15,447	11,494
Provision	12	348,545	-
		<u>2,996,601</u>	<u>3,504,197</u>
Current liabilities			
Creditors and accruals	13	1,387,711	1,072,605
Borrowings		213,270	394,996
Lease liabilities		367,085	253,869
Current taxation		37,392	47,522
Dividend payable		-	1,001,269
		<u>2,005,458</u>	<u>2,770,261</u>
Total liabilities		<u><u>5,002,059</u></u>	<u><u>6,274,458</u></u>
Total equity and liabilities		<u><u>10,644,553</u></u>	<u><u>11,201,865</u></u>

Consolidated Cash Flow Statement
For the year ended 31st December 2020

US\$'000	2020	2019
Cash flows from operating activities		
Cash generated from operations	2,013,606	948,131
Interest and financing charges paid	(75,640)	(170,123)
Income tax paid	(33,232)	(118,404)
Net cash from operating activities	<u>1,904,734</u>	<u>659,604</u>
Cash flows from investing activities		
Sale and redemption on maturity of non-current assets	72,817	60,153
Purchase of property, plant and equipment	(369,581)	(181,795)
Purchase of other non-current assets	(9,958)	(29,352)
Decrease in portfolio investments at fair value through profit or loss	46,721	241,609
Acquisition of subsidiaries	9,646	-
Disposal of subsidiaries	-	1,709,248
Deposit paid for investment in an entity	-	(1,678)
Investment in a joint venture	-	(146)
Investment in an associated company	(852)	(2,840)
Net change in amounts due from joint ventures	-	2,183
Increase in restricted bank balances and bank deposits maturing more than three months	(433,638)	(1,182,172)
Interest received	69,999	61,777
Dividends and distribution received from investments	8,768	9,648
Dividends received from joint ventures and associated companies	17,257	15,716
Net cash (used in)/from investing activities	<u>(588,821)</u>	<u>702,351</u>
Cash flows from financing activities		
Drawdown of loans	99,550	301,310
Repayment of loans	(496,934)	(684,659)
Drawdown of lease liabilities	-	99,145
Repayment of lease liabilities	(603,882)	(352,109)
Dividends paid to equity holders of the Company	(1,198,894)	(89,859)
Capital contribution from non-controlling interests	120	-
Net cash used in financing activities	<u>(2,200,040)</u>	<u>(726,172)</u>
Net (decrease)/increase in cash and cash equivalents	(884,127)	635,783
Cash and cash equivalents at beginning of year	2,272,570	1,584,465
Net change in cash and cash equivalents of disposal group classified as held for sale	-	53,733
Currency translation adjustments	9,666	(1,411)
Cash and cash equivalents at end of year	<u>1,398,109</u>	<u>2,272,570</u>
Analysis of cash and cash equivalents		
Cash and bank balances	3,072,795	3,455,570
Bank deposits maturing more than three months from the date of placement	(1,674,686)	(1,183,000)
Cash and cash equivalents at end of year	<u>1,398,109</u>	<u>2,272,570</u>

**Consolidated Statement of Changes in Equity
For the year ended 31st December 2020**

US\$'000	Equity holders			Non-controlling interests	Total
	Share capital	Reserves	Sub-total		
At 1st January 2019	62,579	4,626,245	4,688,824	-	4,688,824
Total comprehensive income for the year	-	1,327,060	1,327,060	-	1,327,060
Transactions with owners					
Employee share-based compensation	-	2,651	2,651	-	2,651
2018 final dividend	-	(48,181)	(48,181)	-	(48,181)
2019 interim dividend	-	(41,678)	(41,678)	-	(41,678)
2019 first special dividend	-	(1,001,269)	(1,001,269)	-	(1,001,269)
At 31st December 2019	62,579	4,864,828	4,927,407	-	4,927,407
Total comprehensive income for the year	-	907,556	907,556	260	907,816
Transactions with owners					
Employee share-based compensation	-	4,776	4,776	-	4,776
2019 final dividend	-	(16,834)	(16,834)	-	(16,834)
2019 second special dividend	-	(150,190)	(150,190)	-	(150,190)
2020 interim dividend	-	(30,601)	(30,601)	-	(30,601)
Capital contribution from non-controlling interests	-	-	-	120	120
At 31st December 2020	62,579	5,579,535	5,642,114	380	5,642,494

NOTES

1. Scope of work of PricewaterhouseCoopers in the preliminary announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2020 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. General information

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").

3. Accounting policies and basis of preparation

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

3. Accounting policies and basis of preparation (Continued)

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

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

<u>New standard and amendments to existing standards</u>		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
HKAS 16 (Amendment)	Property, Plant and Equipment - Proceeds before Intended Use	1st January 2022
HKAS 37 (Amendment)	Onerous Contracts - Cost of Fulfilling a Contract	1st January 2022
HKAS 1 (Amendment)	Presentation of Financial Statements	1st January 2023
HKFRS 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, HKAS 16 (Amendment), HKAS 37 (Amendment), HKAS 1 (Amendment) and HKFRS 10 and HKAS 28 (Amendments) are not expected to have a significant effect on the consolidated financial statements of the Group.

4. Revenue and segment information

(a) Revenue

US\$'000	2020	2019
Container transport and logistics	8,164,201	6,851,974
Others	27,103	26,766
	<u>8,191,304</u>	<u>6,878,740</u>

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.

(b) Segment information

Operating segments

The segment results for the year ended 31st December 2020 are as follows:

US\$'000	Continuing operations		
	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	8,164,201	-	8,164,201
Revenue from other source:			
Rental income	-	27,103	27,103
	<u>8,164,201</u>	<u>27,103</u>	<u>8,191,304</u>
Other operating income	45,224	33,629	78,853
	<u>8,209,425</u>	<u>60,732</u>	<u>8,270,157</u>
Operating profit/(loss)	992,628	(441)	992,187
Finance costs (note 6)	(91,312)	-	(91,312)
Share of profits of joint ventures	3,290	-	3,290
Share of profits of associated companies	9,509	-	9,509
Profit/(loss) before taxation	914,115	(441)	913,674
Taxation (note 7)	(21,114)	10,458	(10,656)
Profit for the year	893,001	10,017	903,018
Fair value loss from an investment property	-	(30,492)	(30,492)
Additions to non-current assets [#]	501,433	493	501,926
Depreciation of property, plant and equipment	235,078	12	235,090
Depreciation of right-of-use assets	195,599	-	195,599
Amortisation	21,497	-	21,497

4. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 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	517,328	-	517,328	-	517,328
Over time	6,334,646	-	6,334,646	111,608	6,446,254
	6,851,974	-	6,851,974	111,608	6,963,582
Revenue from other source:					
Rental income	-	26,766	26,766	-	26,766
	6,851,974	26,766	6,878,740	111,608	6,990,348
Other operating income	25,978	57,701	83,679	1,198	84,877
	6,877,952	84,467	6,962,419	112,806	7,075,225
Operating profit	279,281	82,000	361,281	76,828	438,109
Finance costs (note 6)	(151,599)	-	(151,599)	(35,656)	(187,255)
Share of profits of joint ventures	4,116	-	4,116	-	4,116
Share of profits of associated companies	10,028	-	10,028	-	10,028
Profit before taxation	141,826	82,000	223,826	41,172	264,998
Taxation (note 7)	(22,722)	(47,117)	(69,839)	-	(69,839)
Profit after taxation	119,104	34,883	153,987	41,172	195,159
Profit on disposal of a subsidiary	-	-	-	1,153,634	1,153,634
Profit for the year	119,104	34,883	153,987	1,194,806	1,348,793
Fair value loss from an investment property	-	(703)	(703)	-	(703)
Additions to non-current assets [#]	369,323	703	370,026	17,166	387,192
Depreciation of property, plant and equipment	213,477	11	213,488	-	213,488
Depreciation of right-of-use assets	195,767	-	195,767	-	195,767
Amortisation	20,081	-	20,081	-	20,081

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

* The amount of revenue for discontinued operation is presented after eliminating inter-segment revenue of US\$184.4 million for the year ended 31st December 2019.

4. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2020 and 2019 are as follows:

US\$'000	2020		
	Container transport and logistics	Others	Group
Segment assets	8,922,942	1,566,571	10,489,513
Joint ventures	10,053	-	10,053
Associated companies	144,987	-	144,987
Total assets	9,077,982	1,566,571	10,644,553
Segment liabilities	(4,856,120)	(145,939)	(5,002,059)
	2019		
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	137,665	-	137,665
Total assets	9,627,175	1,574,690	11,201,865
Segment liabilities	(5,115,615)	(1,158,843)	(6,274,458)

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

4. Revenue and segment information (Continued)

(b) Segment information (Continued)

Geographical information

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

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

US\$'000	Revenue	Additions to non-current assets [#]
Year ended 31st December 2020		
Continuing operations		
Asia	6,041,641	57,293
Europe	1,213,372	2,372
North America	752,992	1,511
Australia	183,299	50
Unallocated*	-	440,700
	<u>8,191,304</u>	<u>501,926</u>
Year ended 31st December 2019		
Continuing operations		
Asia	4,955,430	77,244
Europe	1,043,705	2,335
North America	714,983	10,427
Australia	164,622	142
Unallocated*	-	279,878
	<u>6,878,740</u>	<u>370,026</u>
Discontinued operation		
North America	111,608	17,166
	<u>6,990,348</u>	<u>387,192</u>

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

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

5. Operating profit

US\$'000	2020	2019	
	Continuing operations	Continuing operations	Discontinued operation
Operating profit is arrived at after crediting:			
Operating lease rental income			
Land and buildings	<u>27,103</u>	<u>26,766</u>	<u>-</u>
and after charging:			
Depreciation of property, plant and equipment	235,090	213,488	-
Depreciation of right-of-use assets	195,599	195,767	-
Expenses relating to short-term leases and leases with low-value assets			
Vessels and equipment	321,153	226,548	-
Terminals and berths	-	545	3,404
Land and buildings	3,737	6,293	5
Direct operating expenses from property that generated rental income	16,707	15,573	-
Amortisation of intangible assets	21,497	20,081	-
Auditors' remuneration			
Audit	2,791	2,671	-
Non-audit	<u>1,436</u>	<u>1,863</u>	<u>32</u>

6. Finance costs

US\$'000	2020	2019
Interest expense		
Bank loans and bank overdrafts	24,507	58,434
Lease liabilities	<u>67,874</u>	<u>93,165</u>
	92,381	151,599
Amount capitalised under assets under construction	<u>(1,069)</u>	<u>-</u>
Net interest expense	<u>91,312</u>	<u>151,599</u>

7. Taxation

US\$'000	2020	2019
Current taxation		
PRC enterprise income tax	7,815	3,019
Hong Kong profits tax	(1,980)	7,660
Overseas taxation	<u>13,208</u>	<u>19,328</u>
	<u>19,043</u>	<u>30,007</u>
Deferred taxation		
PRC enterprise income tax	(1,693)	(352)
Hong Kong profits tax	(200)	(32)
Overseas taxation	<u>(6,494)</u>	<u>40,216</u>
	<u>(8,387)</u>	<u>39,832</u>
	<u>10,656</u>	<u>69,839</u>

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

8. 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 year.

8. Earnings per ordinary share (Continued)

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>902,723</u>	<u>153,987</u>
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	<u>144.3</u>	<u>24.6</u>
Group's profit from discontinued operation attributable to equity holders of the Company (US\$'000)	<u>-</u>	<u>1,194,806</u>
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	<u>-</u>	<u>190.9</u>

9. Dividends

US\$'000	2020	2019
Interim paid of US4.89 cents (2019: US6.66 cents) per ordinary share	30,601	41,678
Special paid of nil (2019: US160.0 cents) per ordinary share	-	1,001,269
Proposed final of US50.26 cents (2019: US2.69 cents) per ordinary share	320,253	16,834
Proposed special of US86.6 cents (2019: US24.0 cents) per ordinary share	<u>551,809</u>	<u>150,190</u>
	<u>902,663</u>	<u>1,209,971</u>

The Board of Directors proposes a final dividend in respect of 2020 of US50.26 cents (2019: US2.69 cents) per ordinary share. In addition, the Board of Directors proposes a special dividend of US86.6 cents (2019: US24.0 cents) per ordinary share. The proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2021.

10. 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 Long Beach Container Terminal (“LBCT”), 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 discontinued operation for the year ended 31st December 2019 is as follows:

(a) Results

US\$'000	2019
Revenue	111,608
Operating costs	<u>(12,048)</u>
Gross profit	99,560
Other operating income	1,198
Business and administrative expenses	(24,109)
Reversal of impairment losses on financial assets	<u>179</u>
Operating profit	76,828
Finance costs	<u>(35,656)</u>
Profit after taxation	41,172
Profit on disposal of a subsidiary	<u>1,153,634</u>
Profit from discontinued operation	<u><u>1,194,806</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	138,719
Investing cash flows	1,751,412
Financing cash flows	<u>(116,848)</u>
Total cash flows	<u><u>1,773,283</u></u>

11. Debtors and prepayments

US\$'000	2020	2019
Trade receivables		
Third parties	446,246	396,007
Joint ventures	205	680
Fellow subsidiaries	6,598	476
Related companies	5,875	-
Less: Provision for impairment	<u>(47,566)</u>	<u>(34,837)</u>
Trade receivables - net	411,358	362,326
Other debtors	105,972	134,034
Other prepayments	132,150	146,037
Utility and other deposits	17,518	14,881
Amounts due from related parties		
Joint ventures	-	121
Fellow subsidiaries	13,578	9,460
Related companies	<u>550</u>	<u>1,409</u>
	<u>681,126</u>	<u>668,268</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	2020	2019
Below 1 month	319,114	273,727
2 to 3 months	84,194	76,003
4 to 6 months	6,680	8,258
Over 6 months	<u>1,370</u>	<u>4,338</u>
	<u>411,358</u>	<u>362,326</u>

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

12. Provision

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

As at 31st December 2020, the Group reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been and was expected to be continuously affected for the foreseeable future. It was expected that a slower economy growth would affect the demand/import of the USA for some time as it shall take years to recover from various pandemic impact. With these uncertainties over such long-term period, management reassessed that the projected vessel lifts in LBCT would grow at a smaller and slower extent compared with prior year’s assessment and thus led to a shortfall on minimum volume commitment over the remaining contract period. The Group estimated an onerous contract provision of US\$348.5 million (2019: nil).

13. Creditors and accruals

US\$’000	2020	2019
Trade payables		
Third parties	213,626	202,306
Joint ventures	3,467	4,175
Fellow subsidiaries	92,410	19,223
Related companies	<u>9,724</u>	<u>13,979</u>
	319,227	239,683
Other creditors	144,343	168,643
Accrued expenses	894,288	612,662
Contract liabilities and deferred revenue*	14,253	50,966
Amounts due to related parties		
Joint ventures	651	651
Fellow subsidiaries	13,489	-
Related companies	<u>1,460</u>	<u>-</u>
	<u>1,387,711</u>	<u>1,072,605</u>

* As permitted by HKFRS 15, the transaction price for contracts with an original expected duration of one year or less is exempt from disclosure due to practical expedient.

13. 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	2020	2019
Below 1 month	257,905	180,956
2 to 3 months	55,148	49,498
4 to 6 months	2,726	2,707
Over 6 months	3,448	6,522
	<u>319,227</u>	<u>239,683</u>

14. Event subsequent to year end

On 22nd January 2021, the Company entered into a share placing and subscription agreement for the allotment and issue of 11,400,000 shares at a subscription price of HK\$81.8 per share. The share subscription was completed on 29th January 2021.

Results for 2020

OOIL ANNUAL RESULTS ANALYSIS		
<i>(US\$'000)</i>	2020	2019
Profit/(loss) before tax by activity:		
Container Transport and Logistics	914,115	141,826
Other Activities	(441)	82,000
Profit Before Tax for the Year Ended 31st December	913,674	223,826
Taxation	(10,656)	(69,839)
Profit from Continuing Operations	903,018	153,987
Profit from Discontinued Operation (Excluding Profit on Disposal of LBCT)	-	41,172
Profit from Operations	903,018	195,159
Profit on Disposal of LBCT	-	1,153,634
Non-Controlling Interests	(295)	-
Profit Attributable to Equity Holders	902,723	1,348,793

Review of Operations

The Group recorded a profit from operations of US\$903.0 million for 2020, compared to a profit of US\$195.2 million in 2019. Profit attributable to equity holders for 2020 was US\$902.7 million (2019: US\$1,348.8 million, including profit on disposal of LBCT of US\$1,153.6 million).

Our impressive result for 2020, which includes the highest ever revenue, liftings and profit figures for our core container shipping and logistics business, was achieved in an unprecedented and extremely complicated context. We began 2020 with a relatively optimistic outlook, noting the first stage trade agreement between China and the United States, and the improving trend in the supply and demand balance in our sector. However, very soon, the global consequences of the outbreak of COVID-19 began to be felt. Following the initial spread of the virus across the world, market and customer forecasts suggested massive reductions in demand. While demand certainly did fall, it did not fall as dramatically or for as long as had been anticipated.

Since June, the situation for container shipping has been improving. Benefitting from effective epidemic prevention measures, China was among the first countries to re-activate production and re-open for business. In economies such as the United States and Europe by a combination of measures, including the encouragement of working from home and governmental subsidies, consumer demand also began to improve. In turn, demand for space on our various tradelanes increased dramatically, with efforts being made to put more capacity into service as quickly as possible, in order to meet the surprising levels of demand.

This relatively prompt restart, coupled with the beginning of a wave of unexpectedly strong demand that continued unabated throughout the year, led to more capacity being deployed on some routes in the Trans-Pacific Peak Season 2020 than during the same period in 2019.

Our teams had to manage not only sudden and severe swings in demand, but also tremendous operational challenges. Lockdowns in different terminals and at different points in the supply chain created chokepoints at key hubs. The industry faced additional difficulties with a shortage of workers due to social distancing measures. As more and more services were introduced, congestion and equipment availability became more and more problematic. All these elements went together to create operational delays, and a slowdown in the flow of the repositioning of container boxes, which then in turn created further obstacles.

We continued to benefit from increased co-operation and synergy within COSCO SHIPPING Holdings, which helped us to handle the challenges of the year in the most professional and efficient manner. In this Dual Brand context, and despite the impact of the pandemic, we expanded our presence into new routes, servicing many emerging markets, not least Latin America, and building up our global coverage further.

We placed orders for twelve 23,000 TEU vessels during 2020, which are scheduled to be delivered during 2023-2024. Not only will these modern, efficient vessels improve our cost structure and our services in the Asia-Europe trade, but they also serve as clear evidence of the entire group's continuing commitment to our very successful dual brand strategy.

For many years now, we have commented on the benefits of alliance membership. Our situation within the Ocean Alliance continues to provide us significant advantage, and ensures that we are able to offer a broad, high-quality service network to our customers. We have been members of the Ocean Alliance for four years, and look forward to attaining further benefit from our continued membership into a fifth year.

The challenges in effecting crew changes were rightly a key focus during 2020, and remain so. Seafarers, through their efforts and sacrifices, have kept world trade flowing during 2020, and we all owe them a special debt of thanks. We will exert every effort to ensure the safety and wellbeing of our seafarers, and this includes going the extra mile to help them return home at the end of each assignment. We believe that we have been among the best performers in this regard, and, having signed the Neptune Declaration, we look forward to encouraging all parties to facilitate crew change, even during these challenging pandemic times.

Our logistics business, OOCL Logistics, in spite of COVID-related challenges earlier in the year, had a fruitful 2020. We strengthened our business in rail services between China and Europe, and our Air Freight Forwarding. Our warehousing and distribution activities increased, and we added new depot and warehousing capacity in Thailand and Vietnam. We believe that co-operation between our logistics business and our liner activities will help to drive our groupwide strategic growth plan for end-to-end services.

Our group continues to advance its longstanding track record as a leader in technology and digital innovation. We launched our Freightsmart platform, which will provide instant quotation and booking. We inaugurated IQAX, a wholly-owned subsidiary, which will play a leading role in driving the digital transformation of the container shipping industry. In the early part of the year our Business Continuity Infrastructure was put to the test, as thousands of employees suddenly had to work from home due to COVID-19 lockdowns – thanks to the solid efforts of all colleagues, we passed this test with flying colours, and maintained business operations and high quality customer service.

Based on an independent valuation as at 31st December 2020, Wall Street Plaza was valued downwards by US\$30.0 million, reflecting an assessed market value of US\$280.0 million. Taking into consideration of US\$0.5 million capital expenditures on the building in 2020, the fair value loss for 2020 has come to US\$30.5 million. As at 31st December 2019, Wall Street Plaza was valued at US\$310.0 million.

Looking Forward

Looking ahead, despite current strong markets, we must recognise that the full impact of COVID-19 may not be known for some time. By this, we mean not only the inevitable fluctuations of the freight rate markets and of the balance between shipping supply and global demand, but also that it remains to be seen how supply chains will evolve after the challenges of 2020. We seek to serve our customers with ever greater end-to-end services and improved digitalised interfaces. However, it also creates challenges and risks, which we will address intelligently and proactively.

Whatever happens, OOIL will adapt and be ready to serve its customers. We will continue to work tirelessly and diligently to be at the forefront of our industry, in technology, in environmental and social responsibility, in customer service, and in profitability and financial health. As part of the COSCO SHIPPING Group, a true global leader in container shipping and logistics, we have confidence that, under our Dual Brand strategy, we are well placed to drive forward the success of our industry, as a Vital Link to World Trade.

Final and Special Dividends

The Board of Directors of the Company (the “Board”) has recommended the payment of a final dividend of US50.26 cents (HK\$3.920 at the exchange rate of US\$1 : HK\$7.8) per ordinary share and a special dividend of US86.6 cents (HK\$6.755 at the exchange rate of US\$1 : HK\$7.8) per ordinary share for the year ended 31st December 2020 to be paid on 29th June 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 1st June 2021. Shareholders should complete the dividend election form (if applicable) and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited (the “Branch Share Registrar”) at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21st June 2021.

Dividend policy

Shareholders of the same class of shares shall have equal rights to dividends and distributions. The Company adopted a dividend policy (the “Dividend Policy”) that balances the objectives of appropriately rewarding the shareholders for their investment and retaining reserves for long-term development and future expansion of the Company, and enhances transparency facilitating shareholders and investors to make informed investment decisions.

The Dividend Policy has a target annual dividend payout of 40% of the consolidated net profit attributed to the shareholders of the Company in the financial years of 2021, 2022 and 2023, and the Company’s annual dividend payment shall not be less than US\$400 million in the aforesaid financial years, whether as interim and/or final dividends, subject to, inter alia, the financial performance, liquidity position, future plans and working capital requirements of the Company and the prevailing economic, financial, business and regulatory circumstances. The Company may also declare special dividends from time to time in addition to the semi-annual dividends.

The declaration of dividends is subject to the sole discretion of the Board. There can be no assurance that dividends will be paid in any particular amount of any given period. The Dividend Policy shall not constitute a legally binding document in respect of future dividend declaration of the Company and/or in no way oblige the Company to declare a dividend at any time or from time to time. The distribution and payment of dividends of the Company will be subject to compliance with the Company’s Bye-laws and applicable laws and regulations.

Liquidity and Financial Resources

As at 31st December 2020, the Group had liquid assets amounting to US\$3,323.0 million and a total indebtedness of US\$3,069.8 million. The Group changed from a net debt to equity ratio of 0.23 : 1 as at end of 2019 to a net cash position at the end of 2020.

The indebtedness of the Group mainly comprises bank loans and lease liabilities which are mainly denominated in US dollar. The Group’s borrowings are monitored to ensure a smooth repayment schedule to maturity.

Employee Information

As at 31st December 2020, the Group had 10,552 full-time employees. Their salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

- (a) from 17th May 2021 to 21st May 2021, both days inclusive, to ascertain the shareholders entitled to attend and vote at the annual general meeting of the Company to be held on 21st May 2021 (the "AGM"). During this period, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all share transfer documents must be accompanied with the relevant share certificates and lodged with the 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 14th May 2021; and
- (b) from 28th May 2021 to 1st June 2021, both days inclusive, to ascertain the shareholders entitled to the proposed final and special dividends. During this period, no transfer of shares will be registered. To qualify for the proposed final and special dividends, all share transfer documents must be accompanied with the relevant share certificates and lodged with the Branch Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 27th May 2021.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Pre-emptive Rights

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

Corporate Governance

Compliance with the Corporate Governance Code

The Board and the management of the Company are committed to maintaining high standards of corporate governance. 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEX”), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Group and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year of 2020, the Company complied with the SEHK Code, save for the following:-

- Mr. Xu Lirong, the 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.

Further information on the CG Code will be set out in the Corporate Governance Report contained in the Company’s 2020 Annual Report.

Review of Financial Statements

The Audit Committee has reviewed the annual results of the Group for the year ended 31st December 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 had fully complied with the required standards set out in both the Code and the Model Code for the year ended 31st December 2020.

Annual General Meeting

The AGM will be held on 21st May 2021. Notice of the AGM will be despatched to the shareholders of the Company on or around 19th April 2021.

Publication of Results Announcement and Annual Report

This annual results announcement is published on the websites of HKEX at <http://www.hkexnews.hk> and the Company at <http://www.ooilgroup.com>. The 2020 Annual Report will be published on the HKEX's website and the Company's website and will be despatched to the shareholders of the Company on or around 29th April 2021.

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, 26th March 2021

* *For identification purpose only*

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