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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)

### 2022 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 2022 as follows:

#### Consolidated Profit and Loss Account For the year ended 31st December 2022

US\$'000	Note	2022	2021
Revenue	4	19,820,188	16,832,185
Operating costs		<u>(9,395,608)</u>	<u>(8,656,537)</u>
<b>Gross profit</b>		<b>10,424,580</b>	8,175,648
Other operating income		252,044	50,977
Business and administrative expenses		<b>(662,804)</b>	(832,202)
Reversal of/(provision for) impairment losses on financial assets, net		7,612	(28,078)
Other gains, net		<u>57,669</u>	<u>13,926</u>
<b>Operating profit</b>	5	<b>10,079,101</b>	7,380,271
Finance costs	6	<b>(61,138)</b>	(60,255)
Share of profits of joint ventures		2,689	4,985
Share of profits of associated companies		<u>7,091</u>	<u>12,255</u>
<b>Profit before taxation</b>		<b>10,027,743</b>	7,337,256
Taxation	7	<u><b>(61,505)</b></u>	<u>(208,847)</u>
<b>Profit for the year</b>		<u><b>9,966,238</b></u>	<u>7,128,409</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		9,965,245	7,128,127
Non-controlling interests		<u>993</u>	<u>282</u>
		<u><b>9,966,238</b></u>	<u>7,128,409</u>
<b>Earnings per ordinary share (US\$)</b>	8		
<b>Basic and diluted</b>		<u><b>15.09</b></u>	<u>11.08</u>

**Consolidated Statement of Comprehensive Income**  
**For the year ended 31st December 2022**

US\$'000	2022	2021
<b>Profit for the year</b>	<b><u>9,966,238</u></b>	<b><u>7,128,409</u></b>
<b>Other comprehensive (loss)/income:</b>		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement (losses)/gains on defined benefit schemes	(4,054)	24,542
Investments at fair value through other comprehensive income		
Change in fair value	<u>-</u>	<u>(6,688)</u>
Total amount that will not be subsequently reclassified to profit or loss	<b><u>(4,054)</u></b>	<b><u>17,854</u></b>
Items that have been reclassified or may be reclassified		
subsequently to profit or loss:		
Currency translation adjustments		
Subsidiaries	(37,920)	(7,650)
Joint ventures	(655)	210
Associated companies	(8,176)	3,225
Release of reserve upon disposal of a subsidiary		
and an associated company	<u>(7,917)</u>	<u>-</u>
Total amount that has been reclassified or may be reclassified		
subsequently to profit or loss	<b><u>(54,668)</u></b>	<b><u>(4,215)</u></b>
Other comprehensive (loss)/income for the year, net of tax	<b><u>(58,722)</u></b>	<b><u>13,639</u></b>
<b>Total comprehensive income for the year</b>	<b><u>9,907,516</u></b>	<b><u>7,142,048</u></b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	9,906,695	7,141,825
Non-controlling interests	<u>821</u>	<u>223</u>
	<b><u>9,907,516</u></b>	<b><u>7,142,048</u></b>

**Consolidated Balance Sheet**  
**As at 31st December 2022**

US\$'000	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,696,239	4,047,629
Right-of-use assets		2,509,695	2,801,858
Investment property		270,000	285,000
Investments in joint ventures		9,916	11,894
Investments in associated companies		96,332	105,270
Intangible assets		10,805	7,656
Deferred taxation assets		30,349	7,570
Pension and retirement assets		10,093	12,248
Restricted bank balances		300	326
Investments at fair value through other comprehensive income		34	42
Investments at amortised cost		52,966	98,335
Other non-current assets		17,945	17,302
		<u>7,704,674</u>	<u>7,395,130</u>
<b>Current assets</b>			
Inventories		179,561	153,064
Debtors and prepayments	10	873,260	975,657
Investments at amortised cost		35,340	15,003
Portfolio investments at fair value through profit or loss		13,369	56,256
Tax recoverable		11,929	5,855
Restricted bank balances		3,126	2,550
Cash and bank balances		11,213,902	7,197,101
		<u>12,330,487</u>	<u>8,405,486</u>
<b>Assets held for sale</b>		<u>-</u>	<u>46,361</u>
		<u>12,330,487</u>	<u>8,451,847</u>
<b>Total assets</b>		<u>20,035,161</u>	<u>15,846,977</u>
<b>EQUITY</b>			
<b>Equity holders</b>			
Share capital		66,037	66,037
Reserves		13,369,961	9,603,620
		<u>13,435,998</u>	<u>9,669,657</u>
<b>Non-controlling interests</b>		<u>2,900</u>	<u>2,079</u>
<b>Total equity</b>		<u>13,438,898</u>	<u>9,671,736</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		-	211,941
Lease liabilities		1,367,909	1,816,655
Deferred taxation liabilities		192,868	198,529
Provision	11	894,745	651,745
		<u>2,455,522</u>	<u>2,878,870</u>
<b>Current liabilities</b>			
Creditors and accruals	12	3,282,974	2,479,513
Borrowings		-	38,716
Lease liabilities		712,211	623,328
Current taxation		145,556	154,814
		<u>4,140,741</u>	<u>3,296,371</u>
<b>Total liabilities</b>		<u>6,596,263</u>	<u>6,175,241</u>
<b>Total equity and liabilities</b>		<u>20,035,161</u>	<u>15,846,977</u>

**Consolidated Cash Flow Statement**  
**For the year ended 31st December 2022**

US\$'000	2022	2021
<b>Cash flows from operating activities</b>		
Cash generated from operations	11,412,621	8,977,180
Interest and financing charges paid	(53,949)	(43,672)
Income tax paid	(105,658)	(34,667)
Net cash from operating activities	<u>11,253,014</u>	<u>8,898,841</u>
<b>Cash flows from investing activities</b>		
Sale proceeds of property, plant and equipment	149,399	58,074
Sale and redemption on maturity of non-current assets	27,697	38,513
Purchase of property, plant and equipment	(524,841)	(580,120)
Purchase of other non-current assets	(23,605)	(10,581)
Decrease in portfolio investments at fair value through profit or loss	39,025	39,704
Disposal of a subsidiary	52,442	-
Investment in an associated company	(1,000)	(1,000)
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months from the date of placement	1,505,742	(1,582,236)
Interest received	183,053	34,102
Dividends and distribution received from investments	702	8,801
Dividends received from joint ventures and associated companies	11,459	12,985
Net cash from/(used in) investing activities	<u>1,420,073</u>	<u>(1,981,758)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans	(251,165)	(787,127)
Repayment of lease liabilities	(722,592)	(464,680)
Issue of shares, net of share issuance expenses	-	565,718
Dividends paid to equity holders of the Company	(6,141,471)	(3,682,084)
Dividends paid to non-controlling interests	-	(239)
Capital contribution from non-controlling interests	-	1,715
Net cash used in financing activities	<u>(7,115,228)</u>	<u>(4,366,697)</u>
<b>Net increase in cash and cash equivalents</b>	<b>5,557,859</b>	<b>2,550,386</b>
Cash and cash equivalents at beginning of year	<b>3,940,809</b>	<b>1,398,109</b>
Currency translation adjustments	<u>(34,766)</u>	<u>(7,686)</u>
Cash and cash equivalents at end of year	<u><b>9,463,902</b></u>	<u><b>3,940,809</b></u>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	11,213,902	7,197,101
Bank deposits maturing more than three months from the date of placement	<u>(1,750,000)</u>	<u>(3,256,292)</u>
Cash and cash equivalents at end of year	<u><b>9,463,902</b></u>	<u><b>3,940,809</b></u>

**Consolidated Statement of Changes in Equity**  
**For the year ended 31st December 2022**

US\$'000	Equity holders			Non-controlling interests	Total
	Share capital	Reserves	Sub-total		
At 1st January 2021	62,579	5,579,535	5,642,114	380	5,642,494
Total comprehensive income for the year	-	7,141,825	7,141,825	223	7,142,048
Transactions with owners					
Issue of shares, net of share issuance expenses	3,458	562,260	565,718	-	565,718
Employee share-based compensation	-	2,084	2,084	-	2,084
2020 final dividend	-	(320,253)	(320,253)	-	(320,253)
2020 special dividend	-	(551,809)	(551,809)	-	(551,809)
2021 interim dividend	-	(1,121,460)	(1,121,460)	-	(1,121,460)
2021 first special dividend	-	(1,688,562)	(1,688,562)	-	(1,688,562)
Dividends paid to non-controlling interests	-	-	-	(239)	(239)
Capital contribution from non-controlling interests	-	-	-	1,715	1,715
At 31st December 2021 and 1st January 2022	66,037	9,603,620	9,669,657	2,079	9,671,736
Total comprehensive income for the year	-	9,906,695	9,906,695	821	9,907,516
Transactions with owners					
Employee share-based compensation	-	1,117	1,117	-	1,117
2021 final dividend	-	(1,723,574)	(1,723,574)	-	(1,723,574)
2021 second special dividend	-	(455,658)	(455,658)	-	(455,658)
2022 interim dividend	-	(2,265,080)	(2,265,080)	-	(2,265,080)
2022 first special dividend	-	(1,697,159)	(1,697,159)	-	(1,697,159)
<b>At 31st December 2022</b>	<b>66,037</b>	<b>13,369,961</b>	<b>13,435,998</b>	<b>2,900</b>	<b>13,438,898</b>

## 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 2022 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements as at and for the year ended 31st December 2022. 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, China.

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

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

### 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.

#### The adoption of revised standards

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

#### Amendments and improvement to existing standards

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

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

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

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

<b>New standard, amendments and interpretation to existing standards</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1st January 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1st January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2023
HKFRS 17 and HKFRS 17 (Amendment)	Insurance Contracts	1st January 2023
HK Int 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2024
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1st January 2024
HKAS 1 (Amendment)	Non-current Liabilities with Covenants	1st January 2024
HKFRS 16 (Amendment)	Lease Liability in a Sale and Leaseback	1st January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of the above new standard, amendments and interpretation to existing standards is not expected to have a significant effect on the consolidated financial statements of the Group.



#### 4. Revenue and segment information

##### (a) Revenue

US\$'000	2022	2021
Container transport and logistics	19,796,285	16,807,325
Others	<u>23,903</u>	<u>24,860</u>
	<u><u>19,820,188</u></u>	<u><u>16,832,185</u></u>

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

Revenue comprises gross freight income, 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 2022 are as follows:

US\$'000	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	19,796,285	-	19,796,285
Revenue from other source:			
Rental income	<u>-</u>	<u>23,903</u>	<u>23,903</u>
	19,796,285	23,903	19,820,188
Other operating income	<u>245,927</u>	<u>6,117</u>	<u>252,044</u>
	<u><u>20,042,212</u></u>	<u><u>30,020</u></u>	<u><u>20,072,232</u></u>
Operating profit/(loss)	10,090,263	(11,162)	10,079,101
Finance costs	(61,138)	-	(61,138)
Share of profits of joint ventures	2,689	-	2,689
Share of profits of associated companies	<u>7,091</u>	<u>-</u>	<u>7,091</u>
<b>Profit/(loss) before taxation</b>	<b>10,038,905</b>	<b>(11,162)</b>	<b>10,027,743</b>
Taxation	<u>(66,302)</u>	<u>4,797</u>	<u>(61,505)</u>
<b>Profit/(loss) for the year</b>	<u><u>9,972,603</u></u>	<u><u>(6,365)</u></u>	<u><u>9,966,238</u></u>
Fair value loss from an investment property	-	16,964	16,964
Additions to non-current assets*	1,309,167	2,024	1,311,191
Depreciation of property, plant and equipment	339,696	22	339,718
Depreciation of right-of-use assets	514,419	-	514,419
Amortisation of intangible assets	<u>6,839</u>	<u>-</u>	<u>6,839</u>

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

##### (b) Segment information (Continued)

##### Operating segments (Continued)

The segment results for the year ended 31st December 2021 are as follows:

US\$'000	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	16,807,325	-	16,807,325
Revenue from other source:			
Rental income	-	24,860	24,860
	<u>16,807,325</u>	<u>24,860</u>	<u>16,832,185</u>
Other operating income	31,943	19,034	50,977
	<u>16,839,268</u>	<u>43,894</u>	<u>16,883,162</u>
Operating profit	7,369,807	10,464	7,380,271
Finance costs	(60,255)	-	(60,255)
Share of profits of joint ventures	4,985	-	4,985
Share of profits of associated companies	12,255	-	12,255
<b>Profit before taxation</b>	<u>7,326,792</u>	<u>10,464</u>	<u>7,337,256</u>
Taxation	(205,607)	(3,240)	(208,847)
<b>Profit for the year</b>	<u>7,121,185</u>	<u>7,224</u>	<u>7,128,409</u>
Fair value gain from an investment property	-	296	296
Additions to non-current assets*	1,377,895	4,704	1,382,599
Depreciation of property, plant and equipment	277,642	12	277,654
Depreciation of right-of-use assets	276,313	-	276,313
Amortisation of intangible assets	<u>15,765</u>	<u>-</u>	<u>15,765</u>

\* Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

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

##### (b) Segment information (Continued)

##### Operating segments (Continued)

The segment assets and liabilities at 31st December 2022 and 2021 are as follows:

US\$'000	2022		
	Container transport and logistics	Others	Group
Segment assets	19,513,595	415,318	19,928,913
Joint ventures	9,916	-	9,916
Associated companies	96,332	-	96,332
<b>Total assets</b>	<b>19,619,843</b>	<b>415,318</b>	<b>20,035,161</b>
<b>Segment liabilities</b>	<b>(6,456,306)</b>	<b>(139,957)</b>	<b>(6,596,263)</b>
US\$'000	2021		
	Container transport and logistics	Others	Group
Segment assets	15,179,062	504,390	15,683,452
Joint ventures	11,894	-	11,894
Associated companies	105,270	-	105,270
	15,296,226	504,390	15,800,616
Assets held for sale	46,361	-	46,361
<b>Total assets</b>	<b>15,342,587</b>	<b>504,390</b>	<b>15,846,977</b>
<b>Segment liabilities</b>	<b>(6,025,462)</b>	<b>(149,779)</b>	<b>(6,175,241)</b>

The segment of “Others” primarily includes assets and liabilities of property investment and corporate level activities. Assets under the segment of “Others” consist primarily of investment property, investments at amortised cost and portfolio investments at fair value through profit or loss. Liabilities under the segment of “Others” primarily include creditors and accruals and deferred taxation liabilities related to property investment and corporate level activities.

#### 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 <sup>#</sup>
<b>Year ended 31st December 2022</b>		
Asia	15,788,208	36,101
Europe	2,729,105	1,764
North America	926,043	5,099
Australia	376,832	73
Unallocated*	-	1,268,154
	<u>19,820,188</u>	<u>1,311,191</u>
<b>Year ended 31st December 2021</b>		
Asia	13,692,285	46,958
Europe	2,066,489	2,044
North America	833,975	4,969
Australia	239,436	45
Unallocated*	-	1,328,583
	<u>16,832,185</u>	<u>1,382,599</u>

<sup>#</sup> 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	2022	2021
Operating profit is arrived at after crediting:		
Operating lease rental income		
Land and buildings	<u>23,903</u>	<u>24,860</u>
and after charging:		
Depreciation of property, plant and equipment	339,718	277,654
Depreciation of right-of-use assets	514,419	276,313
Expenses relating to short-term leases and leases with low-value assets		
Vessels and equipment	333,829	384,460
Land and buildings	3,302	3,001
Direct operating expenses from property that generated rental income	14,931	15,172
Amortisation of intangible assets	6,839	15,765
Auditors' remuneration		
Audit	2,917	2,784
Non-audit	<u>1,569</u>	<u>1,476</u>

## 6. Finance costs

US\$'000	2022	2021
Interest expense		
Bank loans	6,341	14,716
Lease liabilities	<u>68,016</u>	<u>49,644</u>
	74,357	64,360
Amount capitalised under assets under construction	<u>(13,219)</u>	<u>(4,105)</u>
Net interest expense	<u><u>61,138</u></u>	<u><u>60,255</u></u>

## 7. Taxation

US\$'000	2022	2021
Current taxation		
HKSAR profits tax	5,534	5,511
Non HKSAR taxation	<u>84,996</u>	<u>149,038</u>
	<u>90,530</u>	<u>154,549</u>
Deferred taxation		
HKSAR profits tax	337	(139)
Non HKSAR taxation	<u>(29,362)</u>	<u>54,437</u>
	<u>(29,025)</u>	<u>54,298</u>
	<u><u>61,505</u></u>	<u><u>208,847</u></u>

Taxation has been provided at the appropriate tax rates prevailing in the countries/regions in which the Group operates on the estimated assessable profits for the year. These rates range from 2.5% to 34.2% (2021: 2.5% to 35%) and the rates applicable to the withholding tax for undistributed earnings of subsidiaries range from 5% to 30% (2021: 5% to 30%). The HKSAR profits tax for ocean freight transportation business is charged based on the relevant entity's Hong Kong-sourced income (i.e. at a percentage of the total worldwide ocean freight transportation business profit) under the HKSAR tax incentive regime for international shipping businesses and at the applicable tax rate of 16.5% (2021: 16.5%).

## 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 weighted average number of ordinary shares in issue during the year.

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

	2022	2021
Weighted average number of ordinary shares in issue (thousands)	<u>660,373</u>	<u>643,051</u>
Group's profit attributable to equity holders of the Company (US\$'000)	<u>9,965,245</u>	<u>7,128,127</u>
Earnings per share attributable to equity holders of the Company (US\$)	<u>15.09</u>	<u>11.08</u>

## 9. Dividends

The final and second special dividends for 2021 of US\$1,723.6 million and US\$455.7 million respectively, and the interim and first special dividends for 2022 of US\$2,265.1 million and US\$1,697.2 million respectively have been accounted for as an appropriation of retained profit in the year ended 31st December 2022.

The Board of Directors proposes a final dividend in respect of 2022 of US\$2.61 (HK\$20.358 at the exchange rate of US\$1 : HK\$7.8) (2021: US\$2.61 (HK\$20.358 at the exchange rate of US\$1 : HK\$7.8)) per ordinary share. In addition, the Board of Directors proposes a second special dividend in respect of 2022 of US\$1.95 (HK\$15.210 at the exchange rate of US\$1 : HK\$7.8) (2021: US\$0.69 (HK\$5.382 at the exchange rate of US\$1 : HK\$7.8)) per ordinary share. The proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2023.

## 10. Debtors and prepayments

US\$'000	2022	2021
Trade receivables		
Third parties	487,673	642,286
Fellow subsidiaries	12,123	12,044
Related companies	644	8,973
Less: Provision for impairment	<u>(62,164)</u>	<u>(73,133)</u>
Trade receivables - net	438,276	590,170
Other debtors	221,235	132,566
Other prepayments	171,509	215,579
Utility and other deposits	16,065	17,467
Amounts due from related parties		
Fellow subsidiaries	13,911	19,719
Related companies	<u>12,264</u>	<u>156</u>
	<u>873,260</u>	<u>975,657</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	2022	2021
Below 1 month	307,781	438,170
2 to 3 months	122,301	142,476
4 to 6 months	8,051	8,640
Over 6 months	<u>143</u>	<u>884</u>
	<u>438,276</u>	<u>590,170</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 and amounts due from related parties are fully performing.



## 11. Provision

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

As at 31st December 2022, the Group reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. The overall economic environment in the USA is still highly uncertain, in particular, dropping cargo demand and freight rates became more evident from the fourth quarter of 2022. It is expected that high inflation and interest rate environment would further slow down the USA economy growth and would adversely affect the demand/import of the USA for some time, it is expected the economy in the USA would take years to recover. The operational results for the LBCT routes were strong in the first half of 2022, which were primarily due to the high freight rates, driven by the terminal congestion and shortage in supply of container vessels. However, the high freight rates began to drop in the second half of 2022. As at 31st December 2022, with these uncertainties over such a long-term contract period, management reassessed that the projected vessel lifts in LBCT would result in a shortfall on minimum volume commitment over the remaining contract period. The Group estimated an onerous contract provision of US\$894.7 million as at 31st December 2022 (2021: US\$651.7 million).

Movements in the onerous provision are as follows:

<b>US\$'000</b>	<b>2022</b>	<b>2021</b>
Balance at beginning of year	<b>651,745</b>	348,545
Charged to consolidated profit and loss account	<b>243,000</b>	<u>303,200</u>
Balance at end of year	<b><u>894,745</u></b>	<u>651,745</u>

## 12. Creditors and accruals

US\$'000	2022	2021
Trade payables		
Third parties	156,028	196,391
Joint ventures	1,214	180
Fellow subsidiaries	39,553	30,963
Related companies	19,128	14,297
	<u>215,923</u>	<u>241,831</u>
Other creditors	176,976	159,187
Accrued expenses <sup>#</sup>	2,483,714	2,035,487
Contract liabilities*	34,649	25,713
Amounts due to related parties		
Joint ventures	7,172	6,854
Fellow subsidiaries	4,520	10,174
Related companies	360,020	267
	<u>3,282,974</u>	<u>2,479,513</u>

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

\* 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.

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

US\$'000	2022	2021
Below 1 month	158,991	187,640
2 to 3 months	50,106	48,835
4 to 6 months	2,547	305
Over 6 months	4,279	5,051
	<u>215,923</u>	<u>241,831</u>

## Results for 2022

The Group recorded a profit attributable to equity holders of US\$9,965.2 million for 2022, compared to a profit of US\$7,128.1 million in 2021.

OOIL ANNUAL RESULTS ANALYSIS		
<i>(US\$'000)</i>	2022	2021
<b>Profit/(Loss) Before Taxation by Activity:</b>		
Container Transport and Logistics	10,038,905	7,326,792
Other Activities	(11,162)	10,464
<b>Profit Before Taxation</b>	<b>10,027,743</b>	<b>7,337,256</b>
Taxation	(61,505)	(208,847)
<b>Profit for the Year Ended 31st December</b>	<b>9,966,238</b>	<b>7,128,409</b>
Non-Controlling Interests	(993)	(282)
<b>Profit Attributable to Equity Holders</b>	<b>9,965,245</b>	<b>7,128,127</b>

## Review of Operations

In last year's annual report, we wrote that our results for 2021, which include the highest ever revenue, liftings and profit figures for our core container shipping and logistics business, surpassed even the outstanding outcome for 2020. At that point, we could not have foreseen that the results for 2022 would once again break new records. The profits and cash flow that were generated by the results of 2022 put us in a very strong position to fund not only our continuing programme of measured and intelligent growth, but also to fund our ongoing investment in information technology and the digitalisation of our industry. Moreover, they further enhance our already robust balance sheet, which is strong enough to enable us both to withstand the challenges of cyclical markets, and to allow us to provide attractive returns to shareholders.

For much of the first half of the year, the container shipping market endured the same conditions through which it had been persevering for the previous 18 months, with effective levels of supply being under immense pressure at the same time as demand continued to grow, albeit moderately. The pressure on levels of effective supply had been caused by severe congestion at multiple locations around the network, and was most obviously visible in long queues of ships lining up to enter the ports of Long Beach and Los Angeles and, at times, in delays of two to three weeks for ships to enter some of the main ports on the East Coast of the USA. The impact of the downwards pressure on effective supply caused by these disruptions far outweighed the effect of the increased nominal supply coming from massive deployment of additional capacity injected into the busiest tradelanes, and from the entry of new smaller competitors into key markets such as the Transpacific tradelanes. However, as the year progressed, it became increasingly evident that market conditions had started to change.

On the supply side, the shift of cargo away from the US West Coast eventually helped to reduce the pressure on the ports and local supply chain, and began to have a significant effect in terms of reducing congestion. Some of this change was driven not by fluctuations in underlying demand, but by deliberate steps on the part of some importers to avoid in 2022 some of the chokepoints that been at the centre of disruption in 2021, especially if there was potential for any additional disruption from possible labour disputes. Initially, this helped to increase congestion on the US East Coast, but after some months, congestion there too, as also in Northern Europe and the major ports of Asia, started to abate. This significant reduction in congestion has already led to an increase in the effective level of supply in the market.

In terms of demand, excess inventory levels started to build up in some key importing economies, most notably the US, partly because of unfulfilled expectations in respect of year-on-year demand growth, and partly because supply chain congestion meant that large quantities of goods were arriving late, including seasonally-sensitive goods. The result of this was that, while consumer spending was not slowing down to any material extent (despite perfectly rational concerns about the impact of inflation and interest rate rises), the demand from importers for containerised transportation was clearly starting to reduce. Freight rates on most major tradelanes started to fall from their tremendous heights, starting a long-predicted trend towards less extreme levels. In the final quarter of the year, rates were starting to approach their pre-pandemic levels on many trade lanes, and load factors were often below optimal levels. That said, we must all be careful not to be so swayed by the scale of the precipitous falls in freight rates that we fail properly to contextualise the current rate levels, which in general are similar to rate levels seen in 2019 and early 2020, and not similar to rate levels seen during the much tougher times of say 2016 or even 2009.

Co-operation with fellow members of the COSCO SHIPPING Group continues to drive significant benefits in terms of efficiency, cost savings and the ability to serve our customers with a more sizeable and global reach. We continue to evaluate ways to enhance and deepen our co-operation, with a win-win approach that will bring benefit to customers, employees, business partners and shareholders alike.

In March 2023, we took delivery of the first vessel built for the Group since 2018. This 24,188 TEU mega vessel, the OOCL Spain, and the 28 vessels that are scheduled to follow her over the next 5 years, represent the next stage in our longstanding plan of measured and intelligent growth. Seven of the vessels still under construction will be Dual Fuel Methanol vessels, which puts us at the very cutting edge of environmental advances in shipping, and is clear proof of our commitment to decarbonisation. Our substantial newbuilding programme is clear indication of the intention of the COSCO SHIPPING Group, of which OOIL is an integral part, to be a leading player in the top echelon of the industry, and also of the whole Group's commitment to its very successful Dual Brand Strategy.

Our logistics business, OOCL Logistics, performed very well during 2022. Furthermore, co-operation between our logistics business and our liner side will be a key driver in our plans to develop more and more end-to-end business with our customers.

The OOIL Group has long been seen as a leader in the field of the development of information technology applicable to container shipping, and in the digitalisation of our industry. Our Freightsmart platform, which provides instant quotation and booking, provides a valuable new channel for our customers and a new means of targeted outreach for us. Freightsmart has made significant progress during 2022, and has been a valuable tool in managing the disruption and the changing trends of the market. We continue to develop IQAX, a wholly-owned subsidiary, which will play a leading role in driving the digital transformation of the container shipping industry.

Based on an independent valuation as at 31st December 2022, Wall Street Plaza was valued downwards by US\$15.0 million, reflecting an assessed market value of US\$270.0 million. Taking into consideration of US\$2.0 million capital expenditures on the building in 2022, the fair value loss for 2022 has come to US\$17.0 million. As at 31st December 2021, Wall Street Plaza was valued at US\$285.0 million.

## **Looking Forward**

The business outlook is mixed, and while we do not foresee any material change in the first half, the timing of any improvement depends on a long list of macro-economic factors as well as on the evolution of the relative growth of supply and demand. What is certain is only that there will be challenges ahead.

At the time of writing, it appears that this unmistakable downwards trend of freight rates may have started to stabilise. Even if we may reasonably expect occasional further falls during the seasonally quieter two to three months following the Chinese New Year holidays, weekly movements in spot rates are no longer as dramatic as they were during much of the second half of 2022, and load factors on some routes show clear signs of improvement. However, it seems unlikely that the general environment for the industry will change materially during the first half of 2023. Thereafter, once importers in countries such as the US have made further progress in reducing their inventories, then if the economic outlook has improved, for example if inflation has started to peak and if employment data remains strong, then we may see some improvement during the second half of 2023. There can, however, be no certainty about that outcome, given the extent of perfectly valid concerns about the future impact of inflation, interest rate rises and broader economic and geopolitical instability.

In 2023 and 2024, further supply increase will be created through the delivery of new ships – this could delay any improvement in the container shipping markets, even if the economic situation is more benign than anticipated. While mitigation of this risk from increasing supply most certainly does exist, through increased likelihood of vessel scrapping for example, and much more significantly from new environmental regulations, these will take time to be felt, and as such will not provide much counterbalance until the second half of 2023 at the earliest. In the meantime, during the first half, it may be that shipping companies will look at expected levels of demand, and re-calibrate their services in line with the potentially reduced requirements of their own customer portfolio.

Be assured, no matter the challenges, 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, as a Vital Link to World Trade.

### **Final and Second Special Dividends**

The Board of Directors of the Company (the “Board”) has recommended the payment of a final dividend of US\$2.61 (HK\$20.358 at the exchange rate of US\$1 : HK\$7.8) per ordinary share and a second special dividend of US\$1.95 (HK\$15.210 at the exchange rate of US\$1 : HK\$7.8) per ordinary share for the year ended 31st December 2022 to be paid on 29th June 2023 to the shareholders of the Company whose names appear on the register of members of the Company on 31st May 2023. 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 19th June 2023.

### **Liquidity and Financial Resources**

As at 31st December 2022, the Group had cash and bank balances amounting to US\$11,213.9 million and a total indebtedness of US\$2,080.1 million. The Group had a net cash to equity ratio of 0.68 : 1 as at end of 2022, compared with 0.47 : 1 at the end of 2021.

As at 31st December 2022, the indebtedness of the Group comprises lease liabilities which are mainly denominated in US dollar. The Group’s debts are monitored to ensure a smooth repayment schedule to maturity.

### **Employee Information**

As at 31st December 2022, the Group had 11,188 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 15th May 2023 to 19th May 2023, both days inclusive, to ascertain the shareholders entitled to attend and vote at the annual general meeting of the Company to be held on 19th May 2023 (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 12th May 2023; and
- (b) from 29th May 2023 to 31st May 2023, both days inclusive, to ascertain the shareholders entitled to the proposed final and second special dividends. During this period, no transfer of shares will be registered. To qualify for the proposed final and second 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 25th May 2023.

## **Purchase, Sale or Redemption of Shares**

During the year ended 31st December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares.

## **Pre-emptive Rights**

No pre-emptive rights exist under 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 (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 2022, the Company complied with the SEHK Code.

Further information on the CG Code will be set out in the Corporate Governance Report contained in the Company’s 2022 Annual Report.

### ***Review of Financial Statements***

The Audit Committee has reviewed the annual results of the Group for the year ended 31st December 2022, 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 2022.

### **Annual General Meeting**

The AGM will be held on 19th May 2023. Notice of the AGM will be despatched to the shareholders of the Company on or around 24th April 2023.

### **Publication of Results Announcement and Annual Report**

This annual results announcement is published on the websites of HKEX at <https://www.hkexnews.hk> and the Company at <https://www.ooilgroup.com>. The 2022 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 26th April 2023.



## **Directors**

As at the date of this announcement, our Executive Directors are Mr. WAN Min, Mr. HUANG Xiaowen and Mr. YANG Zhijian; our Non-Executive Directors are Mr. TUNG Lieh Cheung Andrew, Mr. YAN Jun, Ms. WANG Dan and Mr. IP Sing Chi; 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**

**WAN Min**  
Chairman

Hong Kong, 22nd March 2023

\* *For identification purpose only*

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