Annual Report 2002

Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

CORPORATE PROFILE

Orient Overseas (International) Limited ("OOIL"), a company with total revenues in excess of US$2.4 billion, has two principal business activities: international transportation, logistics and terminals and property development and investment. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 160 offices in 50 countries.

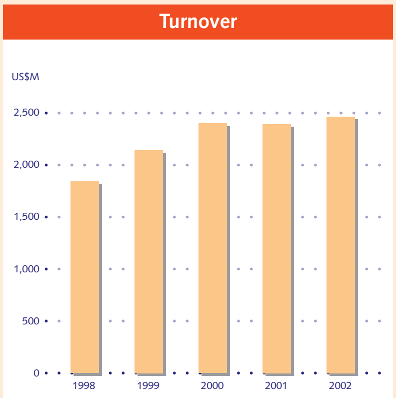
Orient Overseas Container Line Limited, operating under the trade name OOCL, its wholly owned subsidiary, is one of the world's largest integrated international transportation, logistics and terminal companies, and is one of Hong Kong's most recognised global brands. OOCL is one of the leading international carriers serving China, providing the full range of logistics and transportation services throughout the country. It is also an industry leader in the use of information technology and e-commerce to manage the entire cargo process.

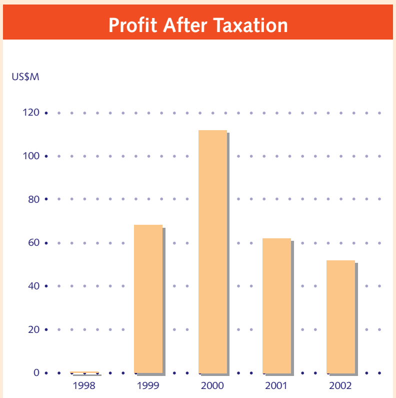
OOIL Group's property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing's most prestigious commercial and office developments and owns Wall Street Plaza in New York City. Its key focus is on residential property development in cities in China that have a higher per capita GDP, superior urban infrastructure and high overseas Chinese investment. It has a number of residential developments in Shanghai.

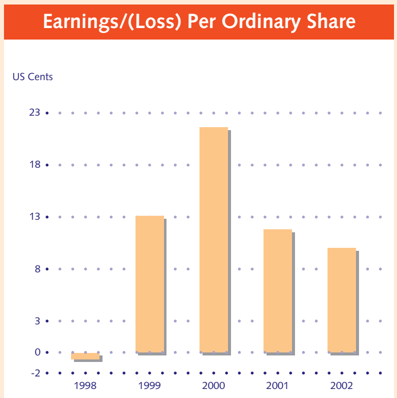
Contents

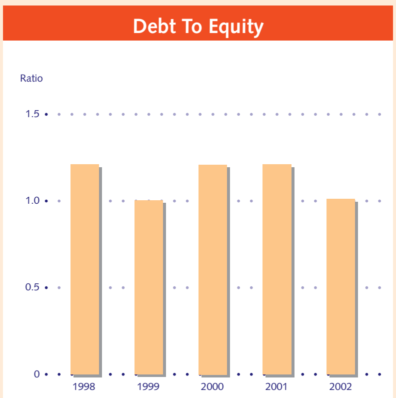
Financial Highlights

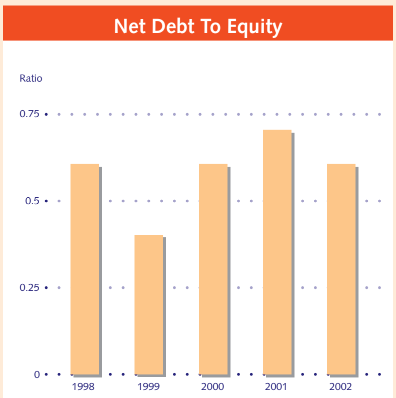
	2002 US$'000	2001 US$'000	Change %
Turnover	**2,457,952**	2,378,950	+3
Net financing charges	**30,634**	45,614	-33
Profit after taxation	**51,948**	61,809	-16
Earnings per ordinary share (US cents)	**10.0**	11.8	-15
Ordinary shareholders' funds	**860,443**	812,924	+6
Cash and portfolio investments	**412,446**	402,424	+2
Fixed assets	**1,342,438**	1,365,378	-2
Debt to equity ratio	**1.0**	1.2	-17
Net debt to equity ratio	**0.6**	0.7	-14
Net asset value per ordinary share (US$)	**1.66**	1.57	+6

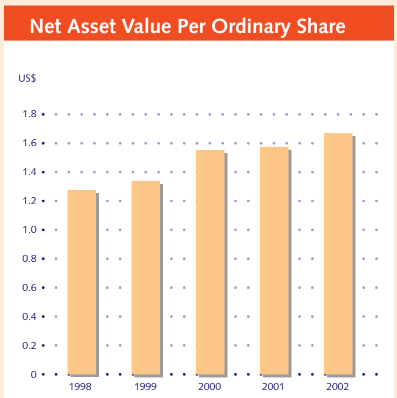












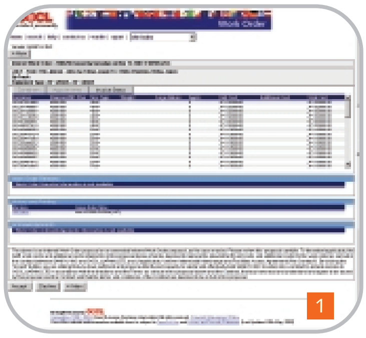
Significant Events

January

Malaysia International Shipping Corp. and OOCL announced enhancements to their co-ordinated services in Europe.

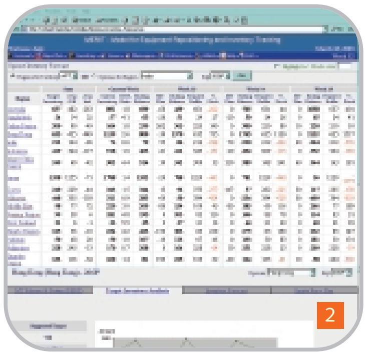
Direct weekly calls at Grangemouth (Scotland) were added to the Scan Baltic Express service schedule, a further development of OOCL's Intra-Europe Trades which comprise three separate services linking ports between Russia and Portugal.

Internet Work Order, a web based cost and efficiency application of IRIS-2, was officially launched on 28th January and completed in April. It covers editing, enquiry and print and improves communications and workflow among trucking vendors, operations and customer service units replacing traditional fax and telephone confirmations.[1]



February

The software module, Model for Empty Repositioning & Inventory Tracking ("MERIT") 1.0 was released in mid February to provide a common platform for multiple decision making parties to communicate real time in response to the changing business environment and resources market.[2]



March

OOIL announced a profit before taxation of US$71.1 million for the year ended 31st December 2001.

Resettlement works commenced in relation to the Changle Lu Site, Luwan District, Shanghai.

April

OOCL and Wan Hai Lines announced enhancements to their joint China / Middle East service.

Australia National Line and COZ ("China Shipping, OOCL and Zim") announced a new Australia to North Asia Service to commence in May.

May

Cargo*Smart* won the World Trade Magazine's 2002 Supply Chain Technology Innovation Award, selected as the Most Innovative Technology Service Provider.[3]

Inbound Logistics Magazine selected Cargo*Smart* as a Top 100 Logistics Information Technology Provider.

Topping-out took place on Blocks 8 and 9 of Phase 1B of Century Metropolis in the Xuhui District of Shanghai.

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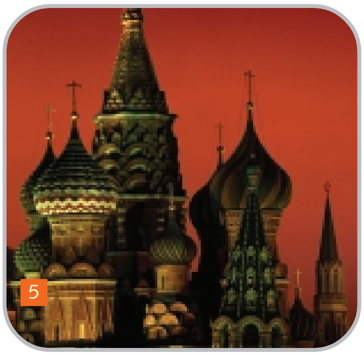
June

Horizon, an IT Logistics project, was endorsed by OOCL's senior management. The system, when developed, will be applied by OOCL Logistics (formerly Cargo System) both internally and externally to facilitate the effectiveness and efficiency of business operations and to meet the requirements of its customers.[4]



July

OOCL announced the opening of its own offices in St Petersburg and Moscow with the establishment of OOCL (Russia) Limited. This reflects the growing importance of the Russian market and OOCL's leading position in the container throughput of the port of St Petersburg.[5]

OOCL announced the introduction of the first international liner service to Haikou in Hainan Province, China as a direct link with Hiroshima, Japan.

August

OOIL announced on 16th August 2002 a profit before taxation of US$4.1 million for the half year ended 30th June 2002.

OOCL announced the appointment of Agencia Naviera De Mexico, S.A. De C.V. as its new agent in Mexico.

Two new milestones were achieved by IRIS-2. Two, long demanded applications, the "Combined Invoice" and "Demurrage and Detention Collection" modules were launched, the former to provide customers with invoices covering multiple bills of lading and the latter to provide better visibility of information and to improve the collection of revenue generated from demurrage and detention.

September

A new loop was added to the Kanto / Kansai Taiwan South China Express service which had already increased many of its port calls to twice weekly.

The upgraded software module, MERIT 2.0, was delivered on time by the end of September to facilitate cross territorial resources planning and system optimisation.

October

A new version of oocl.com was launched on 1st October. In addition to obtaining the latest news and current trends from within the container transportation and logistics services industry, customers also became able to view regional sailing schedules on line.[6]

November

OOCL became the first global container carrier to be successful in the completion of the Safety, Quality & Environmental Protection certification by one of the leading international classification societies - The American Bureau of Shipping, for its ship management function.[7]

Phase 2A of Century Metropolis, Xuhui District, Shanghai was awarded "Best Ten Most Valuable Residential Investment Properties Award". Occupation Permits for Blocks 10, 11 and 12 of Phase 1B of this project were issued.[8]

December

OOCL entered into a contract with Samsung Heavy Industries Co Ltd, on 2nd December 2002 for the construction of two 8,000 TEU (twenty-foot equivalent unit) "SX" Class post-Panamax container vessels. They are to be sister ships to the series of six other containerships already ordered from the same shipyard.

An external audit of OOCL's North America Territory to ISO9001: 2000 standard was completed successfully.

To accommodate the US Customs 24-Hours Advance Manifest requirement, and at less than one month's notice, the Inbound Outbound Customs Module and IRIS-2 Customer Shipment Management System were enhanced to facilitate the submission of US customs manifests from an inbound to an outbound process.

By the end of 2002, Cargo*Smart* had more than 7,500 active, registered users and had enhanced its customer product range by adding Customised Sailing Schedule, Customised Reports and Bill of Lading Document Manager.[9]

Topping-out of Phase 2A of Century Metropolis, Xuhui District, Shanghai totaling 30,000 sq m took place.

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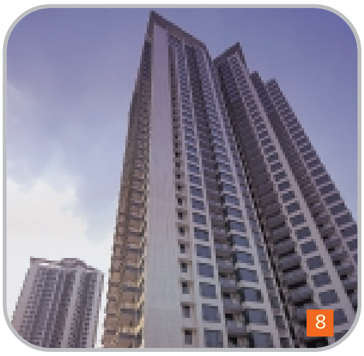

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CargoSmart®

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Chairman's Letter

RESULTS FOR 2002

The performance of Orient Overseas (International) Limited and its subsidiaries (the "Group") for the year of 2002 as a whole has turned out to be much better than expected. In my statement on 16th August 2002 in the Interim Report, I referred to the first half of 2002 as having been one of the worst business environments in the history of the industry but I also intimated that at that time there were some signs that, for our core business of containerisation transportation, the imbalance between supply and demand was beginning to right itself. This indeed proved to be the case and I am pleased to be able to report that the Group recorded a profit before tax and minorities of US$62.9 million for the financial year 2002. A profit attributable to shareholders of US$51.7 million was recorded which represents a fall of just 16% from the attributable profit of US$61.3 million which we recorded in 2001. We should view this result as a commendable achievement in the light of the prevailing economic conditions throughout much of the year during which the industry as a whole experienced considerable difficulties.

The Board of Directors recommends the payment of a final dividend of US2.5 cents (HK19.5 cents) per share to ordinary shareholders. Over the years the Board of Directors has maintained a policy of proposing the dividend at a level which reflects the performance of the Group for the period in question but balanced by the capital needs of the company in the light of both the then prevailing and predicted future business conditions. It was for these reasons that the Board of Directors considered it imprudent to recommend a dividend at the interim stage for 2002. However, the result for the year as a whole is a significant improvement over that predicted in the middle of 2002 and the forecast trading conditions for 2003 have also improved over the last six months. The recommended final dividend of US2.5 cents (HK19.5 cents) maintains the dividend at the same level as was paid for the year of 2001 as a whole.

The Group's operations remain organised into two distinct operating entities a structure which continues to give each the required independence and ability to concentrate on their respective businesses.

Our International Transportation, Logistics and Terminals division performed admirably during 2002. The end of 2001 and the beginning of 2002 was a period during which business sentiment was possibly at one of its lowest ebbs ever, certainly in relation to the container liner industry. Business confidence had fallen steadily during 2001, made still worse by the sad events of 11th September 2001, as world economic growth slowed and amidst forecasts of a further world-wide slowdown and of a recession in the US, still the dominant driver of world trade and economic activity. The supply side projections exacerbated the situation with projections of significant tonnage increases to be deployed during the year which would serve only to perpetuate the problem of inadequate freight rates. It was in this environment in early 2002 of poor volume growth forecasts and pessimistic projections of significant tonnage increases in which we were obliged to negotiate the service contracts, under which we carry the majority of our containers, for the contract year 2002/2003. They were perhaps the worst business conditions for many years and, as a result, contract rates for the industry in general were set at almost unsustainably low levels.

Against this background of severely depressed trading conditions we placed an even greater emphasis on improving our cost efficiency. In the event however, and as so often transpires, container volume growth in 2002 exceeded all expectations and the introduction of new tonnage into service was at a lower rate than forecast. During the traditional peak season, rather than ships sailing the oceans half full as the pessimists had been predicting there was a marked shortage of space. This situation was then accentuated by the temporary work stoppage at US West Coast ports. However, this latter event had the effect of once again driving home the point to shippers as a whole, that quality of service, the certainty of available space and both the promptness and reliability of delivery, should remain or indeed be reinstated at the top of their priority list. During the second half of 2002 therefore, better utilisation levels led to stronger freight rates as the availability of space tightened. However, the full impact upon freight rates is delayed until the current service contracts either expire, the majority on 30th April 2003, or are fulfilled in terms of their minimum quantity requirements.

Our container terminal businesses in North America enjoyed mixed fortunes in 2002 as they had in 2001. Overall, the four terminals, two in New York and two in Vancouver, achieved a 3.9% increase in throughput. However, both the volume growth and performance varied significantly between the individual operations. In Vancouver the two terminals, Vanterm and Deltaport, performed commendably and achieved a combined increase of 26% in throughput, in terms of actual lifts, and a 75% improvement in operating profits. We expect them to maintain this level of performance in 2003.

In New York, our terminal at Howland Hook has now begun to reap the benefits of the management changes we made in late 2001 and which I outlined in my Letter last year. For the year 2002, and for the first time albeit in its relatively short history, it has made a meaningful contribution to Group profits on a total throughput much unchanged from 2001. Unfortunately it did suffer the loss of one customer in the latter part of 2002 but our continued efforts to negotiate a lower cost base together with the gradual replacement of this lost throughput, provide us with the confidence that an even better performance will ensue in 2003.

I have to report on the other hand however, that Global Terminal in New Jersey experienced a very difficult 2002. I mentioned last year that due to bankruptcy it had lost one of its two major customers and this unfortunately was followed in 2002 by the loss of its other major customer as a result of the exercise in the rationalisation of services undertaken by many of the major liner companies during the early part of last year. As a consequence, Global Terminal experienced a near 60% fall in throughput thereby producing a negative result for the year. However, I am pleased to report that as a result of a noteworthy and collective management effort to secure new business, a significant level of replacement throughput has been contracted to the extent that, with the number of vessel calls already increased during February 2003, Global Terminal has now returned to profitability. These measures, combined also with being the recipient of diverted services caused by the congestion at some other terminals as the supply and demand balance improves in the Port of New York and New Jersey, gives us a degree of confidence that for 2003 Global Terminal will have returned to a more adequate level of profitability as it returns to operating at 85 to 90% of capacity.

We continue to invest significantly into these terminal facilities as we upgrade both the equipment and the services we provide to our customers. In addition we remain alert to the opportunities which arise from time to time to invest in other new terminal projects in which we see good prospects in terms of location, hinterland and future profitability.

During 2002 we have continued the development of our automated IT platforms. Cargo*Smart*, the award winning neutral portal developed by us for the container transportation industry, is designed to allow customers a faster response time and self-directed and automated services providing better cost efficiencies. Today, it is employed daily by over 5,000 different companies and currently holds over 800,000 managed shipments. To enhance efficiency and effectiveness amongst carriers and vendors, further enhancements to Depot*Smart*, the neutral online depot operations network, have been delivered. All processes and amendments are fully transparent and simultaneously updated to prevent errors and to provide operational cost savings as well as to streamline operational and communications efficiency. Today, over 380 depots around the world are using Depot*Smart*. Internally, we continue to enhance our award winning object-oriented enterprise system, IRIS-2. It remains the driver within the organisation towards the continuing improvement of our products and services for the benefit of our customer base as a whole. It also continues to provide us with greater business efficiencies and cost savings which have become evermore crucial as a result of the difficult economic conditions of 2002.

OOCL Logistics, formerly known as Cargo System, is the Group's international logistics management division. Founded as a global freight services provider and through leading-edge IT applications, OOCL Logistics today serves as a Lead Logistics Provider ("LLP"). By integrating a wide range of value added services through its worldwide network, it provides customers with integrated international logistics solutions, managing and optimising multiple carriers, service providers and transportation modes with visibility and event management capabilities. While bearing the well-recognised OOCL brand name, OOCL Logistics is a neutral LLP, with the goal to maximise value for its customers. It is well positioned to expand in the rapidly growing marketplace in a manner consistent with the Group's short and long term business objectives. To extend its IT logistics leadership OOCL Logistics has also launched the Horizon Project which seeks to manage the entire supply chain from manufacture through to retail. It will further enhance and improve our supply chain logistics products and services to our customers.

Consistent with the Group's overall goal of the significant expansion of its logistics services capabilities, OOCL Logistics will focus upon Service Quality and the continual improvement of customer satisfaction. It will create cost efficiencies by creating programs and services that measurably save time and money both internally and for customers. Through the introduction of new products and services it will meet growing customer needs for expanded global freight management and logistics services. It will also place yet further emphasis on and build upon its long-standing presence and experience in China, which we continue to view as the market in which we lead in expertise and which possesses the greatest potential. OOCL Logistics will expand its distribution capabilities and facilitate the effective customer utilisation of business practices and, with its Information Technology, it will continue to deliver advanced, integrated, web-based solutions that support a full range of transportation, warehouse management, network collaboration and management reporting requirements.

Our Property Development and Investment division enjoyed another good year in 2002. Our development projects in Shanghai benefited yet again from the increasingly active and rising residential real estate market. During the year, we continued our efforts to maximise the returns from our existing projects, to source new projects and, even more firmly, to consolidate what is already a profitable business unit. We believe that this has already largely been achieved and the reputation of Orient Overseas Developments Ltd ("OODL") in Shanghai yet further enhanced. We look forward to being able to take additional advantage of the experience and expertise already gained to create an independent, professional and firmly profitable business.

We believe that both China's entry to the WTO and the gradual build up to the 2008 Olympic Games will slowly but surely benefit all sectors of the Beijing property market but in the longer term. Beijing Oriental Plaza, in which the Group continues to hold an 8% interest, will also therefore begin to enjoy the better returns from a stronger market environment as existing leases fall due for renewal. At the present time however it remains a long-term investment and is unlikely to begin to produce a return in the shorter term.

At the operational level, Wall Street Plaza performed less well than it did in 2001. It began 2002 with a 100% occupancy rate and with the vast majority of its rentable space leased through until 2004. However, as I had last year intimated might happen, one major tenant, under Chapter XI protection, handed back a significant proportion of the lettable space. This had an obvious effect upon the performance for the year but nevertheless the return from this investment remained healthily positive although below budget. Great efforts have been made over the past months to re-let this space and we are confident that by the end of March 2003 the vacancy rate will have been reduced to under just 3%. However, the events of 11th September 2001 continue to overhang sentiment and the demand for prime office space in Lower Manhattan. Rental levels have suffered accordingly. Last year we took the prudent measure of writing down the book value of this investment property and, as a result, we have been able to leave it unchanged for this year.

To predict the outcome for the current year is possibly a little easier than it was at this time last year. I can certainly be a little more confident of our overall performance than I was last time. Although there are some conflicting indicators, the recovery of the US economy appears to be entrenched if at a modest pace. While the measures of consumer confidence reflect some volatility the actual levels of consumer demand for imported goods have of late remained relatively strong. This pattern broadly is repeated in Europe as a whole although there are some pockets of concern such as in Germany where rising unemployment and falling consumer confidence do give rise to some apprehension. It is of course the levels of domestic consumer spending and the behaviour of the consumer which has by far the greatest direct impact upon container volumes. There are therefore a number of issues which could seriously impact upon our business this year and about which we must be concerned. The geopolitical climate around the world is perhaps more fragile right now than it has been for a long time. The continuing conflicts centred on the Middle East cause uncertainty and trepidation in the global economy and serve at the very least to destabilise consumer markets throughout the world. This, combined with the troubles in Venezuela, has served to push up the price of oil significantly which, in addition to inflating our cost base through much higher bunker prices, now has the potential to exert recessionary pressures on the major world economies. More directly, we must also continue to be conscious of the delicate supply and demand balance between container volumes and new tonnage deployment in the major container trades in which we operate. There has been a return over the last six months to a better equilibrium to the extent that there now exists the potential for an excess of demand over supply during the critical peak season. We cannot be confident that this situation will continue into the medium term however. I have already outlined the threats on the demand side but on the supply side orders continue to be placed for new tonnage at prices which appear attractive when compared with their recent heights. Any further increase in this rate of ordering will have the potential to return us together with the remainder of the industry to the situation in which freight rates are unsustainably low. Nevertheless, in the shorter term, we can be marginally more confident with demand seemingly set to remain strong and there being no availability of berth space at the shipyards for newbuilding tonnage until well into 2005.

Each year I pay tribute to the people who work so dedicatedly within the Group and it is possibly even more appropriate this year. They now number some 4,743, both on land and at sea, and it is only through their diligence, perseverance and indeed sometimes both sweat and inspiration, that the Group has been able to achieve the level of performance it has in a year which started so poorly and for so long seemed set to remain poor.

C C Tung
Chairman and Chief Executive Officer
Hong Kong, 14th March 2003

Supply Chain

As a total logistics service provider, drawing on the strengths of our powerful information system, we offer customers integrated and tailor-made logistics solutions at every stage in the supply chain.

OOCL
ON BOARD
DATE CARGO RECEIVED
OOCL NETHERLANDS
JAMAICA
Kingston
Port-au-Prince
PUERTO RICO
(U.S.A.)
GUADELOUPE
MARTINIQUE
330

Operations Review

INTERNATIONAL TRANSPORTATION, LOGISTICS AND TERMINALS

From a very impropitious start to the year our international transportation, logistics and terminals operations experienced steadily improving business conditions from mid 2002 onwards. The recovery in freight rates over the past few months seems to have become relatively well entrenched to the extent that we can expect an improved performance in 2003. The peak shipping season during the third quarter remains critical however to the eventual outcome for the year and the uncertain political situation serves only to undermine confidence.

CONTAINERISED TRANSPORTATION

All trade routes experienced an improvement in performance during the course of 2002 as volumes increased significantly and freight rates began to firm. Overall, on a 4% improvement in the load factor, OOCL recorded total revenue growth of 2.3% on a 13% increase in total liftings but against a 9% drop in the underlying average revenue per TEU. The Trans-Pacific businesses, i.e. both East Coast and West Coast services, together saw the load factor improve by 6%. Liftings increased by 16% and total revenues by 6.6% but average revenue per TEU dropped by 8%. On the Asia-Europe routes for the year of 2002 as a whole, load factors were up by 5% and liftings by 3.5% but total revenues fell by 9% and average revenues per TEU by 12%. A similar pattern of performance was recorded by the Transatlantic services. An 8% improvement in the load factor and a 7% increase in liftings on the one hand were balanced on the other by a near 4% fall in total revenues and a 10% drop in average revenues per TEU.

Our Intra-Asia trades achieved a 10% increase in liftings on an unchanged load factor but, while total revenues improved marginally by 0.4%, average revenue per TEU fell by 9%. Our Australia services, while suffering a significant 15% fall in revenue per TEU, managed to achieve a 13.6% growth in total revenue as a result of a 34% increase in liftings, augmented by the introduction of a new loop, on a load factor improved by 6%. Our still fledgling Intra-Europe services recorded an 85% increase in liftings and an 81% increase in total revenues on a load factor improved by 17% and a fall in average revenue per TEU of just 2%.

Balanced against the benefits which accrued from these improvements in liftings, total revenues and load factors was a fall across all trade routes in average revenues per TEU.

Fundamental therefore to the preservation of profitability was and will remain the continued close control over the cost base. We also had to withstand the adverse impact of a steadily rising oil price and, later in the year, a softening US Dollar which had the effect of increasing our non-US Dollar shore based overheads and operating costs relative to revenue and our overall bunker costs. These unfavourable movements would appear likely to remain in place, certainly in the shorter term.

During February 2002 OOCL took delivery of the "*OOCL Thailand*", a vessel under long-term charter and the last in our "S" Class series of c. 5,500 TEU ships. In April and June 2003 OOCL will take delivery from Samsung in Korea of the "*OOCL Shenzhen*" and "*OOCL Long Beach*". Both are to be employed in our Grand Alliance services and are the first of the eight, now re-rated, 8,000 TEU "SX" Class vessels currently on order. In May 2003 OOCL will take delivery from Daewoo in Korea of the "*OOCL Montreal*", a 4,200 TEU ice-strengthened vessel for deployment in our North Atlantic services between Europe and Canada. Simultaneously, we shall deliver the "*OOCL Canada*", our 2,330 TEU ice-strengthened vessel, to its new owners under the existing contract of sale.

Beginning in January and ending in June 2003, OOCL has taken or will take delivery of the "*OOCL Xiamen*", "*OOCL Osaka*", "*OOCL Sydney*" and "*OOCL Melbourne*". These are 2,754 TEU vessels built by Imabari in Japan and are or will be under long-term charters for deployment within either our Australasian or Intra-Asian services.

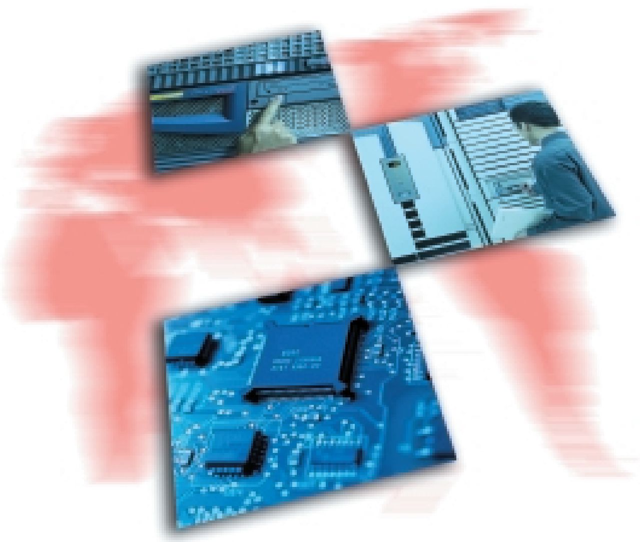
These various newbuilding programmes are in line with our long-term business plans. OOCL's internal organic growth plans, to be supported by sustained profitability, remain in place and indeed should remain in place and unaffected by the shorter term vagaries of the market place. Overall it is these internal plans and the longer term market trends which we must concentrate upon and be guided by so as to be prepared for future business volumes, whether they be up or down. Historically, container volumes have grown at a variously estimated average annual rate of between 6% and 8%. In order merely to stand still we must grow our owned and long-term chartered-in tonnage by a similar percentage and by more if we are to meet our internal organic growth targets which, hitherto, we always have. In accordance with these longer term projections OOCL so far has two 8,000 TEU "SX" Class newbuildings scheduled for delivery in 2003, four for delivery during 2004 and a further two for delivery in 2005.

LOGISTICS

OOCL Logistics, previously operating under the Cargo System banner, sustained high double digit growth during 2002 by providing innovative freight management services and leading edge IT solutions for its diverse and growing number of customers. In accordance with its five-year business plan, several major initiatives were launched and are now at various stages of development. Two particular areas of focus have been notable in their development. The China Distribution network expansion programme has been designed to expand the base of regional distribution centres and cross-dock operations in the strategically important China market while the effort in Information Systems development has been to support OOCL Logistics as an information integrator. The broad scope of this program encompasses systems architecture, the utilisation of new technologies and the development of new features and applications.

INFORMATION TECHNOLOGY

The Group continues its policy of further investment in its IT capabilities as a means of achieving greater customer satisfaction and cost efficiency through "Simplification, Standardisation and Automation". By the implementation of these three imperatives, which follow automatically from the one to the other, we can achieve our further goal of "Self Service". This entails the further automation of processes to the extent that our staff are systematically and increasingly freed from the constraints of day to day process management and are progressively more available to concentrate on exception management and the continuing improvement and broadening of our customer services. It is essential to ensure that in these developments, we not only retain but increase and improve the human involvement and personal service provided in order to enhance dynamic management on a real time basis. To facilitate these processes and to aid in the decision making process, we have developed various internal systems. THAMES ("Traffic Hourly Adjusted Monitoring & Enquiry System") and MERIT ("Model for Empty Repositioning & Inventory Tracking") have enhanced the speed of and data transparency in monitoring regional booking traffic and equipment inventories. They have also enabled proper decision making at the regional level and allow a greater control and autonomy to the regions in the management of their own business volumes.



Cargo*Smart*, as one of the most advanced and comprehensive open software platforms in the industry, allows customers to manage their shipments with multiple carriers and to share information online. Cargo*Smart* won the World Trade Magazine's 2002 Supply Chain technology Innovation Award - selected as the Most Innovative Technology service provider. In addition to Sailing Schedules, Internet Booking Requests, Shipment details, Cargo Tracking, E-mail notification, Relationship Manager and Shipment Coverage, further enhancements were made during 2002 and the online management services now include Customised Reports, Customised Sailing Schedules, B/L Document Manager, allowing customers to print Bills of Lading over the Internet, Multi-Carrier Integration ("MCI") with enhanced customer registration, invoice and shipment enquiry. Payment Advice and ePayment are targetted for delivery in June 2003.

To improve our internal efficiencies yet further, several new releases of IRIS-2 were delivered in 2002. These enhancements included Internet Work Order ("IWO") which provides job order confirmation, and enquiry and print features for vendors over the Internet. The Detention and Demurrage module and the Accounts Receivable Combined Invoice module are to improve the efficiency of shipment detention and demurrage tracking and provide accurate invoices to customers to improve the overall collection of detention and demurrage revenue.

We have also continued the development of Depot*Smart* as a neutral online depot operations network to utilise the power of e-commerce to streamline the operational and communications efficiency of depots and to save costs throughout the logistics chain. Major enhancements include modules to improve input efficiencies, enhance billing visibility, eliminate regular manual checking processes and to enable proactive checking via system alerts.

CONTAINER TERMINALS

The performance of the container terminals in 2002 overall reflected a deterioration from the levels achieved in the previous year for a number of reasons. However, the results of the individual terminals varied greatly. The strength of domestic Canadian import demand together with the growing attraction of Vancouver as a fast and efficient gateway to the US mid-West enabled our two terminals in Vancouver, Deltaport and Vanterm, to achieve a combined 26% increase in the number of containers handled. Although revenues per lift fell slightly the two terminals

together produced a 75% increase in operating profits. During the disruption at the US West Coast terminals in late 2002 a certain amount of cargo was diverted via Vancouver and this allowed the physical demonstration of the advantages of Vancouver in terms of its speed, efficiency and competitiveness. With a growing number of Trans-Pacific services making Vancouver their first port of call we are confident of a bright future and yet further performance improvements from these operations.

The Port of New York and New Jersey has seen a number of developments over the past few years. New facilities have begun operations whilst at the same time the general climate in the industry in late 2001 and early 2002 led a number of major liner companies to re-evaluate and in some cases rationalise their services. The result of these exercises was that by March 2002, having already lost one of its two major customers through bankruptcy, Global Terminal lost the other. Its throughput for the year of 2002 therefore suffered a dramatic fall of 58%. Compounded by a slight drop in revenue per lift these were unviable business volumes and as a result Global Terminal recorded a significant loss for 2002. Later in 2002 however, strong US import demand together with the uncertainties created by the disruption to the US West Coast ports lead to the introduction of capacity increases in the Trans-Pacific all water services to the US East Coast. With new business secured as a consequence, combined with diverted traffic as a result of the congestion at some other terminals in the Port of New York and New Jersey, Global Terminal had returned to profitability by early 2003 and we are confident of a much improved result for the year of 2003 as a whole. We remain positive in relation to the longer term future of this Terminal, which is the only terminal in the Port in which the freehold interest is held by the operator. Its location is also unique in that it is the only major terminal in the port which does not require vessels to pass under the Bayonne Bridge and be subject to the air draft restrictions involved. In 2002 for the first time, the combination of an unusually high tide and a low deadweight caused the master of a vessel to refuse to pass under the Bayonne Bridge and to divert to Global Terminal.

Our terminal at Howland Hook on Staten Island also suffered from the loss of a customer during the latter part of 2002 but, for the same reasons as above, we are confident that it will recover this slight drop in volume. For 2002 as a whole its throughput remained almost unchanged from 2001 as did its revenues per lift. However, resulting from the management changes which we made in late 2001 and an ensuing focus upon the cost base, the terminal managed to achieve a positive result for 2002. We are confident that, following a further restructuring of its cost base, now almost complete, together with a recapture of the business volumes lost, the performance of the Howland Hook Terminal will improve yet further during the current year.

PROPERTY INVESTMENT

The Group continues its policy of selected investments of size and quality which have the potential for solid and consistent returns.

The Group retains its 8% interest in Beijing Oriental Plaza which is now almost completed. With regard to construction, the West Service Apartments were completed in April 2002 now leaving only the East Service Apartments on which construction is due for completion during April 2003. The status with regard to leasing is that the Shopping Mall is over 80% let and the East and West Office Towers are over 50% let. The Hotel Service Apartments and the hotel itself are currently enjoying occupancy rates of 80% or above. The project overall would be profitable were it not for the heavy annual depreciation charges.

Hitherto, there has been the potential for a call for further funding from shareholders which would have involved the injection of a further US$9.2 million by the Group. However, during the course of 2002, a portion of the project's total loan facility was converted into US Dollars and, as a result, it is not now expected that any additional funding by shareholders will be required.

Wall Street Plaza, the Group's investment property in the financial district of New York, USA began 2002 benefiting from a near 100% occupancy rate and from lower interest and

other costs. The return of a significant proportion of the rentable space by one tenant under Chapter XI protection had its expected impact upon performance but nevertheless the performance overall for the year was not far below budget. In early 2003 the vacancy rate for Wall Street Plaza was at around the 11% level, compared with a year end estimate 13.2% for the Downtown Manhattan area as a whole. Market sentiment remains poor with many New York businesses having re-evaluated their need for Manhattan offices following the events of 11th September 2001. Nevertheless, we are confident that the successful conclusion to lease negotiations currently under way will see the vacancy rate for Wall Street Plaza reduced to around 2.8% by the end of March 2003.

As at 31st December 2002 the building was valued, on an open market basis, at US$90 million representing no change from that provided by the same valuer at the end of 2001.

Property Development and Investment

As a property developer and investor, we continue to select choice locations and quality projects with the objective of securing a solid and continuing return. We have established ourselves as a quality residential developer, and will continue to build upon the brand name in Shanghai and beyond.



PROPERTY DEVELOPMENT

Shanghai's high-end residential market strengthened markedly during 2002 despite the re-emergence of deflation. The upward movement was caused by continued income growth, pent-up demand, the prospect of the tax rebate policy not being extended, a lack of supply of resettlement housing, the implementation of more market driven measures of resettlement compensation and continued foreign investment into China from abroad.

Correspondingly, the secondary market also moved up significantly. The ratio between first hand and second hand transactions achieved parity in 2002. This is a record percentage for recent years and a positive development for the market. Looking forward, we anticipate that there may be a slight but temporary short-term slowdown in the hitherto rapid growth of the high-end residential sector. However, the mid-tier market should remain strong and over the medium to longer term, we expect the market generally to continue in its upwards direction due mainly to the strong growth in personal income levels and therefore, the growing affordability of private residential ownership and the continuing release of pent-up demand.

With a dedicated staff of 100, the Group's property development team under Orient Overseas Developments Ltd ("OODL"), focused on the planning, building and delivery of improved products within an increasingly competitive environment. In addition, OODL continued its efforts to achieve higher operational efficiency and to enhance its already established brand name within the residential property sector in Shanghai. Sourcing efforts have progressed in a way consistent with our market view and corporate strategy. With a holding company structure now established and formalised, OODL will continue to move towards more firmly establishing a stand alone and profitable property investment and development business in Shanghai and beyond.

During 2002, progress continued at Century Metropolis, the residential project in the Xu Hui District of Shanghai, totalling 240,000 sq m. The sales price and rate of sale were in line with projections and a solid return is expected from the project. OODL successfully completed the hand over of Phase 1A totalling 65,000 sq m and began the handover procedures of Phase 1B totalling 83,000 sq m. Phase 2A was topped out in December 2002 and construction is expected to begin on Phase 2B during the first half of 2003. Phase 2A, a low density phase totalling 30,000 sq m, was awarded the "Best Ten Most Valuable Residential Investment Properties Award" during the year.

Resettlement efforts continued during 2002 regarding the Changle Lu site in the Luwan District of Shanghai. The project has a total Gross Floor Area of 135,000 sq m and will feature a high end residential complex in one of Shanghai's most prestigious locations. Excavation works will begin during the second half of 2003 and sales are scheduled to commence towards the end of 2004.

A letter of intent was signed in December 2002 with the Government of the Huang Pu District of Shanghai in relation to a residential site. The progression of this potential development project will continue during 2003.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	**2002**	2001	Variance
Operating results by activity:			
International transportation and logistics	**69,481**	116,735	(47,254)
Container terminals	**11,856**	9,788	2,068
Property investment and development	**19,631**	(711)	20,342
Investments and corporate services	**(5,921)**	(4,366)	(1,555)
Earnings before interest and tax	**95,047**	121,446	(26,399)
Interest income	**11,079**	11,218	(139)
Interest expense	**(36,932)**	(55,987)	19,055
Financing charges	**(6,292)**	(5,588)	(704)
Profit before taxation	**62,902**	71,089	(8,187)
Taxation	**(10,954)**	(9,280)	(1,674)
Minority interests	**(210)**	(522)	312
Profit attributable to shareholders	**51,738**	61,287	(9,549)

Comparative figures of 2001 have been restated or reclassified in accordance with the new and revised accounting standards issued by the Hong Kong Society of Accountants. The details of restatement and reclassification are included in Note 1 to the Accounts.

International Transportation and Logistics

Summary of Operating Results

US$'000	2002	2001	Variance
Turnover			
Asia	**1,439,984**	1,387,763	52,221
North America	**417,455**	400,002	17,453
Europe	**316,557**	309,064	7,493
Australia	**44,124**	37,783	6,341
	2,218,120	2,134,612	83,508
Cargo costs	**(1,013,763)**	(952,834)	(60,929)
Vessel and voyage costs	**(476,820)**	(437,214)	(39,606)
Equipment and repositioning costs	**(368,111)**	(340,650)	(27,461)
Gross profit	**359,426**	403,914	(44,488)
Business and administrative expenses	**(283,537)**	(289,124)	5,587
Other operating income, net	**2,510**	2,674	(164)
	78,399	117,464	(39,065)
Share of results of jointly controlled entities	**(8,918)**	(729)	(8,189)
Earnings before interest and tax	**69,481**	116,735	(47,254)

The operating results for international transportation and logistics include the operations of Long Beach Container Terminal in California USA and Kaohsiung Terminal in Taiwan which form an integral part of that business.

The international transportation and logistics business trades under the "OOCL" name and continues to be the principal revenue contributor to the Group and accounted for approximately 90% of the Group's revenue in 2002. Although the scale and operation of property development projects in China has gradually matured and income from that sector rises, international transportation and logistics will continue to be the core business of the Group in which the majority of operating assets will be deployed.

Asia

Asia is the largest revenue generating area for the international transportation and logistics business. Turnover categorised under this area is composed of the following:

- Eastbound freight of the Asia/North America West Coast service;
- Eastbound freight of the Asia/US East Coast service;
- Westbound freight of the Asia/Northern Europe service;
- Westbound freight of the Asia/Mediterranean service;
- Southbound freight of the Asia/Australia and New Zealand service;
- various Intra-Asia services; and
- the operation of Kaohsiung Terminal in Taiwan.

Turnover from the Asia area rose from US$1,387.8 million in 2001 to US$1,440.0 million in 2002 with a notable increase in the exports to North America across the Pacific, where a significant portion of the revenue was derived. Intra-Asia services maintained a healthy growth in terms of cargo volume but on the revenue side, freight rates declined during the year. The turnover growth achieved by other services was, in part, eroded by the drop in revenue from the Asia/Northern Europe segment.

Liftings on the Eastbound Asia/North America West Coast service increased by 18% while the Westbound leg of the Asia/Northern Europe service also recorded a 3% growth. However, the fall in average freight rates, by 12% and 13% respectively for the two trades, limited the revenue gain for the year.

Overall load factors as a percentage of the capacity available during 2002 rose by 4%, reflecting an increase in business activity on the Trans-Pacific and Europe bound routes. Results from this region will always be dependent upon the economic environment and consumption patterns in North America and Europe.

Kaohsiung Container Terminal in Taiwan forms an integral part of the international transportation and logistics business and its terminal facilities were mainly employed by OOCL and its alliance colleagues.

North America

Turnover categorised under the North America area is comprised primarily of the following:

- Westbound freight of the Asia/North America West Coast service;
- Westbound freight of the Asia/US East Coast service;
- Eastbound freight of the US East Coast/Northern Europe service;
- Eastbound freight of the Canada/Northern Europe service; and
- the operation of Long Beach Container Terminal in California, USA.

Revenue increased marginally by US$17.5 million for this area in 2002. Positive growth in liftings was achieved on the Trans-Pacific services but was, however, counteracted to a large extent by freight rate declines. The Eastbound trades to Europe displayed the same pattern with a pick up in liftings offset by a drop in average rates.

Westbound liftings on the Asia/North America West Coast service recorded a slight increase over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal achieved a notable improvement, taking advantage of the temporary work stoppage at US West Coast ports in the latter part of the year. The revenue gain from the growth in liftings on the Eastbound Canada/Northern Europe and US East Coast/Northern Europe was largely eroded by the two-digit decline in average freight rates during the year.

Average revenue per TEU on all outbound cargoes from North America fell by 8% in 2002 compared with 2001, with a notable decline in the Transatlantic routes.

With the growth in liftings outpacing the increase in capacity, overall load factors in the region recorded a 2% gain from last year.

Long Beach Container Terminal forms an integral part of the international transportation and logistics business with its terminal facilities mainly employed by OOCL and its alliance partners. The operating results of the terminal were comparable with those of 2001.

Europe

Turnover categorised under the Europe area is composed primarily of the following:

- Westbound freight of the US East Coast/Northern Europe service;
- Westbound freight of the Canada/Northern Europe service;
- Eastbound freight of the Asia/Northern Europe service;
- Eastbound freight of the Asia/Mediterranean service; and
- various Intra-European services.

Turnover for this area in 2002 slightly surpassed that of 2001 by US$7.5 million. The Eastbound leg of the Asia/Northern Europe services, being the largest source of revenue for the Europe area, suffered from a dramatic drop in freight rates, which was only alleviated, in part, by a moderate growth in liftings. The increase in turnover for 2002 was largely contributed by the various expanding Intra-European services.

The performance of the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were no better than the Asia bound leg under the influence of a strengthening Euro. The positive growth in liftings was largely eroded by an erosion of freight rates. The strategic expansion of various Intra-European services, on the other hand, recorded a commendable increase in both liftings and revenue for the year.

Overall load factors as a percentage of capacity available for cargo shipments from this region were 9% ahead of 2001 which is attributable to a stagnant growth in capacity against a moderate liftings increase for the year.

Average revenues per TEU on all outbound cargoes from Europe recorded a 9% reduction from the 2001 levels with both the Transatlantic trade lanes and the export market to Asia experiencing similar pressure on freight rates.

Australia

Turnover from this area is principally the Northbound freight of our Asia/Australia and New Zealand services. The East Asia/Australia service, operating in alliance with ZIM, ANL, K Line, MOL, NYK, P&O and China Shipping, expired in April 2002 and was replaced by a new consortium comprising ANL, China Shipping and ZIM from May 2002 onwards. The South East Asia/Australia service is operated in alliance with MISC, MOL and PIL. The New Zealand service is operated under a slot purchase agreement with Pacific International Lines and RCL.

Liftings on the Northbound Asia/Australia and New Zealand service increased by 37% in 2002, at the expense of a 14% drop in average revenue, resulting in a net gain in turnover of US$6.3 million for the year.

Operating Costs

Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax which were largely paid in the local currencies of the areas in which the activities were performed. With a 13% growth in liftings for 2002, total cargo costs also rose by US$60.9 million, a 6.4% increase. Although terminal and transportation costs grew at a higher rate, savings were recorded in items such as commission and brokerage.

Vessel costs include the operating costs and depreciation charges for the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the desired service level. Although the number of vessels, 47 vessels, either owned or chartered in and operated by OOCL remained unchanged from 2001, total carrying capacity increased from the 146,973 TEU of 2001 to 153,543 TEU in 2002 through the phase-in of larger vessels. Vessel costs only increased slightly in 2002 with the deployment of newer vessels which were more cost efficient and commanded less repair and maintenance expenses.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. The number of sailings in 2002 increased by 4% and bunker prices also rose from an average of US$130 per ton in 2001 to an average of US$143 per ton during 2002. Costs in this category were driven up by 12.1%, as a result.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charges for the fleet of containers and chassis equipment while repositioning costs mainly arise from relocating empty containers from areas of low activity to high demand regions. Total equipment and repositioning costs increased by US$27.5 million in 2002, which was in line with the growing size of the container fleet from the 315,013 TEU of 2001 to 369,699 TEU in 2002.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. Although business volumes increased, the successful implementation of IRIS-2 led to overall efficiency gains and business and administrative expenses decreased in 2002 by US$5.6 million as a result.

Share of Results of Jointly Controlled Entities

Investments include a jointly controlled entity which was formed by members of the former Global Alliance to engage in vessel chartering. Following the reorganisation of that alliance at the end of 1997, vessel chartering activities in this joint venture company were much reduced and resulted in operating losses in subsequent years. Losses from this joint venture enlarged to US$8.9 million in 2002 as chartering activities further deteriorated during the year.

Earnings Before Interest and Tax

Earnings before interest and tax of US$69.5 million for the international transportation and logistics business in 2002 was US$47.3 million lower than last year. The slowdown in global economic growth adversely affected our performance in the first half of 2002. However, the steadily improving business conditions from mid 2002 onwards and the recovery in freight rates over the last few months of 2002 served to improve the full year result and narrowed the variance.

Container Terminals

Summary of Operating Results

US$'000	2002	2001	Variance
Throughput (units)	**1,051,051**	1,012,341	38,710
Turnover	**215,748**	221,482	(5,734)
Terminal operating costs	**(171,542)**	(171,587)	45
Gross profit	**44,206**	49,895	(5,689)
Business and administrative expenses	**(32,350)**	(43,522)	11,172
Profit on disposal of an investment	**—**	3,415	(3,415)
Earnings before interest and tax	**11,856**	9,788	2,068

Container terminal activities include the Group's multi-user terminal operations namely:

TSI Terminal Systems Inc. ("TSI") a wholly owned terminal and management company which operates the Vanterm terminal in Vancouver, Canada and the Deltaport Terminal at Roberts Bank near Vancouver. OOCL and other Grand Alliance members are principal customers of the terminals. After a slight profit set back in 2001, TSI's profitability returned to a commendable level in 2002 and prospects for the coming year remained positive.

Howland Hook Container Terminal, Inc. ("HHCTI") operates a three berth terminal facility on Staten Island, New York, USA. The Group owned an 80% interest in this company when business operations commenced in 1996. The Grand Alliance services began calling at the terminal in late 1999 and have since became a major customer. In 2001, a major management change took place with the Group acquiring the remaining 20% equity from the minority shareholder and it thus became a wholly owned subsidiary of the Group.

Global Terminal and Container Services, Inc. ("Global") operates a two berth terminal facility in New Jersey, USA. These facilities are used by a number of third party carriers. In 2001, one of Global's two major customers was declared bankrupt and withdrew from business. Another major customer, in the light of service rationalisation, also ceased calling at the terminal in early 2002, resulting in Global incurring a significant loss for the year.

Turnover

Turnover dropped by US$5.7 million in 2002 as a result of the significant drop in the business volumes of Global. Although total throughput levels surpassed last year's and set a new record, turnover recorded a decrease due to a decline in average revenue per box handled.

Terminal Operating Costs

Terminal operating costs were maintained at the 2001 level despite a moderate growth in the number of boxes handled in 2002. Continual improvements in productivity achieved by the Deltaport Terminal in Vancouver and stringent cost controls successfully implemented in HHCTI principally accounted for the lower average operating cost per lift in 2002.

Business and Administrative Expenses

Business and administrative expenses in 2001 included a one-time compensation payment made in respect of management changes in HHCTI and provisions in respect of doubtful receivables. With these non-recurring charges having disappeared in 2002 and the stringent cost controls, business and administrative expenses were US$11.2 million lower than last year.

Profit on Disposal of an Investment

In 2001, the Group disposed of its approximately 38% equity interest in Vecon, a two berth terminal facility in Venice, Italy. A profit of US$3.4 million arose from the disposal. No further investment disposal was made in 2002.

Earnings Before Interest and Tax

Overall operating results improved in 2002 with profit growth at TSI and improved performance in HHCTI more than offsetting the poor results recorded by Global.

Property Investment and Development

Summary of Operating Results

US$'000	**2002**	2001	Variance
Rental income	**18,510**	20,092	(1,582)
Property management costs	**(8,556)**	(8,316)	(240)
Gross profit	**9,954**	11,776	(1,822)
Business and administrative expenses	**(3,027)**	(2,364)	(663)
Profit before exceptional items	**6,927**	9,412	(2,485)
Revaluation deficit	**—**	(20,000)	20,000
Profit/(loss) from property investment	**6,927**	(10,588)	17,515
Profit from property development	**12,704**	9,877	2,827
Earnings/(loss) before interest and tax	**19,631**	(711)	20,342

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the "Wall Street area". The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 20,000 sq ft is occupied by Group companies. The Group also owns an 8% interest in a modern comprehensive office, commercial, hotel and residential apartment complex known as "Beijing Oriental Plaza", with a gross floor area of approximately 570,000 sq m, on a site located at Wangfujing Dajie, Beijing.

In addition, the Group owns interests in a number of jointly controlled entities to participate in property development projects in China. The primary location of the property development projects is in Shanghai. The principal profit contributor for the year was the development project in Ziyang Lu ("Century Metropolis") Phase 1B, Shanghai. The major income source in 2001 were the development projects, Zhenning Lu (the "Courtyards") and Phase 1A of Century Metropolis. The Group also acquired a land site in Luwan, Shanghai in the second half of 2001 and resettlement work started in 2002.

Rental Income

Rental income for 2002, representing mainly the rental income derived from Wall Street Plaza, was lower than the 2001 level due mainly to the early return of the leased space by one tenant under Chapter XI protection.

Revaluation Deficit

Wall Street Plaza was acquired in 1987 by the Group for US$150.0 million but was progressively written down based on professional valuations to reflect the then current market values. The building was valued at US$110 million at the end of 2000, but revalued downward to US$90 million in 2001, resulting in a US$20 million revaluation deficit for that year. The building was valued at US$90 million at the end of 2002 on an open market basis and by the same valuer, representing no change from last year.

Profit From Property Development

A profit of US$12.7 million was recorded from property development in 2002 compared with US$9.9 million in 2001. A majority of the current year profit arose from the Century Metropolis project in Shanghai while the principal profit contributor in 2001 was the Courtyards project.

Investments and Corporate Services

US$'000	**2002**	2001	Variance
Portfolio investment income	**1,511**	4,743	(3,232)
Long-term investment income	**30**	1,704	(1,674)
Profit/(loss) on disposal of long-term investments	**31**	(92)	123
Provision release/(for) diminution in value of long-term investments	**507**	(2,000)	2,507
Others	**(8,000)**	(8,721)	721
Loss before interest and tax	**(5,921)**	(4,366)	(1,555)

Investments in portfolio and, on a longer term basis, in bonds were managed in 2002 largely by in-house managers operating under guidelines imposed by the Investment Committee of the Board. No investment in financial derivatives, where the Group is exposed to financial obligation larger than the amount invested, is allowed.

Portfolio investments recorded a profit of US$1.5 million for 2002, a drop of US$3.2 million as compared with 2001. The portfolio investment result reflected the generally lower levels of return in the financial markets during 2002.

The income generated from long-term investments was negligible for 2002 compared with US$1.7 million in 2001 as a majority of the bonds previously held matured during the year.

In 2001 a provision of US$2.0 million was made for the diminution in value of an investment fund. A release of provision of US$0.5 million was made in 2002.

"Others" include corporate business and administration overheads, the operating results of residual businesses, exchange, the research costs of financial projects and other miscellaneous income and expenses. With savings recorded for corporate business and administration overheads, the expenses level in 2002 was US$0.7 million lower than that of 2001.

Interest Income, Expense and Financing Charges

The Group invests surplus liquid funds, other than funds allocated for investments in bonds and listed equity securities, in cash and bank deposits. The Group incurs interest expenses on bank loans, finance leases and, to a very small extent, on bank overdrafts. These borrowings are variously secured against vessels, containers, chassis, terminal equipment and the investment property owned by the Group. The Group also incurs financing charges on its asset securitisation programme and fees as a result of finance arrangement and lease administration.

Interest Income

Interest income arises from the deposit of available Group cash balances on a short-term basis with banks and other financial institutions. Interest income may vary year to year with the cash flows of the business, the level of capital expenditure and new investments (particularly in relation to property development projects in China) and the amount which the Group commits to its investment portfolio. Despite the decline in average interest rates, total interest income for 2002 was maintained at a comparable level of 2001 as interest rates on certain restricted deposits were more favourable.

Interest Expense

In line with the general decline in interest rates, interest expense decreased by US$19.1 million in 2002. A lower level of indebtedness for the year, as a result of scheduled repayments being greater than new loans drawn, also contributed to the savings in interest costs. The average cost of finance dropped from 4.3% in 2001 to 3.8% in 2002.

Financing Charges

Financing charges mainly include loan arrangement fees, commitment fees, financing costs for loan stocks and charges for the asset securitisation programme. Although there were savings in the asset securitisation programme with the lower prevailing interest rates, total financing charges for the year showed an increase of US$0.7 million principally due to the financing costs associated with the loan stocks of a subsidiary.

Profit before Taxation

Pre-tax profit for the year fell to US$62.9 million compared with US$71.1 million in 2001. The year 2001 pre-tax profit included a revaluation deficit of US$20 million from our investment property Wall Street Plaza. The international transportation, logistics and terminals business showed a commendable result for a year which started under an extremely difficult operating environment. The Group's result was aided by contributions from the strategically planned property investment and development segment.

Taxation

US$'000	**2002**	2001	Variance
Current overseas taxation			
Company and subsidiaries:			
North America	**6,450**	8,066	1,616
Europe	**107**	279	172
China	**381**	689	308
Asia and others	**289**	157	(132)
Jointly controlled entities:			
Europe	**13**	11	(2)
China	**3,714**	78	(3,636)
Total	**10,954**	9,280	(1,674)

The Group's tax liabilities largely arise from profits on its terminal operations in North America. Tax was also incurred for agency and logistics activities carried on in other parts of the world. The lower tax liabilities in North America for the year principally reflected the loss of Global Terminal in New Jersey while the increase in tax amount for jointly controlled entities was attributable to profits derived from property development projects in China.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2002	2001	Variance
Fixed assets	**1,342,438**	1,365,378	(22,940)
Jointly controlled entities	**35,576**	47,250	(11,674)
Long-term investments	**100,763**	98,783	1,980
Intangible assets	**27,541**	32,568	(5,027)
Cash and portfolio investments	**412,446**	402,424	10,022
Accounts receivable and properties under development and for sale	**258,913**	192,986	65,927
Deferred assets	**11,663**	10,895	768
GROSS ASSETS	**2,189,340**	2,150,284	39,056
Accounts payable and accruals	**(383,550)**	(356,261)	(27,289)
Current taxation	**(3,870)**	(4,311)	441
GROSS ASSETS LESS TRADING LIABILITIES	**1,801,920**	1,789,712	12,208
Long-term liabilities	**682,759**	760,386	(77,627)
Bank loan, overdrafts and current portion of long-term liabilities	**212,849**	176,073	36,776
Total debt	**895,608**	936,459	(40,851)
Minority interests and deferred liabilities	**45,869**	40,329	5,540
Ordinary shareholders' funds	**860,443**	812,924	47,519
CAPITAL EMPLOYED	**1,801,920**	1,789,712	12,208
Debt to equity ratio	**1.0**	1.2	
Net debt to equity ratio	**0.6**	0.7	
Accounts payable as a % of turnover	**15.6**	15.0	
Accounts receivable as a % of turnover	**7.9**	7.4	
% return on average ordinary shareholders' funds	**6.2**	7.7	
Net asset value per ordinary share (US$)	**1.66**	1.57	
Cash and portfolio investments per ordinary share (US$)	**0.80**	0.78	
Share price at 31st December (US$)	**0.49**	0.43	
Price earnings ratio based on share price at 31st December	**4.9**	3.7	

Comparative figures of 2001 have been restated or reclassified in accordance with the new and revised accounting standards issued by the Hong Kong Society of Accountants. The details of restatement and reclassification are included in Note 1 to the Accounts.

Fixed Assets

US$'000	2002	2001	Variance
International transportation and logistics	**1,114,406**	1,143,527	(29,121)
Container terminals	**137,939**	131,850	6,089
Property investment and development	**90,093**	90,001	92
	1,342,438	1,365,378	(22,940)

International transportation and logistics remains the core business of the Group and the one in which the majority of fixed assets are deployed. The assets largely comprise container vessels, containers and chassis, property, terminal and computer equipment and systems. In 2002, the Group placed orders for another two new container vessels, in addition to the seven vessels ordered in 2000 to 2001. The decrease in fixed assets was due mainly to the annual depreciation charges for the year.

The increase in fixed assets in container terminals in 2002 included the additional terminal equipment acquired by TSI during the year more than offsetting the charges for depreciation.

Fixed assets in property investment and development activities mainly represent the commercial building, Wall Street Plaza, in New York. The book value of this building was maintained at a valuation of US$90.0 million at the end of 2002, unchanged from that at the end of 2001.

Jointly Controlled Entities

US$'000	2002	2001	Variance
International transportation and logistics	**4,185**	7,251	(3,066)
Property investment and development	**31,391**	38,702	(7,311)
Others	**—**	1,297	(1,297)
	35,576	47,250	(11,674)

The investment in jointly controlled entities by international transportation and logistics mainly represents the 25% interest in a joint venture company formed pursuant to arrangements of the old Global Alliance to own and then charter vessels to alliance partners, and an interest in a joint venture for the operation of a container depot and transportation business in Qingdao.

Due to the reorganisation of the old Global Alliance in late 1997, the chartering of vessels to the then alliance partners resulted in losses. A loss of US$8.9 million was incurred in 2002 and, offset by a further contribution of US$6.1 million by the Group during the year, accounted for the drop in net investment value at year end.

For property development activities, investments in jointly controlled entities mainly consist of:

— a 47.5% interest in a domestic housing project located at Nan Chang Lu, Shanghai ("Joffre Gardens"). The development consists of four residential towers with approximately 70,000 sq m of gross floor area. The project was completed in 2000 when a greater part of the profit was recorded. The majority of the remaining units was sold in 2001. Liquidation of the project is currently underway.

— a 47.5% interest in a domestic housing project located at Zhenning Lu, Shanghai (the "Courtyards"). The development consists of four residential towers with a total gross floor area of approximately 65,000 sq m. The project was completed in 2001 and all units were sold and handed over to their buyers during the year. Dividend distribution and capital repatriation in respect of the project were largely completed in 2002.

— a 47.5% interest in a domestic housing project located at Ziyang Lu, Shanghai ("Century Metropolis") with a total gross floor area of approximately 240,000 sq m. This project is being developed in phases. Phase 1A was completed and handed over to buyers at the end of 2001. Handover of Phase 1B began in 2002 and Phase 2A was topped out in December of the year. The project was the major profit contributor for 2002.

The decrease in the investment in jointly controlled entities for property development activities is mainly a reflection of the dividends and capital repatriations from the Zhenning Lu project, offset in part by the profit recorded for the Ziyang Lu project for the year.

Long-term Investments

US$'000	**2002**	2001	Variance
International transportation and logistics	**1,072**	1,054	18
Container terminals	**—**	3,370	(3,370)
Property investment and development	**93,888**	93,601	287
Others	**5,803**	758	5,045
	100,763	98,783	1,980

Long-term investments of the Group at 31st December 2002 amounted to US$100.8 million, principally represented by the Group's 8% interest in Beijing Oriental Plaza of US$93.6 million.

Intangible Assets

US$'000	2002	2001	Variance
International transportation and logistics	**21,576**	25,143	(3,567)
Container terminals	**755**	1,754	(999)
Property investment and development	**5,210**	5,671	(461)
	27,541	32,568	(5,027)

Intangible assets principally represent computer software development costs, deferred property leasing expenses and financing charges. Other than property leasing expenses, which will be written-off over the leasing period, intangible assets are to be amortised over five years.

Cash and Portfolio Investments

US$'000	2002	2001	Variance
International transportation and logistics	**169,876**	148,111	21,765
Container terminals	**11,738**	14,980	(3,242)
Property investment and development	**10,054**	7,631	2,423
Portfolio investment funds	**220,778**	231,702	(10,924)
	412,446	402,424	10,022

The Group adopts a central treasury system under which funds surplus to planned requirements are set aside for portfolio investments in fixed income bonds or equities managed by in-house managers under guidelines imposed by the Investment Committee of the Board. Cash outlays in addition to normal operations are funded through the planned liquidation of portfolio investment funds.

Cash and portfolio investments per ordinary share at 31st December 2002 amounted to US$0.80 compared with US$0.78 at 31st December 2001.

The Group's investment portfolios are largely invested in short to medium-term US dollar bonds and similar instruments and short-term cash deposits. No investments are made in derivative investment products.

Accounts Receivable and Properties under Development and for Sale

US$'000	2002	2001	Variance
International transportation and logistics	**145,098**	125,635	19,463
Container terminals	**37,476**	42,753	(5,277)
Property investment and development	**76,269**	24,469	51,800
Others	**70**	129	(59)
	258,913	192,986	65,927

Accounts receivable and properties under development and held for sale increased by US$65.9 million to US$258.9 million at the end of 2002, principally reflected by further investments in the Luwan development project, Shanghai.

Accounts Payable and Accruals

US$'000	2002	2001	Variance
International transportation and logistics	**340,713**	318,536	22,177
Container terminals	**38,898**	30,316	8,582
Property investment and development	**1,941**	1,676	265
Others	**1,998**	5,733	(3,735)
	383,550	356,261	27,289

Accounts payable at the end of 2002 were US$27.3 million higher than those at the end of 2001. Accounts payable as a percentage of turnover at 15.6% was also higher than for 2001.

Total Debt

US$'000	2002	2001	Variance
Bank loans	**590,788**	586,826	3,962
Other secured loans	**21,606**	28,153	(6,547)
Finance lease obligations	**239,200**	278,585	(39,385)
Bank overdrafts and short-term loans	**44,014**	42,895	1,119
	895,608	936,459	(40,851)

Total debt decreased during the year by US$40.9 million principally as a result of the scheduled repayment of loans and bank indebtedness, offset in part by indebtedness drawn in 2002 to finance the capital expenditure on asset acquisitions. The repayment profile of the Group's long-term liabilities is set out in Note 25 to the Accounts. Total debt is a mixture of fixed and floating rate indebtedness.

Debt Profile

As at the end of 2002, over 92% (2001 : 91%) of the Group's total debts were denominated in US dollars which effectively reduces the risk of exchange fluctuations. Loans in currencies other than US dollars are hedged with comparable amount of assets in local currencies.

Of the total US$895.6 million debt outstanding at the end of 2002, US$160.3 million was fixed rate debt comprised mainly of container and terminal equipment leases. The fixed rates range from 6.2% to 10.6% dependent upon the cost of money at the time each transaction was entered into. The remaining US$735.3 million of indebtedness was subject to floating interest rates at various competitive spreads over three months LIBOR (or equivalent) and relates principally to indebtedness on vessels and the investment property, Wall Street Plaza. In order to reduce the impact on the Group's profitability of fluctuating interest rates, the Group entered into interest rate collar contracts for US$100 million of its floating rate debt. The Group's average cost of debt at 31st December 2002 was 3.8%, inclusive of the interest rate hedging contracts.

Net Debt to Equity Ratio

This ratio was lower at 0.6 during 2002, as against 0.7 for 2001, with commendable profits recorded for the year. The ratio is expected to rise in 2003 following the delivery and financing of new vessels ordered. However, forecasts for the business over the next five years indicate that the Group's objective to keep this key ratio below the 1.0 threshold will be achieved.

Operating Leases and Commitments

In addition to the operating assets owned by the Company and its subsidiaries, the Group also manages and utilises assets through operating lease arrangements. The total rental payment in respect of these leases for 2003 amounted to US$236.8 million as detailed in Note 32(b) to the Accounts of this report. Assets under operating lease arrangements consist primarily of container boxes, chassis, container vessels and certain terminals in North America.

At the end of 2002, the Group had outstanding capital commitments amounting to US$719.6 million, principally represented by the orders placed for nine new container vessels to be delivered in 2003 to 2005.

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

US$'000	2002	2001	Variance
Net cash inflow from operations	**169,846**	255,535	(85,689)
Investing and financing inflow:			
Interest and investment income	**9,455**	18,099	(8,644)
Sale of fixed assets and investments	**2,566**	8,257	(5,691)
New loan drawdown	**94,763**	90,589	4,174
Cash from jointly controlled entities	**10,575**	12,795	(2,220)
Capital contribution from minority interests	**3,600**	—	3,600
Others	**527**	523	4
	121,486	130,263	(8,777)
Investing and financing outflow:			
Interest paid	**(43,202)**	(63,195)	19,993
Dividends paid to shareholders	**(7,757)**	(20,685)	12,928
Taxation paid	**(5,966)**	(17,555)	11,589
Purchase of fixed assets and investments	**(70,203)**	(182,361)	112,158
Loan repayments	**(149,609)**	(151,840)	2,231
Purchase of intangible assets	**(7,088)**	(4,579)	(2,509)
Others	**(470)**	(510)	40
	(284,295)	(440,725)	156,430
Net cash inflow/(outflow)	**7,037**	(54,927)	61,964
Beginning cash and portfolio balances	**402,424**	458,025	(55,601)
Changes in exchange rates	**2,985**	(674)	3,659
Ending cash and portfolio balances	**412,446**	402,424	10,022
Represented by:			
Unrestricted bank balances and deposits	**304,858**	264,938	39,920
Restricted bank balances and deposits	**53,312**	86,062	(32,750)
Portfolio investments	**54,276**	42,935	11,341
Debt securities held as long-term investments	**—**	8,489	(8,489)
	412,446	402,424	10,022

A net cash inflow of US$7.0 million was recorded for 2002 as compared with a net outflow of US$54.9 million for 2001. Operating cash inflow for the year was lower than that of 2001 due to the decrease in operating profit and a part of the working capital being invested in property under development. Lower interest and investment income in 2002 was more than compensated for by less outlay on interest paid while cash from jointly controlled entities mainly represented dividends and capital repatriations from completed property development projects in China. Capital contributions from minority interests were received from the minority shareholder of the Luwan development project in Shanghai. With no new vessel delivered in 2002, capital payments were substantially lower than in 2001.

Liquidity

As at 31st December 2002, the Group had total cash and portfolio investment balances of US$412.4 million compared with debt obligations of US$168.8 million repayable in 2003. Total current assets at the end of 2002 amounted to US$649.8 million against total current liabilities of US$600.3 million. The Group's shareholders' funds are entirely ordinary shareholders' equity and no loan capital is in issue. The Group prepares and updates cashflow forecasts for asset acquisitions, project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a conservative liquidity level and the efficient investment of surplus funds.

Board of Directors

C C TUNG

Mr Tung, aged 60, was appointed Chairman, President and Chief Executive Officer of OOIL in October 1996. Mr Tung chairs the Executive Committee and serves on the Investment Committee of the Board of OOIL. He is also Chairman or Director of various subsidiary companies of OOIL. Mr Tung graduated from the University of Liverpool, England, where he received his Bachelor of Science degree and acquired a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. Mr Tung is an Independent Non-executive Director of Zhejiang Expressway Co Ltd; PetroChina Co Ltd; Chekiang First Bank Ltd; Bank of China (Hong Kong) Ltd; Global China Group and Cathay Pacific Airways Limited. Mr Tung was a Chairman of Hong Kong Shipowner's Association between 1993-1995, a Chairman of the Hong Kong General Chamber of Commerce between 1999-2001. He is also a Chairman of the Hong Kong-America Center; Chairman of the Institute for Shipboard Education Foundation; Chairman of the Court and a member of the Council of The Hong Kong Polytechnic University; a member of the Hong Kong Port and Maritime Board; Board of Trustees of the University of Pittsburg and a member of the Board of Visitors of the School of Foreign Service, Georgetown University.

TSANN-RONG CHANG

Mr Chang, aged 63, has been a Director of OOIL since 1988 and is a Director of several OOIL subsidiary companies. He is a member of the OOIL Executive Committee and Finance Committee. Mr Chang is a qualified CPA in Taiwan and holds an MBA degree from Indiana State University, USA. Mr Chang has served the Group in various capacities for 34 years and is currently the Chief Executive Officer of OOCLL.

ROGER KING

Mr King, aged 62, was Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period September 1985 to January 1987 and a Director from 1983 until 1992. He has been a Director of OOIL since 1992 and is also a Director of certain of its subsidiary companies. He has become a non-executive Director of OOIL in August 1999. Mr King is a graduate of the University of Michigan, New York University and Harvard Business School. Prior to joining OOHL in 1974 he served in the United States Navy and worked in computer research and management consultancy. Mr King is a Director of a number of other companies including Arrow Electronics Corporation, a company listed on the New York Stock Exchange and a non-executive Director of WellNet Holdings Limited, a listed company in Hong Kong. He is also the former Executive Chairman of System-pro Computers Limited, one of the largest personal computer retailers in Hong Kong. Mr King also serves on a number of advisory committees, including the Hong Kong Management Association, the Hong Kong University of Science and Technology and the Zhejiang Province People's Political Consultative Conference. Mr King is the brother-in-law of Mr C C Tung.

ROBERT H SUAN

Mr Suan, aged 63, appointed a Director of OOIL since May 1997. He is a member of OOIL Finance Committee. Mr Suan is the Managing Director of Orient Overseas Developments Ltd, a wholly owned subsidiary of OOIL, which is the holding company for the Group's China investments. Mr Suan has been with the Group for 33 years, has held various positions involving US investments, real estate and shipping related activities. He holds a Ph.D. in civil engineering from the University of London and was educated in the United Kingdom. Mr Suan is married to a cousin of Mr C C Tung.

NICHOLAS D SIMS

Mr Sims, aged 49, has been a Director and the Chief Financial Officer of OOIL since October 2000. Mr Sims was previously Managing Director of Wayfoong Shipping Services, a member of HSBC Group responsible for ship finance business throughout the Asia Pacific region. Mr Sims joined HSBC in 1973 and served the international banking group in Hong Kong and London. He serves on the OOIL Executive Committee, the Finance Committee, the Investment Committee and the Audit Committee of the Board of OOIL and is a Director of various subsidiary companies of OOIL.

SIMON MURRAY

Mr Murray, CBE, aged 62, has been a non-executive Director of OOIL since 1992 and was from 1989 until 1992 a non-executive Director of OOHL. He serves on the Investment Committee and the Audit Committee of OOIL. He is currently the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray And Associates. He is also a Director of a number of public companies including Hutchison Whampoa Limited and Cheung Kong Holdings Limited. Mr Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and is involved in a number of other charitable organisations including Save The Children Fund and The China Coast Community Association.

DR VICTOR K FUNG

Dr Fung, aged 57, has been a non-executive Director of OOIL since July 1996. He is Chairman of the Audit Committee of OOIL. Dr Fung is Chairman of the Li & Fung Group, the Hong Kong Airport Authority and the Hong Kong University Council. He is also a member of the Hong Kong Government Judicial Officers Recommendation Committee. Dr Fung holds a Bachelor of Science and a Master of Science degree in electrical engineering from the Massachusetts Institute of Technology and a doctorate from Harvard University. Dr Fung was Chairman of the Hong Kong Trade Development Council from 1991 to September 2000.

Information Technology

We lead the industry in the application of IT.
We will continue to commit ourselves to the innovative and effective use of technology to provide superior transport and logistics solutions to our customers.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Work Order

Financial Calendar

Announcement of results for the half year ended 30th June 2002	16th August 2002
Despatch of 2002 Interim Report to shareholders	2nd September 2002
Announcement of results for the year ended 31st December 2002	14th March 2003
Despatch of 2002 Annual Report to shareholders	4th April 2003
Closure of the Register of Members to determine entitlements to a final dividend on ordinary shares in respect of the year ended 31st December 2002	25th April 2003 to 2nd May 2003 both days inclusive
2002 Annual General Meeting	2nd May 2003
Payment of 2002 final ordinary dividend	16th May 2003

Shareholder Information

Ordinary Shareholder Information at 31st December 2002:

Category	Shareholders Number	Shareholders % of total	Shares of US$0.10 each Number	Shares of US$0.10 each % of total
Corporate	48	3.72%	500,253,555	96.74%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.08%	369,001	0.07%
Individual	1,243	96.20%	16,519,076	3.19%
	1,292	100.00%	517,141,632	100.00%

Number of Shares Held	Shareholders Number	Shareholders % of total	Shares of US$0.10 each Number	Shares of US$0.10 each % of total
1 - 2,000	1,014	78.49%	441,961	0.09%
2,001 - 5,000	109	8.44%	334,354	0.06%
5,001 - 10,000	59	4.57%	444,806	0.09%
10,001 - 20,000	35	2.71%	527,751	0.10%
20,001 - 100,000	42	3.25%	1,868,271	0.36%
100,001 - 200,000	10	0.77%	1,410,100	0.27%
200,001 - 500,000	4	0.31%	1,240,813	0.24%
500,001 - 1,000,000	6	0.46%	3,831,869	0.74%
1,000,001 - 2,000,000	2	0.15%	2,171,744	0.42%
5,000,001 - 10,000,000	3	0.23%	23,297,393	4.51%
10,000,001 or above	8	0.62%	481,572,570	93.12%
	1,292	100.00%	517,141,632	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2002 the interests of the 10 largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholder	Number of ordinary shares held	Percentage of issued ordinary shares
Wharncliff Limited	218,739,662	42.30%
HKSCC Nominees Limited	62,923,620	12.17%
Springfield Corporation	55,409,576	10.71%
HSBC Nominees (Hong Kong) Limited	39,360,572	7.61%
Bank of China (Hong Kong) Nominees Limited	38,988,000	7.54%
Wayfoong Nominees Limited	30,411,168	5.88%
Monterrey Limited	25,425,972	4.92%
Fortwin Investment Limited	10,314,000	1.99%
Hongkong & Shanghai Banking Corporation Bahamas	9,638,642	1.86%
Leung Hok Pang	7,439,291	1.44%

Corporate Governance

Code of Best Practice

The Board is supportive of high standards of corporate governance. The Group has complied throughout the financial year with the Code of Best Practice issued by The Stock Exchange of Hong Kong Limited, with the exception that the independent non-executive directors have not been appointed for a specific term and are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws. The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalised Group financial and legal procedures, the Group's Internal Audit Department and the Audit Committee.

The Board

The Board currently comprises seven directors of which two are independent non-executive directors and one is a non-executive director. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. This includes the approval of strategy recommendations and budgets as well as significant operational and financial management matters. Full minutes of board meetings are kept by the Company Secretary and are available for inspection, at any time during office hours, on reasonable notice, by any director. Any director may, in furtherance of his duties, take independent professional advice where necessary and at the expense of the Company. All directors have access to the Chief Financial Officer and the Company Secretary, whose appointments and removal are matters for the Board as a whole. The Chief Financial Officer and the Company Secretary are responsible to the Board for ensuring that agreed procedures, rules and regulations, as applicable, are observed.

The Audit Committee

The Audit Committee is chaired by Dr Victor Fung, an independent non-executive director and is comprised of Dr Victor Fung, Mr Simon Murray, an independent non-executive director and the Chief Financial Officer with the head of the Internal Audit Department as the secretary and the Company Secretary as the assistant secretary of the committee. The committee meets not less than twice a year to review the completeness, accuracy and fairness of the half-year and the annual financial statements before submission to the Board, to consider the nature and scope of internal audit programmes and audit reviews and to review the effectiveness of the financial reporting process and internal control system of the Company. The external auditors, the Group Financial Controller and the General Manager - Finance of OOCLL attend the Committee meetings at the invitation of the committee.

Internal Control

The Group has an established internal financial control framework which is documented in the form of Group financial and legal procedures, compliance with which is mandatory. Actual operational results are reported against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheet are regularly reviewed and updated. There are also clearly defined procedures for the control of capital and major expenditure commitments and off balance sheet financial instruments, and the supervision, control and review of the investment portfolio. The Group has appointed a Compliance Officer to monitor connected transactions.

Going Concern

After making due enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Notice of Annual General Meeting

NOTICE is hereby given that the Seventeenth Annual General Meeting of ORIENT OVERSEAS (INTERNATIONAL) LIMITED (the "Company") will be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 2nd May 2003 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Statement of Accounts and the Reports of the Directors and the Auditors for the year ended 31st December 2002;

2. To declare the payment of a final dividend for the year ended 31st December 2002;

3. To re-elect Directors and to fix their remuneration;

4. To determine the maximum number of Directors at twelve for the time being and to authorise the Directors to appoint additional Directors up to such maximum number;

5. To re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors; and

6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

   (1) "**THAT:**

   (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (defined below) all the powers of the Company to allot, issue and otherwise deal with Shares (defined below) or additional Shares of the Company and to make, issue or grant offers, agreements, options or warrants which will or might require the exercise of such mandate either during or after the Relevant Period, otherwise than pursuant to a rights issue, bonus issue, issue of scrip dividends or the exercise of rights of subscription or conversion under the terms of any shares, bonds, warrants or other securities carrying a right to subscribe for or purchase shares of the Company issued by the Company or a subsidiary or whose issue is authorised on or prior to the date this resolution is passed, not exceeding twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution; and

   (b) for the purposes of this resolution:

   "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Bermudan law or the Bye-laws of the Company to be held; or

   (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

   "Shares" means shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities."

(2) "**THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (defined below) all the powers of the Company to purchase shares of all classes in the capital of the Company, securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities, provided however that the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to the respective security, to be purchased shall not exceed ten per cent. of the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to that security, in issue as at the date of the passing of this resolution; and

(b) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of :

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Bermudan law or the Bye-laws of the Company to be held; or

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

(3) "**THAT** the general mandate granted to the Directors to allot Shares pursuant to the resolution set out in item 6(1) of the Notice of this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased, or that share capital which would fall to be subscribed or purchased pursuant to the conversion, subscription or purchase rights attaching to any other securities purchased, by the Company pursuant to the authority granted by the resolution set out in item 6(2) of the Notice of this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the shares, or (as the case may be) conversion, subscription or purchase rights attaching to that security, in issue as at the date of the passing of this resolution."

By Order of the Board
Lammy Lee
Secretary

Hong Kong, 14th March 2003

Notes:

(i) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf in accordance with the Bye-laws of the Company. A proxy need not be a member of the Company.

(ii) A proxy form is enclosed and to be valid, the proxy form must be deposited at the principal place of business of the Company in Hong Kong, 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) as soon as possible but in any event not less than 48 hours before the time appointed for holding the above meeting or any adjournment thereof.

(iii) The register of members of the Company will be closed from 25th April 2003 to 2nd May 2003, both days inclusive, during which period no transfer of shares can be registered.

Report of the Directors

The Directors present their report together with the audited accounts of Orient Overseas (International) Limited (the "Company") for the year ended 31st December 2002.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and jointly controlled entities are shown on pages 102 to 113.

Group Results

The consolidated results of the Company and its subsidiaries (the "Group") and jointly controlled entities are shown on page 54.

Dividends

The Directors have recommended a dividend in respect of the ordinary shares for the year ended 31st December 2002 of US2.5 cents (HK19.5 cents) per ordinary share to be paid on 16th May 2003 to the shareholders of the Company whose names appear on the register of members of the Company on 2nd May 2003. Shareholders who wish to receive the dividend in US Dollars should complete the US Dollars Election Form which accompanies this Annual Report and return it to the Branch Registrar on or before 9th May 2003.

Directors

The Directors of the Company are shown on pages 39 to 41.

In accordance with the Bye-laws of the Company, Messrs Chang Tsann Rong and Nicholas David Sims, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Nicholas D Sims has a service contract with the Company which expires on 21st October 2004. There are no other service contracts between any of the Directors of the Company and the Company or any of its subsidiaries.

Directors' and Chief Executive's Rights to Acquire Shares and Debt Securities

As at 31st December 2002, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had been granted any right to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or Chief Executive (or any of their spouses or children under 18 years of age) during the year.

Directors' Interest

1. **Significant Contracts**

   The Group continues to share the rental of offices at Harbour Centre, Hong Kong and at Shin Osaki Kangyo Building, Shinagawa-ku, Tokyo, Japan on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and Island Navigation Corporation ("INC") respectively, both owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL and INC for the year ended 31st December 2002 was approximately US$578,000.

   Except for the above (other than contracts amongst Group companies), no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

2. Shares

As at 31st December 2002, Directors and their associates had the following interests in the ordinary shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance:

	Personal Interests	Family Interests	Other Interests Beneficial	Other Interests Voting Trustee	Total
C C Tung	—	—	80,835,548 (Note 1)	257,727,662 (Notes 2 & 3)	338,563,210
Roger King	—	—	80,835,548 (Note 1)	—	80,835,548
T R Chang	506,390	—	—	—	506,390
Nicholas D Sims	46,000	—	—	—	46,000

Note 1: C C Tung and Roger King have an interest in the Tung Trust which, through Springfield Corporation ("Springfield"), beneficially owns 55,409,576 ordinary shares and, through Monterrey Limited ("Monterrey"), beneficially owns 25,425,972 ordinary shares.

Note 2: Wharncliff Limited ("Wharncliff"), a company owned by a discretionary trust established by the Tung family, beneficially holds 257,727,662 ordinary shares of the Company and the voting rights in respect of such holdings are held by C C Tung through Tung Holdings (Trustee) Inc.

Note 3: Wharncliff, Springfield and Monterrey together are referred to as the controlling shareholders.

Substantial Shareholders

1. Shares

As at 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed the following interests being 10 per cent. or more of the Company's issued ordinary shares:

Name	Beneficially held	%
Wharncliff Limited	257,727,662	49.84
Springfield Corporation	55,409,576	10.71

2. Disclosure

As at 31st December 2002, the Group had the following bank borrowings requiring the controlling shareholders of the Company to retain sufficient voting power in the Company to pass ordinary resolutions during the tenure of the respective loans.

Aggregate outstanding loan amount as at 31st December 2002	Tenure
US$216,250,000	12 years from April 1997
US$23,541,666.67	12 years and 7 months from February 1998

Connected Transactions

During the year, the Group companies entered into the following transactions on normal commercial terms, and in the ordinary and usual course of the Group's activities:

1) OOCL (Taiwan) Co, Ltd ("OTWL"), the Group's Taiwan subsidiary, has been in full operation since 1st July 2000, acting as the general agent for the carrier of the Group (the "Carrier") in Taiwan. In order to provide a stable customer familiar environment, OTWL's former sub-agent CMT International Inc. ("CMT", previously known as Chinese Maritime Transport Limited), has continued to provide office services, administrative and other supporting functions to OTWL. The aggregate amount of fees paid to CMT for these services during the year were approximately US$483,000.

2) OTWL has replaced CMT in contracts for certain chassis, trucks, tractors and equipment with a company associated with Mr John Peng in Taiwan. The aggregate amount paid by the Group during the year was approximately US$13,662,000.

3) There was no slot chartering on the vessels operated by CMT during the year.

4) There was no staff secondment between CMT and the Group during the year.

5) No containers were purchased by the Group from Associated Industries China, Inc. ("AIC") during the year.

6) Companies associated with Mr John Peng have provided the Group with services for equipment freight station depot and storage, IT support and maintenance for cranes and crew manning services in Taiwan. The aggregate amount paid by the Group during the year was approximately US$2,572,000.

Mr John Peng is the controlling shareholder of CMT, AIC and the companies associated with Mr Peng. He is a brother-in-law of Mr C C Tung, the Chairman and Chief Executive Officer of the Company. Mr Peng's wife is the sister of the wife of Mr Roger King, who is also a Director of the Company. The above transactions therefore constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors of the Company, Mr Simon Murray and Dr Victor K Fung, have reviewed the above transactions and confirm that such transactions have complied with the conditions set by The Stock Exchange of Hong Kong Limited in 1997 in granting the waiver to the Company from the requirement of disclosure by press notice and circular to shareholders on each occasion they arise and that they were conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and also within the annual limit of 6% of the consolidated net tangible assets of the Company for the year ended 31st December 2002 and the transactions were fair and reasonable so far as the shareholders of the Company were concerned. PricewaterhouseCoopers, the Auditors, have also reviewed the transactions as disclosed above.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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

Company's Compliance with Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report except that the non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

Property, Plant and Equipment

Particulars of the movements in Property, Plant and Equipment are set out in note 12 to the accounts.

Donations

Donations made by the Group during the year amount to US$68,000.

Annual General Meeting

The notice of Annual General Meeting is shown on pages 47 and 48. A circular which accompanies this Annual Report gives details of the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities (the "Shares") and the general mandate to authorise the repurchase of Shares (all as set out in the Notice of Annual General Meeting).

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

C C Tung
Chairman

Hong Kong, 14th March 2003

Report of the Auditors

To the Shareholders of
Orient Overseas (International) Limited
(Incorporated in Bermuda with limited liability)

We have audited the accounts on pages 54 to 113 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14th March 2003

Consolidated Profit and Loss Account

For the year ended 31st December 2002

US$'000	Note	**2002**	2001
Turnover	2	**2,457,952**	2,378,950
Operating costs	3	**(2,038,912)**	(1,913,528)
Gross profit		**419,040**	465,422
Other operating income	4	**2,822**	9,641
Other operating expenses	5	**(331,016)**	(347,672)
Revaluation deficit of investment property		**—**	(20,000)
Operating profit before financing	6	**90,846**	107,391
Net financing charges	8	**(30,634)**	(45,614)
Share of profits less losses of jointly controlled entities		**2,690**	9,312
Profit before taxation		**62,902**	71,089
Taxation	9	**(10,954)**	(9,280)
Profit after taxation		**51,948**	61,809
Minority interests		**(210)**	(522)
Profit attributable to shareholders		**51,738**	61,287
		US cents	US cents
Earnings per ordinary share	10	**10.0**	11.8

Consolidated Balance Sheet

As at 31st December 2002

US$'000	Note	2002	2001
Property, plant and equipment	12	**1,342,438**	1,365,378
Jointly controlled entities	14	**35,576**	47,250
Long-term investments	15	**100,763**	107,272
Intangible assets	17	**27,541**	32,568
Other non-current assets	18	**33,243**	54,887
Non-current assets		**1,539,561**	1,607,355
Properties under development and for sale	19	**64,552**	17,868
Debtors and prepayments	20	**194,361**	174,591
Current portion of investments in finance leases	16	**—**	527
Portfolio investments		**54,276**	42,935
Bank balances and deposits	22	**336,590**	307,008
Current assets		**649,779**	542,929
Creditors and accruals	23	**383,550**	356,261
Current portion of long-term liabilities	25	**168,835**	133,178
Bank overdrafts and short-term loans	24	**44,014**	42,895
Current taxation		**3,870**	4,311
Current liabilities		**600,269**	536,645
Net current assets		**49,510**	6,284
Long-term liabilities	25	**(682,759)**	(760,386)
Other non-current liabilities	26	**(37,881)**	(35,682)
		868,431	817,571
Capital employed			
Share capital	30	**51,714**	51,714
Reserves	31	**808,729**	761,210
Shareholders' funds		**860,443**	812,924
Minority interests		**7,988**	4,647
		868,431	817,571

C C Tung

Nicholas D Sims

Directors

Balance Sheet

As at 31st December 2002

US$'000	Note	2002	2001
Subsidiaries	13	**418,378**	404,161
Other non-current assets	18	**55**	22,752
Non-current assets		**418,433**	426,913
Debtors and prepayments	20	**57**	96
Bank balances and deposits	22	**18,398**	17,998
Current assets		**18,455**	18,094
Creditors and accruals	23	**1,163**	1,399
Current liabilities		**1,163**	1,399
Net current assets		**17,292**	16,695
		435,725	443,608
Capital employed			
Share capital	30	**51,714**	51,714
Reserves	31	**384,011**	391,894
Shareholders' funds		**435,725**	443,608

C C Tung

Nicholas D Sims

Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2002

US$'000	Note	2002	2001
Cash flows from operating activities			
Cash generated from operations	35(a)	**169,846**	255,535
Interest paid		**(23,061)**	(37,462)
Interest element of finance lease rental payments		**(16,642)**	(20,145)
Financing charges paid		**(3,499)**	(5,588)
Overseas tax paid		**(5,966)**	(17,555)
Net cash from operating activities		**120,678**	174,785
Cash flows from investing activities			
Sale of property, plant and equipment		**2,205**	8,349
Sale of long-term investments		**3,496**	43,299
Sale of a jointly controlled entity		**59**	—
Purchase of property, plant and equipment		**(64,675)**	(181,456)
Purchase of long-term investments		**(233)**	(4,945)
Capital element from investments in finance leases		**268**	232
Decrease in amounts due by jointly controlled entities		**1,267**	5,648
Increase in bank deposits maturing more than three months from the date of placement		**(6,735)**	(985)
Purchase of intangible assets		**(7,088)**	(4,579)
Interest received		**7,914**	11,652
Long-term investment income		**30**	1,704
Portfolio investment income		**1,511**	4,743
Gross earnings from investments in finance leases		**259**	291
Dividends received from jointly controlled entities		**9,308**	7,147
Net cash used in investing activities		**(52,414)**	(108,900)
Cash flows from financing activities			
New long-term loans		**94,763**	90,589
Repayment of long-term loans		**(97,478)**	(96,023)
Capital element of finance lease rental payments		**(53,250)**	(30,999)
Capital contribution from minority interests		**3,600**	—
Increase/(decrease) in short-term loans repayable more than three months from the date of advance		**13,250**	(655)
Dividends paid to shareholders		**(7,757)**	(20,685)
Dividends paid to minority interests		**(470)**	(510)
Net cash used in financing activities		**(47,342)**	(58,283)
Net increase in cash and cash equivalents		**20,922**	7,602
Cash and cash equivalents at beginning of year		**331,591**	324,663
Changes in exchange rates		**2,985**	(674)
Cash and cash equivalents at end of year	35(c)	**355,498**	331,591

Consolidated Statement of Changes in Equity

For the year ended 31st December 2002

US$'000	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Retained profit	Total
At 31st December 2000						
As previously reported	51,714	35,073	148,286	9,948	551,726	796,747
Prior year adjustments (note 1)	—	—	—	—	(22,083)	(22,083)
As restated	51,714	35,073	148,286	9,948	529,643	774,664
Changes in exchange rates	—	—	—	—	(2,342)	(2,342)
Profit for the year	—	—	—	—	61,287	61,287
Dividends (note 11)	—	—	—	—	(20,685)	(20,685)
At 31st Decemeber 2001						
As previously reported	51,714	35,073	148,286	9,948	588,347	833,368
Prior year adjustments (note 1)	—	—	—	—	(20,444)	(20,444)
As restated	51,714	35,073	148,286	9,948	567,903	812,924
Changes in exchange rates	—	—	—	—	3,538	3,538
Profit for the year	—	—	—	—	51,738	51,738
Dividends (note 11)	—	—	—	—	(7,757)	(7,757)
At 31st December 2002	51,714	35,073	148,286	9,948	615,422	860,443

Notes to the Accounts

1. Principal accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, and in conformity with generally accepted accounting principles in Hong Kong.

In 2002, the Group adopted and implemented the new Statement of Standard Accounting Practice ("SSAP") 34 "Employees benefits" and the revised SSAP12 "Income taxes" issued by the Hong Kong Society of Accountants. The revised SSAP12 is applied in advance of its effective date. As a result, the Group has changed its accounting policies for defined benefit pension schemes and deferred taxation as detailed in notes (n) and (o) below. These changes in accounting policies have been applied retrospectively and accordingly, reserves of the Group as at 31st December 2001 have been reduced by US$20.4 million.

Following the adoption and implementation of the new and revised accounting standards, certain comparative figures have been restated or reclassified to conform with the current year presentation. Details of the restatement and reclassification to the 2001 comparative figures are as follows:

US$'000	
Profit attributable to shareholders	
Before restatement	59,648
SSAP12 Income taxes adjustments (note 1 (n))	1,639
After restatement	61,287
Shareholders' funds	
Before restatement	833,368
SSAP34 Employees benefits adjustments (note 1 (o))	(1,668)
SSAP12 Income taxes adjustments (note 1 (n))	(18,776)
After restatement	812,924

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities.

Results attributable to subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date on which control is transferred to the Group or to the date that control ceases, as applicable.

All significant inter-company transactions and balances between group companies are eliminated.

1. Principal accounting policies (Continued)

(b) Goodwill and capital reserve

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries and jointly controlled entities at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made where, in the opinion of the Directors, there is impairment in value other than temporary in nature.

The profit or loss on disposal of subsidiaries and jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

No depreciation is provided for vessels under construction, the investment property and freehold land.

The investment property, being a commercial building, is held for long-term yields and is not occupied by the Group. The investment property is carried at fair value, representing open market value determined annually based on Directors' or independent valuation. A deficit in valuation is charged to the profit and loss account; an increase is first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter is credited to the assets revaluation reserve. Upon disposal of the investment property, any revaluation surplus is transferred to the profit and loss account.

Other assets are depreciated, using the straight line method, to write off their cost or valuation over their estimated useful lives or if shorter, the relevant finance lease periods, to their estimated residual values. Estimated useful lives are summarised as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment	10 to 15 years
Freehold buildings	Not exceeding 75 years
Medium-term leasehold land and buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	5 to 10 years

1. Principal accounting policies (Continued)

(d) Property, plant and equipment (Continued)

Major costs incurred in restoring assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Profits and losses on disposal are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account. Upon disposal of revalued assets, any revaluation reserve is transferred directly to retained profit.

(e) Investments

Debt securities expected to be held until maturity and equity shares intended to be held for the long term are included in the balance sheet under long-term investments and are carried at cost, as adjusted for the amortisation of the premiums and discounts on acquisition, less provisions. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

Premiums or discounts on the acquisition of long-term debt securities are amortised through the profit and loss account over the period from the date of purchase to the expected date of maturity. Any profit or loss on the realisation of long-term investments is recognised as it arises and is included in the profit and loss account under other operating income.

Portfolio investments comprising mainly marketable securities, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price and are readily convertible into cash, are included in the balance sheet under current assets and are carried at their realisable values. Income from portfolio investments, together with surplus or deficit, including exchange differences, arising from the sale or revaluation is included in the profit and loss account under net financing charges.

(f) Investments in finance leases

Assets leased to third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. Gross earnings under finance leases are recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return on the net investment in the leases.

1. Principal accounting policies (Continued)

(g) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as an asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Assets held under finance leases are depreciated on the basis described in note (d) above. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

Leases where a significant portion of the risk and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account over the periods of the respective leases on a straight line basis or another systematic basis which is representative of the time pattern of the benefit to the lessees.

(h) Vessel repairs and surveys

Dry-docking and special survey costs for vessels are charged to the profit and loss account as incurred.

(i) Computer software development costs

Costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Other costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised on completion of development using the straight line method over their estimated useful lives of five years.

(j) Deferred expenditure

Expenses incurred in connection with long-term financing and leasing arrangements are deferred and amortised on a straight line basis over the relevant tenure of the loan and lease periods. Expenditure associated with the leasing of the investment property is deferred and amortised on a straight line basis over a period of up to five years.

(k) Properties held for sale

Properties under development for sale are included under current assets and comprise land at cost, construction costs and any interest capitalised, less provisions for foreseeable losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1. Principal accounting policies (Continued)

(l) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement and portfolio investments which are readily convertible into cash, net of bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for retirement benefits and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation assets relating to carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was provided at the current tax rates using the liability method in respect of all significant timing differences, principally accelerated depreciation allowances, which was expected to reverse in the foreseeable future. This accounting policy has been changed to conform with the revised SSAP12 and as a result, reserves of the Group as at 31st December 2001 have been reduced by US$18.8 million.

1. Principal accounting policies (Continued)

(o) Employee benefits

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

Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate.

For the defined benefit pension schemes, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and which are used to pay to the employee or dependent a pension after retirement. Such pension costs are assessed using the projected unit credit method, under which, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

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

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

In previous years, annual contributions to the defined benefit schemes were recognised in the profit and loss account on a systematic basis over the average remaining lives of the employees. This accounting policy has been changed to conform with the new SSAP34 and as a result, reserves of the Group as at 31st December 2001 have been reduced by US$1.7 million.

(p) Revenue recognition

Freight revenues from the operation of the international containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage. Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis. Rental income under operating leases is recognised over the periods of the respective leases on a straight line basis. Sales of properties under construction are recognised over the course of development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. Sales of completed properties are recognised upon completion of the sale and purchase contracts.

1. Principal accounting policies (Continued)

(q) Borrowing costs

Interest and related costs on borrowings directly incurred to finance the construction or acquisition of an asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

(r) Financial instruments

The Group enters into financial instruments, including futures, forward, swap and option transactions, in order to hedge its exposure to fluctuations in foreign exchange, interest rates and other operating costs as part of the Group's risk management strategy against assets, liabilities, position or cash flows measured on an accrual basis. These financial instruments are accounted for on an equivalent basis to the underlying assets, liabilities or net positions at the balance sheet date. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions. Premiums on options are however charged to the profit and loss account as they are incurred. A net unrealised loss at the balance sheet date on open exchange contracts for future obligations is charged to the profit and loss account, whereas a net unrealised gain is deferred.

(s) Foreign currencies

The accounts are expressed in US dollars.

Transactions in other currencies during the year are converted at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiaries expressed in other currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

2. Turnover

US$'000	2002	2001
International transportation and logistics	**2,218,120**	2,134,612
Container terminals	**215,748**	221,482
Property investment and development	**24,084**	22,856
	2,457,952	2,378,950

The principal activities of the Group are international transportation and logistics, container terminals, property investment and development.

Turnover represents gross freight, charterhire, service and other income from the operation of the international containerised transportation and container terminal businesses, sales of properties and rental income from the investment property.

3. Operating costs

US$'000	2002	2001
Cargo	**1,013,763**	952,834
Vessel and voyage	**476,820**	437,214
Equipment and repositioning	**368,111**	340,650
Terminal operating	**171,542**	171,587
Property management and development	**8,676**	11,243
	2,038,912	1,913,528

4. Other operating income

US$'000	2002	2001
Long-term investment income, listed	**30**	1,704
Profit on disposal of long-term investments	**31**	3,323
Write back of provision for diminution in value of long-term investments	**222**	—
Profit on disposal of a jointly controlled entity	**4**	—
Profit on disposal of property, plant and equipment	**—**	2,280
Exchange gain and others	**2,535**	2,334
	2,822	9,641

5. Other operating expenses

US$'000	2002	2001
Business and administrative	**320,815**	337,175
Corporate	**7,815**	8,497
Loss on disposal of property, plant and equipment	**2,386**	—
Provision for diminution in value of long-term investments	**—**	2,000
	331,016	347,672

6. Operating profit before financing

US$'000	2002	2001
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	**18,510**	20,092
Gross earnings on finance leases	**259**	291
Payment for early termination of property leases	**—**	307
and after charging:		
Depreciation		
Owned assets	**63,172**	54,875
Leased assets	**38,776**	33,352
Operating lease rental expense		
Vessels and equipment	**292,978**	280,728
Land and buildings	**27,919**	25,980
Staff costs		
General and administrative staff	**233,752**	228,437
Terminal workers	**105,164**	107,969
Crew and seamen	**18,257**	19,348
Amortisation of intangible assets	**12,120**	13,613
Auditors' remuneration	**1,679**	1,659

7. Directors' remuneration

US$'000	2002	2001
Fees	**266**	266
Salaries and other emoluments	**1,674**	1,672
Discretionary bonuses	**560**	559
Retirement benefits	**191**	198
	2,691	2,695

7. Directors' remuneration (Continued)

The emoluments of individual Directors fall within the following bands:

Emoluments bands (US$)		Number of directors 2002	2001
Nil ~ 128,200	(Nil~HK$1,000,000)	**3**	3
320,501 ~ 384,600	(HK$2,500,001~HK$3,000,000)	**1**	2
448,701 ~ 512,800	(HK$3,500,001~HK$4,000,000)	**1**	—
833,301 ~ 897,400	(HK$6,500,001~HK$7,000,000)	**1**	1
897,401 ~ 961,500	(HK$7,000,001~HK$7,500,000)	**1**	—
961,501 ~ 1,025,600	(HK$7,500,001~HK$8,000,000)	**—**	1
		7	7

None of the Directors has waived the right to receive their emoluments. Fees and other emoluments paid to non-executive directors amount to US$13,000 (2001: US$13,000) and US$32,000 (2001: US$32,000), respectively.

Details of the emoluments paid to the five individuals, including two (2001: two) Directors, whose emoluments were the highest in the Group are:

US$'000	2002	2001
Salaries and other emoluments	**2,262**	2,326
Discretionary bonuses	**1,012**	1,313
Retirement benefits	**303**	301
	3,577	3,940

7. Directors' remuneration (Continued)

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

Emoluments bands (US$)		Number of individuals 2002	2001
448,701 ~ 512,800	(HK$3,500,001~HK$4,000,000)	**1**	1
576,901 ~ 641,000	(HK$4,500,001~HK$5,000,000)	**1**	—
705,101 ~ 769,200	(HK$5,500,001~HK$6,000,000)	**—**	1
769,201 ~ 833,300	(HK$6,000,001~HK$6,500,000)	**1**	—
833,301 ~ 897,400	(HK$6,500,001~HK$7,000,000)	**1**	2
897,401 ~ 961,500	(HK$7,000,001~HK$7,500,000)	**1**	—
961,501 ~ 1,025,600	(HK$7,500,001~HK$8,000,000)	**—**	1
		5	5

8. Net financing charges

US$'000	2002	2001
Interest expense		
Bank loans, overdrafts and other loans wholly repayable within five years	**22,677**	35,138
Other loans not wholly repayable within five years	**—**	1,075
Finance lease obligations		
Wholly payable within five years	**11,798**	7,188
Not wholly payable within five years	**4,670**	13,017
	39,145	56,418
Amount capitalised under assets	**(2,213)**	(431)
	36,932	55,987
Interest income	**(11,079)**	(11,218)
Net interest expense	**25,853**	44,769
Dividend on preference shares (note 27)	**2,793**	—
Financing charges	**3,499**	5,588
Portfolio investment income	**(1,511)**	(4,743)
	30,634	45,614

Financing charges include the funding costs reimbursed to TAPCO (note 21) amounting to US$2.6 million (2001: US$4.3 million).

9. Taxation

US$'000	2002	2001
Current (overseas)		
Company and subsidiaries	**3,301**	10,830
Jointly controlled entities	**3,727**	89
	7,028	10,919
Deferred		
Company and subsidiaries	**3,926**	(1,639)
	10,954	9,280

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 10% to 53% and the rate applicable for Hong Kong profits tax is 16% (2001: 16%).

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

US$'000	2002	2001
Profit before taxation	**62,902**	71,089
Tax calculated at applicable tax rate	**16,585**	19,998
Income not subject to tax	**(16,322)**	(19,316)
Expenses not deductible for tax purposes	**6,807**	3,845
Tax losses not recognised	**2,010**	2,493
Temporary differences not recognised	**2,629**	2,820
Utilisation of previously unrecognised tax losses	**(113)**	—
Recognition of previously unrecognised deferred tax assets	**(26)**	(1,176)
Recognition of previously unrecognised temporary differences	**(403)**	(95)
Withholding tax	**415**	176
Other items	**(628)**	535
	10,954	9,280

10. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US$51.7 million (2001: US$61.3 million) and 517.1 million ordinary shares in issue during the year.

11. Dividends

US$'000	**2002**	2001
Final dividend in respect of 2001 of US1.5 cents (2000: US3 cents) per ordinary share	**7,757**	15,514
Interim dividend in respect of 2001 of US1 cent per ordinary share	—	5,171
	7,757	20,685

The Board of Directors declares a final dividend in respect of 2002 of US2.5 cents (2001: US1.5 cents) per ordinary share amounting to US$12.9 million (2001: US$7.8 million). This amount will be accounted for as an appropriation of retained profit in the year ending 31st December 2003.

12. Property, plant and equipment

US$'000	Container vessels	Vessels under construction	Containers	Chassis	Terminal equipment	Land and buildings outside Hong Kong Freehold	Land and buildings outside Hong Kong Medium-term leasehold	Vehicles, furnitures, computer and other equipment	Total
Group									
Cost or valuation									
At 31st December 2001	928,771	132,766	335,933	110,348	206,785	142,407	28,188	98,342	**1,983,540**
Changes in exchange rates	—	—	—	25	748	50	57	930	**1,810**
Additions	482	32,070	25,192	510	17,072	911	332	6,216	**82,785**
Disposals	—	—	(16,748)	(952)	(1,552)	—	(148)	(2,661)	**(22,061)**
At 31st December 2002	929,253	164,836	344,377	109,931	223,053	143,368	28,429	102,827	**2,046,074**
Accumulated depreciation									
At 31st December 2001	250,793	—	115,182	70,774	72,995	21,437	6,964	80,017	**618,162**
Changes in exchange rates	—	—	—	8	244	20	33	691	**996**
Charge for the year	34,864	—	36,998	7,009	14,012	1,731	1,819	5,515	**101,948**
Disposals	—	—	(13,157)	(924)	(975)	—	(50)	(2,364)	**(17,470)**
At 31st December 2002	285,657	—	139,023	76,867	86,276	23,188	8,766	83,859	**703,636**
Net book amount									
At 31st December 2002	643,596	164,836	205,354	33,064	136,777	120,180	19,663	18,968	**1,342,438**
At 31st December 2001	677,978	132,766	220,751	39,574	133,790	120,970	21,224	18,325	**1,365,378**
Net book amount of leased assets									
At 31st December 2002	—	—	156,760	24,181	57,882	—	—	465	**239,288**
At 31st December 2001	—	—	169,045	32,250	66,190	—	—	480	**267,965**

(a) Freehold land and buildings include the investment property, "Wall Street Plaza", which is a commercial property located at 88 Pine Street, New York, USA. The property is situated on three parcels of land, of which two parcels, representing approximately 34% of the site, are under long-term leases expiring in the year 2066. The property is stated at Directors' valuation of US$90.0 million (2001: US$90.0 million), by reference to a professional valuation made in December 2002 on an open market basis.

12. Property, plant and equipment (Continued)

(b) Container vessels include three (2001: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 72 of Hong Kong Statement of Standard Accounting Practice 17 "Property, plant and equipment". Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US$3.1 million (2001: US$3.5 million).

(c) Following the adoption of Interpretation 19 "Intangible Assets - Website Costs" issued by the Hong Kong Society of Accountants, computer software costs previously included under property, plant and equipment have been transferred to intangible assets (note 17). The opening net book value of property, plant and equipment has accordingly been decreased by US$23.8 million.

(d) Apart from the investment property and container vessels mentioned under (a) and (b) above, all other property, plant and equipment are carried at cost.

(e) The aggregate net book amount of assets pledged as securities for loans amounts to US$976.7 million (2001: US$970.3 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.

(f) Interest costs of US$1.7 million (2001: US$ 0.4 million) during the year were capitalised as part of vessels under construction.

13. Subsidiaries

US$'000	2002	2001
Company		
Unlisted shares, at cost less provision	**169,482**	169,482
Amounts receivable	**465,994**	437,813
Amounts payable	**(217,098)**	(203,134)
	418,378	404,161

Particulars of the principal subsidiaries at 31st December 2002 are shown on pages 102 to 112. The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

14. Jointly controlled entities

US$'000	2002	2001
Group		
Unlisted shares, at cost less provision	**22,520**	8,314
Share of retained post-acquisition profits	**2,111**	12,474
Share of net assets	**24,631**	20,788
Amounts receivable	**10,945**	26,462
	35,576	47,250

Particulars of the principal jointly controlled entities at 31st December 2002 are shown on pages 112 to 113. The amounts receivable are unsecured, interest free and have no specific repayment terms.

15. Long-term investments

US$'000	2002	2001
Group		
Investment in Hui Xian, at cost (note (a))	**93,601**	93,601
Debt securities, at cost less provisions		
Listed outside Hong Kong (note (b))	—	2,617
Unlisted	—	5,872
Investments in finance leases (note 16)	—	3,370
Unlisted, at cost less provisions	**7,162**	1,812
	100,763	107,272

(a) The investment in Hui Xian represents the Group's approximately 8% (2001: 8%) unlisted equity interest in and advances to Hui Xian Holdings Limited ("Hui Xian"), incorporated in Hong Kong and the holding company for the Beijing Oriental Plaza, which comprises a commercial, retail and residential complex of approximately six million square feet, the development of which is expected to complete in mid 2003.

The major shareholder of Hui Xian, which holds approximately 52% of the issued equity, has also been appointed the project manager of the development. Under the Hui Xian shareholders' agreement, the shareholders agreed to finance the development costs up to US$1.9 billion in proportion to their shareholdings. If the development costs exceed US$1.9 billion and any shareholders decide not to provide their share of the finance, the Group's percentage of shareholding in Hui Xian will be adjusted in accordance with the proportion of finance provided by the shareholders. In addition to the finance from the shareholders, Hui Xian has arranged bank loan facilities amounting to RMB3,460 million and US$120 million, over which the Group has provided a proportionate guarantee (note 33 (a)).

(b) Market value of listed debt securities at 31st December 2001 was US$3.6 million.

16. Investments in finance leases

US$'000	2002	2001
Group		
Gross rental receivable	—	4,370
Gross earnings allocated to future periods	—	(473)
	—	3,897
Current portion included in current assets	—	(527)
	—	3,370

The cost of assets acquired for finance lease purposes at 31st December 2001 amounted to US$6.4 million.

17. Intangible assets

US$'000	2002	2001
Group		
Computer software development costs	**42,123**	38,606
Property leasing expenses	**20,129**	18,058
Financing charges	**3,287**	1,782
	65,539	58,446
Accumulated amortisation	**(37,998)**	(25,878)
Net book value	**27,541**	32,568
Net book value at beginning of year	**32,568**	41,620
Additions	**7,088**	4,579
Amortisation	**(12,120)**	(13,613)
Changes in exchange rates	**5**	(18)
Net book value at end of year	**27,541**	32,568

Following the adoption of Interpretation 19 "Intangible Assets - Website Costs" issued by the Hong Kong Society of Accountants, computer software costs previously included under property, plant and equipment have been transferred to intangible assets. The opening net book value of intangible assets shown above has accordingly been increased by US$23.8 million (2001: US$31.9 million).

18. Other non-current assets

US$'000	2002	2001
Group		
Restricted bank balances and deposits (note 22)	**21,580**	43,992
Deferred taxation assets (note 28)	**6,541**	7,648
Pension and retirement assets (note 29)	**5,122**	3,247
	33,243	54,887
Company		
Restricted bank balances and deposits (note 22)	**55**	22,752

19. Properties under development and for sale

Interest costs of US$0.5 million (2001: nil) during the year were capitalised as part of properties under development.

20. Debtors and prepayments

US$'000	2002	2001
Group		
Trade debtors (note 21)	**81,865**	61,720
Other debtors	**28,027**	23,998
Prepayments	**36,501**	36,092
Utility and other deposits	**21,681**	31,290
Bunker	**19,483**	16,911
Tax recoverable	**6,804**	4,580
	194,361	174,591
Company		
Other debtors	**2**	5
Prepayments	**55**	91
	57	96

21. Trade debtors

In 1998, the Group entered into a receivables purchase agreement (the "Agreement") under which the Group agreed to assign, from time to time, certain specific trade receivables to The Rhino Receivables Company Limited ("Rhino"), a Channel Island unrelated special purpose company. The Group can offer to sell, at the time of each aforesaid assignment, a certain portion of those receivables, subject to a specified accumulated maximum amount, to Tulip Asset Purchase Company BV ("TAPCO"), a Netherlands unrelated special purpose company. Rhino holds all such trade receivables on trust for the benefit of the Group and TAPCO. Under the Agreement, TAPCO will settle in cash on the date of sale a fixed portion of the purchase price of the trade receivables, representing approximately 91% of those trade receivables on the date of sale with the balance on final settlement. TAPCO funds the purchases of the receivables by cash advances from Tulip Funding Corporation, a United States unrelated special purpose company, which in turn issues US dollar floating rate commercial papers backed by such receivables, supplemented by letter of credit and liquidity arrangements from a bank. The Group continues to manage the trade receivables and acts as collection agent for Rhino. The Group also agrees to reimburse all funding costs incurred by TAPCO in relation to the purchases of the trade receivables from the Group. Upon collection of all trade receivables sold, TAPCO will settle the balance of the purchase price, after deducting any funding costs not yet reimbursed and bad debts arising from those trade receivables.

As at 31st December 2002, trade debtors of the Group include the following trade receivables:

US$'000	2002	2001
Gross trade receivables assigned to Rhino	**128,350**	105,261
Less non-returnable proceeds received from TAPCO	**(99,500)**	(99,000)
	28,850	6,261

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 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 debtors, including those assigned to Rhino but net of provision for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows:

US$'000	2002	2001
Below one month	**152,137**	132,317
Two to three months	**24,621**	23,726
Four to six months	**4,329**	3,550
Over six months	**278**	1,127
	181,365	160,720

22. Bank balances and deposits

US$'000	2002	2001
Group		
Restricted	**153,312**	86,062
Not restricted	**304,858**	264,938
	458,170	351,000
Less restricted and included in		
Non-current assets (note 18)	**(21,580)**	(43,992)
Non-current liabilities (note 27)	**(100,000)**	—
	336,590	307,008
Company		
Restricted	**55**	22,752
Not restricted	**18,398**	17,998
	18,453	40,750
Less restricted and included in		
Non-current assets (note 18)	**(55)**	(22,752)
	18,398	17,998

Restricted bank balances and deposits are funds which are pledged as securities for banking facilities and performance under leasing arrangements or required to be utilised for specific purposes. A restricted deposit of the Group amounting to US$30.4 million (2001: US$42.1 million), which has been pledged as security for a short-term bank loan of the same amount (note 24), is not classified as a non-current asset.

23. Creditors and accruals

US$'000	2002	2001
Group		
Trade creditors	**118,613**	103,494
Other creditors	**26,177**	18,518
Accrued operating expenses	**223,263**	209,012
Deferred revenue	**15,497**	25,237
	383,550	356,261
Company		
Accrued operating expenses	**1,163**	1,399

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

US$'000	2002	2001
Below one month	**65,155**	47,296
Two to three months	**49,255**	53,538
Four to six months	**2,237**	1,465
Over six months	**1,966**	1,195
	118,613	103,494

24. Bank overdrafts and short-term loans

US$'000	2002	2001
Group		
Short-term loans		
Secured	**35,998**	42,416
Unsecured	**8,000**	—
Bank overdrafts		
Secured	**—**	49
Unsecured	**16**	430
	44,014	42,895

A secured bank loan of US$30.4 million (2001: US$42.1 million) is secured by a bank deposit of the same amount (note 22).

25. Long-term liabilities

US$'000	2002	2001
Group		
Bank loans		
Secured	**590,788**	586,826
Other secured loans		
Wholly repayable within five years	**21,606**	15,339
Not wholly repayable within five years	**—**	12,814
Finance lease obligations		
Wholly payable within five years	**189,079**	130,758
Not wholly payable within five years	**50,121**	147,827
	851,594	893,564
Current portion included in current liabilities	**(168,835)**	(133,178)
	682,759	760,386

25. Long-term liabilities (Continued)

(a) The maturity of the Group's bank loans, other loans and finance lease obligations is as follows:

			Finance leases	
US$'000	Bank loans	Other loans	Present value	Minimum payments
As at 31st December 2002				
2003	125,017	6,819	36,999	51,109
2004	124,643	7,882	45,249	56,993
2005	60,106	3,718	30,274	39,691
2006	51,652	3,150	68,349	75,308
2007	48,838	37	40,355	43,258
2008 onwards	180,532	—	17,974	19,859
	590,788	21,606	239,200	286,218
As at 31st December 2001				
2002	71,203	12,751	49,224	68,042
2003	92,934	5,197	35,557	50,894
2004	56,186	4,569	43,201	55,846
2005	60,716	3,075	28,212	38,448
2006	63,180	2,549	65,219	70,803
2007 onwards	242,607	12	57,172	62,259
	586,826	28,153	278,585	346,292

(b) The bank loans, other loans and finance lease obligations carry interest at fixed rates, ranging from 6.2% to 10.6% per annum, or variable rates, varying from 0.3% to 2.2% over stipulated market rates per annum.

26. Other non-current liabilities

US$'000	**2002**	2001
Group		
Redeemable preference shares (note 27)	—	—
Deferred taxation liabilities (note 28)	**29,141**	26,424
Pension and retirement liabilities (note 29)	**8,740**	9,258
	37,881	35,682

27. Redeemable preference shares

US$'000	2002	2001
Group		
Redeemable preference shares and premium	**100,000**	—
Less restricted deposits under the put options (note 22)	**(100,000)**	—
	—	—

In June 2002, the Group entered into, inter alia, a Shareholders Agreement with, inter alios, two unrelated third parties (together the "Preference Shareholders") in relation to a subsidiary. Under the Shareholders Agreement, the Preference Shareholders acquired from the Group 90 cumulative preference shares (the "Preference Shares") of Euro150 each in this subsidiary and contributed an aggregate of US$100.0 million less the nominal value of the Preference Shares as share premium (the "Premium"). The Preference Shareholders are entitled to receive annual dividends of 7.08% per annum on the aggregate amount of the nominal value of the Preference Shares and Premium (collectively "Preference Shares Contributions") outstanding from time to time. To the extent permitted by local law, the Preference Shareholders may propose a repayment of the Premium annually, provided that such repayment does not exceed a maximum percentage specified in the Shareholders Agreement.

The Preference Shareholders have been granted irrevocable options to sell their Preference Shares to the Group under certain circumstances. As securities for the options, the Group has placed certain bank deposits (the "Deposits") equivalent to the outstanding Preference Shares Contributions, amounting to US$100.0 million as at 31st December 2002, and has pledged the Deposits in favour of the Preference Shareholders. The consideration for the Preference Shares under the options is equal to the Preference Shares Contributions outstanding plus the accrued interest from the Deposits. The Group has also given irrevocable instructions to the banks to pay the Deposits and accrued interest to the Preference Shareholders upon receiving relevant notices from them. In view of the various arrangements, the Directors consider it fair and appropriate to deduct the Deposits from the redeemable Preference Shares Contributions in the accounts.

28. Deferred taxation assets/(liabilities)

US$'000	2002	2001
Group		
Deferred taxation assets (note 18)	**6,541**	7,648
Deferred taxation liabilities (note 26)	**(29,141)**	(26,424)
	(22,600)	(18,776)

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

US$'000	2002	2001
Group		
Deferred taxation assets to be recovered after more than twelve months	**5,771**	6,462
Deferred taxation liabilities to be settled after more than twelve months	**(28,291)**	(26,236)

28. Deferred taxation assets/(liabilities) (Continued)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

US$'000	Accelerated depreciation allowances	Revenue expenditure	Tax losses	Pensions	Total
Deferred taxation assets					
At 31st December 2000 (as restated)	302	3,190	982	1,369	5,843
Changes in exchange rates	—	1	—	—	1
Credited to profit and loss account	288	1,886	1,055	488	3,717
At 31st December 2001 (as restated)	590	5,077	2,037	1,857	9,561
Changes in exchange rates	—	(2)	—	—	(2)
Credited/(charged) to profit and loss account	(497)	479	1,095	(905)	172
At 31st December 2002	93	5,554	3,132	952	9,731

US$'000	Accelerated depreciation allowances	Investment property	Pensions	Total
Deferred taxation liabilities				
At 31st December 2000 (as restated)	9,576	16,264	426	26,266
Changes in exchange rates	(7)	—	—	(7)
Charged to profit and loss account	732	1,098	248	2,078
At 31st December 2001 (as restated)	10,301	17,362	674	28,337
Changes in exchange rates	(104)	—	—	(104)
Charged to profit and loss account	2,490	1,474	134	4,098
At 31st December 2002	12,687	18,836	808	32,331

Deferred taxation assets of US$30.0 million (2001: US$28.1 million) arising from unused tax losses of US$145.5 million (2001: US$140.0 million) have not been recognised in the accounts. Unused tax losses of US$132.3 million have no expiry date and the balance will expire at various dates up to and including 2008.

Deferred taxation liabilities of US$5.4 million (2001: US$5.5 million) on temporary differences associated with investments in subsidiaries of US$93.4 million (2001: US$93.6 million) have not been recognised as there is no current intention of remitting the retained profits of these subsidiaries to the holding companies.

29. Pension and retirement benefits

The Group operates a number of defined benefits and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the profit and loss account for the year was US$11.7 million (2001: US$11.1 million).

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. These schemes cover approximately 72% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of employee salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charges for the defined contribution schemes to the profit and loss account during the year are as follows:

US$'000	**2002**	2001
Contributions to the schemes	**10,773**	8,916
Forfeitures utilised	**(89)**	(50)
	10,684	8,866

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 15% of the Group's employees and are fully funded, with the exception of two smaller schemes and certain post retirement benefits. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the country in which they are situated. Actuary valuations for these schemes are carried out by independent professionally qualified actuaries ranging between two to three years.

29. Pension and retirement benefits (Continued)

The net assets/(liabilities) for the defined benefit schemes are recognised in the balance sheet as follows:

US$'000	2002	2001
Fair value of plan assets	**199,814**	194,615
Present value of funded obligations	**(223,779)**	(201,762)
Net funded obligations	**(23,965)**	(7,147)
Present value of unfunded obligations	**(3,447)**	(5,566)
Unrecognised actuarial losses	**22,183**	4,546
Unrecognised prior service cost	**1,012**	1,207
Unrecognised other assets	**599**	949
Net pension and retirement liabilities	**(3,618)**	(6,011)
Representing:		
Pension and retirement assets (note 18)	**5,122**	3,247
Pension and retirement liabilities (note 26)	**(8,740)**	(9,258)
	(3,618)	(6,011)

Movements of the net liabilities during the year are as follows:

US$'000	2002	2001
Balance at beginning of year (as restated)	**(6,011)**	(6,000)
Changes in exchange rates	**(137)**	441
Net expense recognised in profit and loss account	**(975)**	(2,212)
Contributions paid	**3,505**	1,760
Balance at end of year	**(3,618)**	(6,011)

29. Pension and retirement benefits (Continued)

The charges for the defined benefit schemes are recognised in the profit and loss account as follows:

US$'000	2002	2001
Current service cost	**2,803**	2,263
Interest cost	**11,409**	12,113
Expected return on plan assets	**(11,757)**	(12,910)
Amortisation of past service cost	**193**	382
Net actuarial loss	**983**	54
(Gain)/loss on curtailments and settlements	**(2,656)**	310
Net expense recognised for the year	**975**	2,212

The main actuarial assumptions made for the principal defined benefit schemes were as follows:

	2002	2001
Discount rate	**2 to 7%**	3 to 7%
Expected return on plan assets	**1 to 8%**	2 to 8%
Expected future salary increases	**3 to 9%**	3 to 10%
Actual return on plan assets (US$'000)	**(3,774)**	1,339

30. Share capital

US$'000	2002	2001
Authorised:		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000
Issued and fully paid:		
517,141,632 ordinary shares of US$0.10 each	**51,714**	51,714

31. Reserves

US$'000	2002	2001
Group		
Share premium	**35,073**	35,073
Contributed surplus	**148,286**	148,286
Asset revaluation reserve	**9,948**	9,948
Retained profit	**615,422**	567,903
	808,729	761,210
Company		
Share premium	**35,073**	35,073
Contributed surplus	**148,286**	148,286
Retained profit	**200,652**	208,535
	384,011	391,894

The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$0.1 million (2001: profit of US$18.4 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$348.9 million (2001: US$356.8 million) as at 31st December 2002.

32. Commitments

Group

(a) Capital commitments

US$'000	2002	2001
Contracted but not provided for	**533,407**	420,586
Authorised but not contracted for	**186,173**	32,957
	719,580	453,543

The commitments as at 31st December 2002 include the balance of the purchase cost of eight 8,000 TEU and one 4,200 TEU ice-strengthened container vessels (2001: six 8,000 TEU and one 4,200 TEU ice-strengthened container vessels) to be delivered between 2003 to 2005. In March 2002, the Group entered into agreements under which two 8,000 TEU and one 4,200 TEU container vessels will be sold to third parties at considerations equal to the acquisition costs to the Group upon delivery in 2003. The Group also entered into agreements to bareboat charter these vessels under operating lease terms for minimum periods ranging from eight to twelve years from dates of delivery.

In addition, the Group has a long-term investment plan in respect of the Beijing property development as set out in note 15(a).

32. Commitments (Continued)

Group (Continued)

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2002			
2003	214,171	22,605	236,776
2004	170,958	32,629	203,587
2005	152,757	29,089	181,846
2006	117,473	25,290	142,763
2007	89,437	24,896	114,333
2008 onwards	215,085	399,868	614,953
	959,881	534,377	1,494,258
As at 31st December 2001			
2002	232,250	19,791	252,041
2003	183,039	18,610	201,649
2004	154,062	27,152	181,214
2005	138,143	24,227	162,370
2006	113,642	20,738	134,380
2007 onwards	297,663	350,689	648,352
	1,118,799	461,207	1,580,006

32. Commitments (Continued)

Group (Continued)

(c) Operating lease rental receivable

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

US$'000	Land and buildings
As at 31st December 2002	
2003	17,538
2004	17,689
2005	16,689
2006	15,199
2007	13,452
2008 onwards	36,126
	116,693
As at 31st December 2001	
2002	19,106
2003	20,565
2004	19,165
2005	12,431
2006	10,697
2007 onwards	31,890
	113,854

33. Contingent liabilities

Group

(a) Guarantees in respect of loan facilities given for:

	Facilities		Utilised	
US$'000	**2002**	2001	**2002**	2001
Jointly controlled entities	**—**	40,000	**—**	11,700
Hui Xian (note 15)	**43,100**	43,100	**30,540**	25,131
	43,100	83,100	**30,540**	36,831

(b) A jointly controlled entity, Shanghai Orient Overseas Xujiahui Real Estate Company Limited ("SOOX"), has entered into agreements with certain banks in China in relation to the mortgage financing arrangements for end purchasers of its property development projects in Shanghai. Pursuant to the terms of the agreements, SOOX has provided guarantees in respect of the outstanding loans and accrued interest owed by the purchasers to the financing banks. These guarantees will be discharged upon obtaining the legal title for the property. As at 31st December 2002, the guarantee for such mortgage loans remained outstanding and amounted to US$18.9 million (2001 : US$2.5 million). The Group's share of such contingent liabilities is US$9.0 million (2001 : US$1.2 million).

(c) Litigation

The Group joined the Trans-Atlantic Agreement ("TAA") in respect of the US/Northern Europe trade in 1992. In 1994, the European Commission ("EC") adopted a decision which found that certain aspects of the TAA infringed EC competition rules, but no fines were imposed by the EC. The parties to the TAA, including the Group, challenged this decision in the European Courts. In 1994, the TAA was amended as the Trans-Atlantic Conference Agreement ("TACA"), of which the Group was also (and remains) a member. In 1997, the TACA parties, including the Group, challenged a further EC decision purporting to withdraw immunity from fines with respect to the TACA parties' intermodal rate-making in Europe. The judgements of the European Court of First Instance relating to both these cases were handed down on 28th February 2002 and dismissed the legal challenges brought by the TAA and TACA parties respectively. These judgements have no practical impact on the way in which the TACA parties currently operate and have not been appealed by the parties.

In September 1998, the EC adopted a further decision (the "TACA Decision") concerning the lawfulness of certain practices of the TACA. The TACA Decision found that the members of the TACA, including the Group, had committed certain infringements of the EC rules on competition, which prohibit agreements and practices restrictive of competition and the abuse of a dominant position. The TACA Decision also found that the TACA parties had infringed the equivalent provisions of the European Economic Area Agreement. The total fines imposed by the EC on all the TACA parties under Article 86 of the EC Treaty (the abuse of a dominant position) was Euro272.9 million (approximately US$285.6 million), of which the Group's share is Euro20.6 million (approximately US$21.6 million).

33. Contingent liabilities (Continued)

Group (Continued)

(c) Litigation (Continued)

In December 1998, the TACA parties lodged an appeal to the European Court of First Instance for the annulment of the TACA Decision. As security for the appeal, the Group provided a bank guarantee as required by the EC for an amount equivalent to its share of the fine imposed and interest accrued pending the Court's judgement. The case is still pending before the Court of First Instance and the oral hearing has been scheduled late March 2003. The exact liabilities of the Group are dependent upon the final outcome of the results of the appeal. The judgement of the Court of First Instance is expected during 2004; judgement on any further appeal to the European Court of Justice could be expected in 2006. While the Directors cannot predict with certainty the final outcome of the appeal, it is their opinion, based on legal advice, that it is likely the court will annul or significantly reduce the fines imposed in the Decision. Accordingly, no provision has been made in the accounts.

Company

(a) Guarantees in respect of loans, finance lease obligations and bank overdraft facilities given for:

	Facilities		Utilised	
US$'000	**2002**	2001	**2002**	2001
Subsidiaries	**1,096,260**	1,103,590	**785,371**	787,236
Jointly controlled entities	**—**	40,000	**—**	11,700
Hui Xian (note 15)	**43,100**	43,100	**30,540**	25,131
	1,139,360	1,186,690	**815,911**	824,067

(b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$266.3 million (2001: US$307.3 million).

(c) The Company has given a guarantee for a subsidiary in respect of its commitment and obligations towards the Beijing Oriental Plaza project as set out in note 15(a).

(d) The Company has given a guarantee to a bank in respect of the guarantee in favour of the European Court detailed in note 33(c) above.

(e) The Company has provided an undertaking to the Foreign Investment Commission of Shanghai Municipal Government for a subsidiary in respect of its capital contribution for property development projects in the People's Republic of China. As at 31st December 2002, the outstanding contribution amounted to US$8.5 million (2001: US$13.0 million).

34. Financial instruments

	Contract amount		Replacement cost	
US$'000	**2002**	2001	**2002**	2001
Interest rate swap agreements	**100,000**	100,000	**(4,055)**	(2,378)
Forward foreign exchange contracts	**—**	19,511	**—**	(309)
Foreign exchange option contracts	**20,000**	39,888	**(12)**	(200)
	120,000	159,399	**(4,067)**	(2,887)

The Group manages its exposure to fluctuations of foreign currencies, interest rates and bunker prices through a comprehensive set of procedures, policies and limits approved by the Committees of the Board of Directors. The Group does not engage in any transactions for speculative or dealing purposes. The above financial instruments arise from future, forward, swap and option transactions undertaken by the Group to hedge against assets, liabilities or positions.

The notional or contractual amounts of these instruments indicate the volume of these transactions outstanding at the balance sheet date and they do not represent amounts at risk. The exposure to credit risk is limited to the settlement amount owing by counterparties, which are reputable financial institutions.

The replacement cost of contracts represents the mark to market value of all contracts, which is estimated by reference to indicative market rates for these contracts, at the balance sheet date. The majority of the results relating to the unexpired contracts are recognised with the underlying transactions. In accordance with the Group's accounting policies, any net unrealised loss on open exchange contracts at the balance sheet date is charged to the profit and loss account whereas a net gain is not recognised.

35. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit before financing to cash generated from operations

US$'000	2002	2001
Operating profit before financing	**90,846**	107,391
Depreciation	**101,948**	88,227
Loss/(profit) on disposal of property, plant and equipment	**2,386**	(2,280)
Long-term investment income	**(30)**	(1,704)
Profit on disposal of long-term investments	**(31)**	(3,323)
Profit on disposal of a jointly controlled entity	**(4)**	—
(Write back)/provision for diminution in value of long-term investments	**(222)**	2,000
Amortisation of intangible assets	**12,120**	13,613
Revaluation deficit of investment property	**—**	20,000
(Decrease)/increase in net pension liabilities	**(2,393)**	11
Operating profit before working capital changes	**204,620**	223,935
Increase in properties under development and for sale	**(46,152)**	(14,197)
(Increase)/decrease in debtors and prepayments	**(13,676)**	78,681
Increase/(decrease) in creditors and accruals	**25,054**	(32,884)
Cash generated from operations	**169,846**	255,535

(b) Analysis of changes in financing

US$'000	Share capital and premium	Minority interests	Loans and finance lease obligations	Total
At 31st December 2000	86,787	4,532	885,341	976,660
Changes in exchange rates	—	103	(3,330)	(3,227)
Inception of finance leases	—	—	48,987	48,987
Minority interests' share of profit	—	522	—	522
Dividends paid to minority interests	—	(510)	—	(510)
Net cash outflow from financing	—	—	(37,088)	(37,088)
At 31st December 2001	86,787	4,647	893,910	985,344
Changes in exchange rates	—	1	445	446
Inception of finance leases	—	—	13,550	13,550
Minority interests' share of profit	—	210	—	210
Dividends paid to minority interests	—	(470)	—	(470)
Net cash inflow/(outflow) from financing	—	3,600	(42,715)	(39,115)
At 31st December 2002	86,787	7,988	865,190	959,965

35. Notes to consolidated cash flow statement (Continued)

(c) Analysis of cash and cash equivalents

US$'000	2002	2001
Bank balances and deposits maturing within three months from the date of placement	**331,640**	331,205
Portfolio investments	**54,276**	42,935
Overdrafts and bank loans repayable within three months from the date of advance	**(30,418)**	(42,549)
	355,498	331,591

36. Approval of accounts

The accounts were approved by the Board of Directors on 14th March 2003.

Segment Information

The principal activities of the Group include those relating to international transportation and logistics, container terminal, property investment and development. International transportation and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Transatlantic, 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 and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

The business segment for international transportation and logistics includes the operations of the terminals at Long Beach and Kaohsiung, which form an integral part of that business. For the geographical segment reporting, freight revenues from international transportation and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the international transportation and logistics activities, which cover the world's major shipping lanes, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for international transportation and logistic business are not presented. Segment assets consist primarily of property, plant and equipment, other non-current assets, debtors and prepayments and investments in finance leases, and mainly exclude investments in securities. Segment liabilities comprise creditors, accruals and other non-current liabilities. Total assets and capital expenditure are where the assets are located.

Business segments

US$'000	International transportation and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2002						
Turnover	2,218,120	231,698	24,084	—	(15,950)	**2,457,952**
Other operating income	2,510	—	4	308	—	**2,822**
Segment results	78,399	11,856	8,023	(7,432)	—	**90,846**
Net financing charges						**(30,634)**
Share of profits less losses of jointly controlled entities	(8,918)	—	11,608	—	—	**2,690**
Profit before taxation						**62,902**
Taxation						**(10,954)**
Profit after taxation						**51,948**
Minority interests	(271)	—	61	—	—	**(210)**
Profit for the year						**51,738**
Segment assets						
Property, plant and equipment	1,114,406	137,939	90,093	—	—	**1,342,438**
Jointly controlled entities	4,185	—	31,391	—	—	**35,576**
Other assets	170,661	39,257	169,744	5,873	—	**385,535**
Unallocated assets						**425,791**
Consolidated total assets						**2,189,340**
Segment liabilities						
Minority interests	(4,449)	—	(3,539)	—	—	**(7,988)**
Other liabilities	(347,539)	(40,812)	(1,941)	(1,998)	—	**(392,290)**
Unallocated liabilities						**(928,619)**
Consolidated total liabilities						**(1,328,897)**
Capital expenditure	70,839	18,149	885	—	—	**89,873**
Depreciation	89,571	12,367	10	—	—	**101,948**
Amortisation of intangible assets	10,676	42	1,402	—	—	**12,120**
Write back of provision for diminution in value of long-term investments	25	—	260	(507)	—	**(222)**

Business segments (Continued)

US$'000	International transportation and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2001						
Turnover	2,134,612	233,574	23,538	—	(12,774)	**2,378,950**
Other operating income	2,674	3,415	—	3,552	—	**9,641**
Segment results	117,464	9,788	(10,711)	(9,150)	—	**107,391**
Net financing charges						**(45,614)**
Share of profits less losses of jointly controlled entities	(729)	—	10,000	41	—	**9,312**
Profit before taxation						**71,089**
Taxation						**(9,280)**
Profit after taxation						**61,809**
Minority interests	(522)	—	—	—	—	**(522)**
Profit for the year						**61,287**
Segment assets						
Property, plant and equipment	1,143,527	131,850	90,001	—	—	**1,365,378**
Jointly controlled entities	7,251	—	38,702	1,297	—	**47,250**
Other assets	150,300	48,368	123,449	887	—	**323,004**
Unallocated assets						**414,652**
Consolidated total assets						**2,150,284**
Segment liabilities						
Minority interests	(4,647)	—	—	—	—	**(4,647)**
Other liabilities	(326,278)	(31,832)	(1,676)	(5,733)	—	**(365,519)**
Unallocated liabilities						**(967,194)**
Consolidated total liabilities						**(1,337,360)**
Capital expenditure	215,649	16,704	—	—	—	**232,353**
Depreciation	76,516	11,710	1	—	—	**88,227**
Amortisation of intangible assets	11,072	45	2,496	—	—	**13,613**
Provision for diminution in value of long-term investments	—	—	—	2,000	—	**2,000**
Revaluation deficit of the investment property	—	—	20,000	—	—	**20,000**

Geographical segments

US$'000	Turnover	Operating profit before financing	Total assets	Capital expenditure
Year ended 31st December 2002				
Asia	1,445,558	2,796	365,118	5,813
North America	651,713	17,083	375,468	22,631
Europe	316,557	—	26,443	1,930
Australia	44,124	—	334	21
Unallocated*	—	70,967	1,421,977	59,478
	2,457,952	90,846	2,189,340	89,873
Year ended 31st December 2001				
Asia	1,390,527	134	338,761	7,586
North America	641,576	(1,057)	396,602	34,467
Europe	309,064	—	21,452	710
Australia	37,783	—	426	17
Unallocated*	—	108,314	1,393,043	189,573
	2,378,950	107,391	2,150,284	232,353

* Operating profit before financing comprise of results from international transportation and logistics and investment activities whereas total assets and capital expenditure comprise of vessels and containers.

Principal Subsidiaries and Jointly Controlled Entities

As at 31st December 2002

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries					
Beaufort Shipping Ltd	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Betterment International Ltd	100	5,000 shares of US$1 each US$5,000	Property investment	British Virgin Islands	China
Cargo System (Singapore) Pte Ltd	100	2 shares of S$1 each S$2	Logistic, cargo consolidation and forwarding	Singapore	Singapore
Cargo System (UK) Ltd	100	2 shares of £1 each £2	Logistic, cargo consolidation and forwarding	United Kingdom	Europe
Cargo System Warehouse and Transport Ltd	100	3,000 shares of HK$100 each HK$300,000	Equipment owning	Hong Kong	Hong Kong
CargoSmart Ltd	100	2 shares of US$1 each US$2	Computer software development	British Virgin Islands	Worldwide
Consolidated Leasing & Terminals, Inc.	100	1 share of no par value US$100	Equipment owning and leasing	USA	USA
Containers No 1 Inc.	100	500 shares of no par value US$5,000	Equipment owning and leasing	Marshall Islands	Worldwide
Croydon Investment Ltd	100	500 shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
Dongguan Orient Container Co Ltd	100	Registered capital HK$29,000,000	Container depot	China	China
DT Ltd	100	500 shares of no par value US$5,000	Investment	Marshall Islands	Europe
Far Gain Investment Ltd	100	2 shares of HK$1 each HK$2	Investment holding	Hong Kong	Hong Kong
Far Glory Ltd	100	2 shares of HK$1 each HK$2	Investment holding	Hong Kong	China
Global Terminal & Container Services, Inc.	100	24,750 shares of no par value US$5,500,000	Terminal operating	USA	USA

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Goodlink Shipping Ltd	100	500 shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide
Hai Dong Transportation Co Ltd	100	100,000 shares of HK$1 each HK$100,000	Container transportation	Hong Kong	Hong Kong
Hillingdon Steamship and Navigation Company Ltd	100	200 shares of US$100 each US$20,000	Investment holding	Bermuda	Worldwide
Hope Award International Ltd	100	5,000 shares of US$1 each US$5,000	Property investment	British Virgin Islands	China
Howland Hook Container Terminal, Inc.	100 100	1,000,000 shares of US$1 each 5,200 cumulative preferred shares of US$1,000 each US$6,200,000	Terminal operating	USA	USA
IRIS Services Ltd	100	2 shares of US$1 each US$2	Computer software maintenance	British Virgin Islands	Worldwide
IRIS Systems Ltd	100	2 shares of US$1 each US$2	Computer software development and hosting provider	British Virgin Islands	Worldwide
Island Securing and Maintenance, Inc.	100	1,000 shares of no par value US$10,000	Lashing and maintenance of container equipment	USA	USA
Joyocean Navigation Ltd	100	500 shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Kenwake Ltd	100	1,600,000 shares of £1 each	Investment holding	United Kingdom	United Kingdom
	100	520,000 5% cumulative preference shares of £1 each			
		£2,120,000			
Laronda Company Ltd	100	5,000 shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Long Beach Container Terminal, Inc.	100	5,000 shares of no par value US$500,000	Terminal operating	USA	USA
Longtex Investment Ltd	100	2 shares of HK$1 each HK$2	Investment holding	Hong Kong	China
Loyalton Shipping Ltd	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Millerian Company Ltd	100	5,000 shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Newcontainer No 1 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 2 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 3 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 4 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 5 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 6 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 7 Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No 9 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 10 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 11 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 12 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 15 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 16 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 17 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 18 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 19 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 20 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 21 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
OHKL (Macau) Ltd	100	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	Macau
OOCL (Asia Pacific) Ltd	100	2 shares of HK$1 each HK$2	Liner territorial office	Hong Kong	Asia Pacific
OOCL (Assets USA) Holdings Inc.	100	50,000 shares of US$1 each US$50,000	Investment holding	Liberia †	USA

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Assets) Holdings Inc.	100	500 shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
OOCL (Australia) Pty Ltd	100	200,000 shares of A$1 each A$200,000	Liner agency	Australia	Australia
OOCL (Benelux) NV	100	226,271 shares of no par value €609,799	Liner agency	Belgium	Belgium
OOCL (Canada) Inc.	100	10,000 shares of no par value C$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd	100	2 shares of HK$1 each HK$2	Investment holding	Hong Kong	China
OOCL (China) Ltd	100	2 shares of HK$1 each HK$2	Representative office	Hong Kong	China
OOCL (Deutschland) GmbH	100	Registered capital €130,000	Liner agency	Germany	Germany
OOCL (Europe) Ltd	100	5,000,000 shares of £1 each £5,000,000	Investment holding	United Kingdom	Europe
OOCL (Finland) Ltd	100	150 shares of €16.82 each €2,522.82	Liner agency	Finland	Finland
OOCL (France) SA	100	60,000 shares of €15.24 each €914,694.10	Liner agency	France	France
OOCL (HK) Ltd	100	500 shares of HK$100 each HK$50,000	Liner agency	Hong Kong	Hong Kong
OOCL (Ireland) Ltd	100	100 shares of €1.25 each €125	Liner agency	Ireland	Ireland

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Japan) Ltd	100	160,000 shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd	100	16,000 shares of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd	100	2 shares of HK$1 each HK$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd	100	2 shares of US$1 each US$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Philippines) Inc.	100	15,000 class A common stock of Peso100 each	Liner agency	Philippines	Philippines
	100	10,000 class B common stock of Peso100 each Peso2,500,000			
OOCL (Russia) Ltd	100	1 participatory share of Rub10,000 each Rub10,000	Liner agency	Russia	Russia
OOCL (Scan-Baltic) A/S	100	1,000 shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Singapore) Pte Ltd	100	100,000 shares of S$1 each S$100,000	Liner agency	Singapore	Singapore
OOCL (Taiwan) Company Ltd	100	1,350,000 shares of NT$10 each NT$13,500,000	Liner agency	Taiwan	Taiwan
OOCL (Thailand) Ltd	100	40,000 shares of Baht100 each Baht4,000,000	Liner agency	Thailand	Thailand

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (UK) Ltd	100	1,100,000 shares of £10 each £11,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 shares of US$1 each US$1,030	Liner agency	USA	USA
OOCL China Domestics Ltd	100	Registered capital RMB10,200,000	Freight agency and cargo packing	China	China
OOCL Logistics (Asia Pacific) Ltd	100	200 shares of US$100 each US$20,000	Investment holding	Bermuda	Asia Pacific
OOCL Logistics (China) Ltd	100	Registered capital US$3,400,000	Logistic, cargo consolidation and forwarding	China	China
OOCL Logistics (Hong Kong) Ltd	100	50,000 shares of HK$10 each HK$500,000	Logistic, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (Japan) Ltd	100	200 shares of Yen50,000 each Yen10,000,000	Logistic, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd	100	30,000 shares of Won10,000 each Won300,000,000	Logistic, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics (Taiwan) Ltd	100	750,000 shares of NT$10 each NT$7,500,000	Logistic, cargo consolidation and forwarding	Taiwan	Taiwan
OOCL Logistics Inc.	100	100 shares of no par value US$200	Logistic, cargo consolidation and forwarding	USA	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Shipping BV	100	30 ordinary shares of €150 each	Ship management and chartering	Netherlands	Worldwide
	—	90 cumulative preference shares of €150 each			
		€18,000			
OOCL Ships (Marshall Islands) Ltd	100	500 shares of no par value US$5,000	Ship chartering	Marshall Islands	Worldwide
# OOCL Transport & Logistics Holdings Ltd	100	169,477,152 shares of US$1 each US$169,477,152	Investment holding	Bermuda	Worldwide
# OOIL (Investments) Inc.	100	500 shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
Orient Container No 1 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No 3 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No 4 Shipping Inc.	100	100 shares of no par value US$100	Ship owning	Liberia †	Worldwide
Orient Overseas (Shanghai) Investment Co Ltd	100	Registered capital US$44,250,000	Investment holding	China	China
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corporation	100	10 shares of no par value US$150,000	Property owning	USA	USA

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Orient Overseas Container Line Inc.	100	500 shares of no par value US$25,000,000	Investment holding	Liberia	Worldwide
Orient Overseas Container Line Ltd	100	10,000 shares of HK$100 each HK$1,000,000	Liner operating	Hong Kong	Worldwide
Orient Overseas Container Line (China) Co Ltd	100	Registered capital US$1,840,000	Liner agency	China	China
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	100,000 shares of M$1 each M$100,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (UK) Ltd	100	66,000,000 shares of £1 each £66,000,000	Investment holding	United Kingdom	Worldwide
# Orient Overseas Developments Ltd	100	10,000 shares of HK$10 each HK$100,000	Investment holding	Hong Kong	Hong Kong
Orient Overseas Property (Shanghai) Co Ltd	100	Registered capital US$2,100,000	Property development	China	China
Overseas Chinese Maritime Inc.	100	100 A shares of no par value	Investment holding	Liberia †	Worldwide
	100	100 B shares of no par value			
	100	70 6% cumulative preferred shares of US$100,000 each US$7,010,000			
Shanghai OOCL Container Transportation Co Ltd	60	Registered capital US$9,350,000	Container depot	China	China
Shanghai Orient Overseas Yongye Real Estate Co Ltd	88	Registered capital US$30,000,000	Property development	China	China

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Soberry Investments Ltd	100	5,000 shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Surbiton Ltd	100	500 shares of no par value US$5,000	Portfolio investment	Liberia †	Worldwide
Treasure King Shipping Ltd	100	500 shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide
TSI Terminal Systems Inc.	100	233,400 shares of C$1 each C$233,400	Terminal operating	Canada	Canada
Wall Street Plaza, Inc.	100	40 A shares of US$1 each	Investment holding	USA	USA
	100	160 B shares of US$1 each			
	100	20,000 12% series A non-cumulative non-voting preferred stock of US$1,000 each			
	100	18,000 11% series B non-cumulative non-voting preferred stock of US$1,000 each			
	100	19,500 12% series C non-cumulative non-voting preferred stock of US$1,000 each			
	100	19,000 12% series D non-cumulative non-voting preferred stock of US$1,000 each US$76,500,200			
Wandworth Ltd	100	500 shares of no par value US$5,000	Portfolio investment	Liberia †	Worldwide
Warrender Ltd	100	2 shares of HK$10 each HK$20	Ship owning	Hong Kong	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Wayton Ltd	100	2 shares of HK$1 each HK$2	Ship owning	Hong Kong	Worldwide
Wealth Capital Corporation	100	500 shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
Winning Assets International Ltd	100	5,000 shares of US$1 each US$5,000	Property investment	British Virgin Islands	China
Jointly controlled entities					
* Global Alliance K BV	25	8,000 shares of €453.78 each €3,630,241.73	Ship chartering	Netherlands	Worldwide
Hui Dong Investment Ltd	50	1,000 shares of HK$1 each HK$1,000	Investment holding	Hong Kong	China
Hui Han Investment Ltd	50	1,000 shares of HK$1 each HK$1,000	Investment holding	Hong Kong	China
Jointco Investment Ltd	50	1,000 shares of HK$1 each HK$1,000	Investment holding	Hong Kong	China
Qingdao Orient International Container Storage & Transportation Co Ltd	59	Registered capital RMB69,900,000	Container depot	China	China
Shanghai Orient Overseas Real Estate Co Ltd	47.5	Registered capital US$15,000,000	Property development	China	China
Shanghai Orient Overseas Xujiahui Real Estate Co Ltd	47.5	Registered capital US$30,000,000	Property development	China	China

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Jointly controlled entities (Continued)					
Shanghai Orient Overseas Zhenning Real Estate Co Ltd	47.5	Registered capital US$13,000,000	Property development	China	China
* Shanghai Xinhua Iron and Steel Co Ltd	27.5	Registered capital US$6,911,000	Ship breaking	China	China

* Jointly controlled entities whose accounts have been audited by firms other than PricewaterhouseCoopers.

\# Direct subsidiaries of the Company.

† Companies incorporated in Liberia but redomiciled to the Marshall Islands.

Major Customers and Suppliers

Approximately 5.3% and 17.5% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.6% and 5.5% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

10 Years Financial Summary

US$'000	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
Consolidated Profit and Loss Data										
Turnover	1,379,738	1,516,018	1,671,628	1,882,322	1,895,997	1,832,764	2,139,071	2,395,160	2,378,950	**2,457,952**
Operating profit before financing	146,852	119,543	91,594	157,447	68,033	48,327	122,729	166,399	107,391	**90,846**
Net financing charges	(8,126)	(59,620)	(21,038)	(42,899)	(42,471)	(42,911)	(41,421)	(48,246)	(45,614)	**(30,634)**
Profit before taxation	136,744	60,106	70,579	115,078	26,548	3,674	80,341	131,464	71,089	**62,902**
Profit after taxation	137,190	57,648	66,788	107,233	24,204	170	67,623	112,477	61,809	**51,948**
Preferred share dividends	9,097	9,097	9,097	9,003	4,875	2,564	—	—	—	**—**
Profit/(loss) attributable to ordinary shareholders	127,415	48,113	56,108	97,149	18,790	(2,867)	67,221	111,863	61,287	**51,738**
Per Ordinary Share										
Earnings/(loss) (US cents)	27.7	10.4	12.2	21.0	3.6	(0.6)	13.0	21.6	11.8	**10.0**
Dividends (US cents)	1.3	1.61	2.08	2.60	1.65	—	3.0	4.0	2.5	**2.5**
Weighted average number of ordinary shares in issue ('000)	460,369	460,369	460,369	462,065	517,142	517,142	517,142	517,142	517,142	**517,142**

Notes:

(1) The accounting policy in recognition of freight revenue from the operation of the international containerised transportation business was changed in 1994. The figures prior to that year have not been restated to reflect this change in accounting policies.

(2) The estimated useful life of container vessels was revised from 20 years to 25 years in 1998. The depreciation of container vessels prior to 1998 has not been restated to reflect the change.

(3) The accounting policy on dry-docking and special survey costs was changed in 1997 and again in 2000. The figures prior to 1996 and 1999 respectively have not been restated to reflect this change.

(4) The accounting policy on pre-operating costs was changed in 2000 and the figures prior to 1998 have not been restated to reflect this change.

(5) The accounting policies on employee benefits and income taxes were changed in 2002 and the figures prior to 2000 have not been restated to reflect this change.

US$'000	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
Consolidated Balance Sheet Data										
Property, plant and equipment	658,247	672,911	891,336	936,309	992,807	1,042,076	1,006,412	1,286,197	1,365,378	**1,342,438**
Cash, portfolio and bond investments	477,654	419,307	384,056	447,440	458,944	375,531	455,954	458,025	402,424	**412,446**
Other net current liabilities	(178,724)	(182,278)	(193,422)	(196,593)	(252,718)	(304,157)	(327,047)	(346,574)	(343,659)	**(341,356)**
Gross assets	1,377,126	1,336,618	1,565,905	1,776,737	1,871,842	1,800,625	1,862,864	2,155,254	2,150,284	**2,189,340**
Long-term debt	470,884	405,444	533,787	592,020	646,726	587,210	560,457	753,761	760,386	**682,759**
Total long and short-term debt	544,963	494,609	633,914	682,375	800,452	771,989	733,036	952,053	936,459	**895,608**
Net debt	67,309	75,302	249,858	234,935	341,508	396,458	277,082	494,028	534,035	**483,162**
Shareholders' funds	538,200	560,516	606,973	702,200	690,883	656,326	708,453	796,747	812,924	**860,443**
Ordinary shareholders' funds	438,526	460,842	507,299	652,200	660,883	656,326	708,453	796,747	812,924	**860,443**
Other Financial Information										
Depreciation	80,076	75,646	73,827	83,139	75,364	65,590	69,544	84,118	88,227	**101,948**
Capital expenditure	33,568	97,599	309,767	272,245	216,785	95,077	46,276	378,458	232,353	**89,873**
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	1.0	0.9	1.0	1.0	1.2	1.2	1.0	1.2	1.2	**1.0**
Net debt to equity ratio	0.1	0.1	0.4	0.3	0.5	0.6	0.4	0.6	0.7	**0.6**
Return on average ordinary shareholders' funds (%)	34.1	10.7	11.6	16.7	2.9	(0.4)	9.9	14.9	7.6	**6.2**
Accounts Payable as a % of turnover	18.8	16.7	17.3	19.3	19.2	19.5	18.9	16.3	15.0	**15.6**
Accounts Receivable as a % of turnover	12.0	11.1	11.8	14.0	13.6	12.9	11.7	10.2	7.3	**7.9**
Net asset value per ordinary share (US$)	0.95	1.00	1.10	1.26	1.28	1.27	1.37	1.54	1.57	**1.66**

Fleet and Container Information

Fleet

The following table sets out the Group's vessels deployed in all its services at 31st December 2002.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Germany	5,560	Chartered	Trans-Pacific	2000	24.9	Liberia
OOCL New York	5,560	Chartered	Trans-Pacific	1999	24.7	Liberia
OOCL Netherlands	5,390	Chartered	Trans-Pacific	1997	24.6	Hong Kong
OOCL Singapore	5,390	Owned	Trans-Pacific	1997	24.6	Hong Kong
OOCL America	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Britain	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL California	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL China	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Hong Kong	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Japan	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Belgium	2,808	Owned	Transatlantic	1998	21.0	Hong Kong
OOCL Canada	2,330	Owned	Transatlantic	1996	20.0	Hong Kong
OOCL Chicago	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL France	5,560	Chartered	Asia-Europe	2001	24.9	Liberia
OOCL Korea	5,560	Chartered	Asia-Europe	2001	24.9	Liberia
OOCL Los Angeles	5,560	Chartered	Asia-Europe	2000	24.9	Liberia
OOCL Malaysia	5,560	Chartered	Asia-Europe	2000	24.9	Liberia
OOCL Shanghai	5,560	Chartered	Asia-Europe	1999	24.9	Liberia
OOCL Thailand	5,560	Chartered	Asia-Europe	2002	24.9	Liberia
OOCL Friendship	3,218	Chartered	Asia-USEC	1996	21.0	Hong Kong
OOCL Fair	3,161	Owned	Asia-USEC	1987	21.0	Hong Kong
OOCL Faith	3,161	Chartered	Asia-USEC	1996	21.0	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-USEC	1987	20.5	Hong Kong
OOCL Fortune	3,161	Owned	Asia-USEC	1987	20.5	Hong Kong
OOCL Freedom	3,161	Chartered	Asia-USEC	1996	20.5	Hong Kong
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Narva	600	Chartered	Intra-Europe	1998	18.0	Germany
Mare Caspium	2,959	Chartered	Asia/Australia	2001	21.0	Antigua
OOCL Harmony	2,959	Chartered	Asia/Australia	2001	21.0	Antigua
OOCL Envoy	2,544	Owned	Asia/Australia	1979	20.5	Hong Kong
OOCL Exporter	2,535	Owned	Asia/Australia	1976	20.5	Hong Kong
EOS 1	2,908	Chartered	Intra-Asia	2002	22.0	Douglas
Corrado	2,062	Chartered	Intra-Asia	2002	21.0	Bahamas
OOCL Ability	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Acclaim	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Ambition	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Authority	1,560	Chartered	Intra-Asia	1997	18.5	Panama
Aveiro	1,438	Chartered	Intra-Asia	2002	17.5	Cyprus
Franconia	1,042	Chartered	Intra-Asia	2002	20.0	Liberia
Shalamar	1,005	Chartered	Intra-Asia	2002	15.5	Pakistan
Blue Moon	614	Chartered	Intra-Asia	2002	16.0	Liberia
Dubai Trader	578	Chartered	Intra-Asia	2002	15.0	St Vincent & the Grenadines
Star Island	500	Chartered	Intra-Asia	2002	14.5	Panama
OOCL Kyushu	455	Chartered	Intra-Asia	2000	14.0	Bahamas
OOCL Seto	455	Chartered	Intra-Asia	2000	14.0	Bahamas
TOTAL 47 VESSELS	**153,543**					

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 221,877 units (369,699 TEU) at 31st December 2002. Approximately 50% of the container fleet in TEU capacity at 31st December 2002 was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2002 the Group owned, purchased on finance lease terms or leased under operating lease terms 24,553 trailer chassis.

Terminal Information

TSI TERMINAL SYSTEMS INC.

VANTERM

Location: Vancouver, British Columbia, Canada.

Status of Terminal: A 76 acre, three berth container terminal facility operated under a long-term lease agreement from the Vancouver Port Authority, which expires in 2012.

Equipment/Facilities: Two container berths, 619 metres long; one combined berth, 228 metres long; one conventional berth, 183 metres long; on-dock intermodal yard consisting of five tracks totaling 2,200 metres; 9-lane inbound and 3-lane exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; five cranes including four post-Panamax at 16-wide and one Super post-Panamax at 18-wide; 12 RTGs capable of one container over 4x7 wide; eight toppicks; eight sidepicks; 29 yard tractors; 35 yard chassis; various lift trucks and truck scale; reefer points with 288 reefer outlets.

Building Facilities: 30,000 sq ft main office building; 125,000 sq ft transit shed; 25,000 sq ft maintenance building. The Vancouver Port Authority has approved an expansion of Vanterm's container capacity by removing the shed and office complex.

Principal Customers: K Line, OOCL, NYK, COSCO, Hapag Lloyd, P&O Nedlloyd, Yang Ming, Hanjin.

DELTAPORT

Location: Roberts Bank, Delta, British Columbia, Canada.

Status of Terminal: A 160 acre, two berth container facility in which TSI is a service contractor to the Vancouver Port Authority until 2004, and thereafter under a long-term lease agreement with Vancouver Port Authority for 2004-2023.

Equipment/Facilities: Two container berths, 670 metres long; eight rail tracks of 3,500 ft each, providing capacity for four 7,000 ft double-stack trains (440 TEUs per train); grounded storage capacity in the Intermodal Yard of approximately 1,200 TEUs; three high-speed rail-mounted gantries (RMGs) equipped with a computerised container positional determination system; radio data controlled inbound and exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; six Super post-Panamax container gantry cranes capable of handling 18 to 20 container wide ships each with 50-tonne capacity; 18 rubber tire gantries (RTGs), some equipped with auto-steering and a positional determination system; abundant supply of multi-trailer systems (triples) and single chassis; eight reachstackers/toplifts, four empty handlers; two truck weigh scales; 24,000 TEUs storage capacity; 600 reefer plugs.

Building Facilities: 33,300 sq ft main office building; 22,000 sq ft maintenance building.

Principal Customers: Evergreen, Lloyd Triestino, China Shipping, NYK, OOCL, P&O Nedlloyd, Hapag Lloyd, Norasia, Zim, CMA-CGM.

LONG BEACH CONTAINER TERMINAL, INC.

Location: Long Beach, California, USA.

Status of Terminal: A 104 acre, three berth container terminal facility operated under a long-term preferential use agreement from the Port of Long Beach, which expires in 2011.

Equipment/Facilities: Three container vessel berths; five post-Panamax quayside container gantry cranes; eight rubber-tired gantry cranes; 60 yard tractors; two top handlers; four side picks; 12 utility forklifts; 26 yard chassis; various pick-up trucks and other vehicles and handling equipment.

Building Facilities: 13,000 sq ft main office building; 3,200 sq ft marine operations building; 9,600 sq ft repair shop.

Principal Customers: OOCL, NYK, P&O Nedlloyd, Hapag Lloyd.

GLOBAL TERMINAL & CONTAINER SERVICES, INC.

Location: Jersey City, New Jersey, USA.

Status of Terminal: A freehold 98.2 acre, two berth container facility.

Equipment/Facilities: 20 receiving/delivery gates; closed-circuit television system throughout the Terminal for security and monitoring of operations; two deep water container vessel berths (1,800 ft); six quayside container cranes including four Super post-Panamax cranes; eight rubber-tyred gantry cranes (RTG's) capable of stacking one over five containers high and six wide plus a truck lane. All RTG's are equipped with global positioning systems for steering and live-time container locations; 44 yard tractors; seven toploaders; nine side pickers; 24 yard chassis; various terminal vehicles for use by terminal supervision.

Building Facilities: 28,000 sq ft administration building; 4,000 sq ft marine operations building and 25,000 sq ft maintenance and repair building.

Principal Customers: NYK Line, Hapag Lloyd Container Line, P&O Nedlloyd Ltd, OOCL, Columbia Coastal Transport, the United States Military Traffic Management Command.

HOWLAND HOOK CONTAINER TERMINAL, INC.

Location: Staten Island, New York, USA (Port of New York / New Jersey).

Status of Terminal: A 187 acre, three berth container terminal facility operated under a long-term lease agreement from the Port Authority of New York and New Jersey, which expires in 2020.

Equipment/Facilities: Three deep water container vessel berths; six quayside gantry cranes; four new post-Panamax cranes on order; 24 paperless computerised truck gates; 63 yard tractors; 22 full container handlers; 9 empty container handlers and other heavy forklifts; 42 stevedoring chassis; various computer equipped pickups and other vehicles; on-dock rail service (37 acre intermodal rail yard under construction); on-dock Container Freight Station; on-dock US Customs Inspections; Trac operated chassis pools of 1,700 chassis.

Building Facilities: 39,000 sq ft main office building, 412,000 sq ft container freight station (comprising two buildings), 28,785 sq ft equipment maintenance and repair shop, 20,000 sq ft deep freeze warehouse, 66,000 sq ft refrigerated warehouse.

Principal Customers: Maersk SeaLand, NYK, APL, Hapag Lloyd, P&O Nedlloyd, Chilean Lines/CSAV, CCNI, OOCL, Turkon Container Line, Crowley American Transport, CMA-CGM, China Shipping, Ecuadorian Line and the United States Military Traffic Management Command.

KAOHSIUNG CONTAINER TERMINAL

Location: Pier 66 Kaohsiung Harbour, Kaohsiung, Taiwan.

Status of Terminal: One of the original container facilities from the Kaohsiung Harbour Bureau. Current lease expires in 2009. The entire terminal was recently modernised to have deep-water berths of 14.5 meters, newly installed light towers and fiber optics, additional rail-mounted gantry cranes and revised yard layout.

Equipment/facilities: Two container vessel berths (680 meters long) on a total of 66 acres. Operate on 24-hour 7-day basis for all berth and gate activities. Equipment include : Five quay cranes including three post-Panamax (16 rows); 12 rail-mounted gantry cranes (RMGs); seven straddle carriers; five empty stackers and various shipside handling equipment. Three Super post-Panamax quay cranes (18 rows) are on order for delivery in July 2003.

Building Facilities: 1,500 sq m main office building, 7,000 sq m CFS, 2,200 sq m maintenance building.

Principal Customers: ANL, COSCO, China Shipping, Hapag Lloyd, Malaysia International Shipping Co, NYK, OOCL, P&O Nedlloyd, Zim.

Property Information

Property Development

a) **Completed Projects - Residential**

Project Name	Location	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Orient Garden	Shang Tang Lu, Hangzhou	50	1999	39,884
Fontainebleau	Xing Guo Lu, Shanghai	100	1999	2,614
Joffre Gardens	Nan Chang Lu, Shanghai	47.5	2000	72,502
The Courtyards	Zhenning Lu, Shanghai	47.5	2001	65,789
Century Metropolis	Ziyang Lu, Shanghai - Phase 1A	47.5	2001	64,896

b) **Projects Under Construction/Development - Residential**

Project Name	Location	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Century Metropolis	Ziyang Lu, Shanghai	47.5		
	- Phase 1B		2003	83,000
	- Phase 2A		2003	30,000
	- Phase 2B		2003	55,000
Changle Lu Project	Changle Lu, Shanghai	88	2005/2007	135,000

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