



Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

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Corporate	Business	Financials	Newsroom	Investor's Relations	Contact Us	Site Map
			Annual Report			
			►	2003		



CORPORATE PROFILE

Orient Overseas (International) Limited ("OOIL"), a company with total revenues in excess of US\$3.2 billion, has three principal business activities: container transportation and logistics services, ports 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.

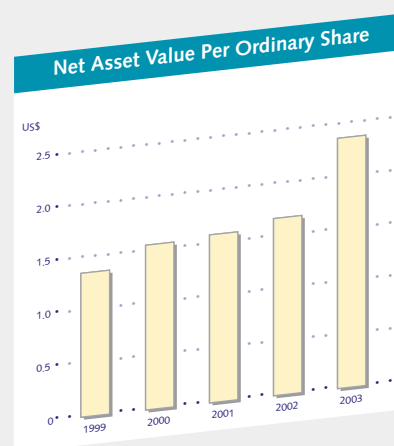
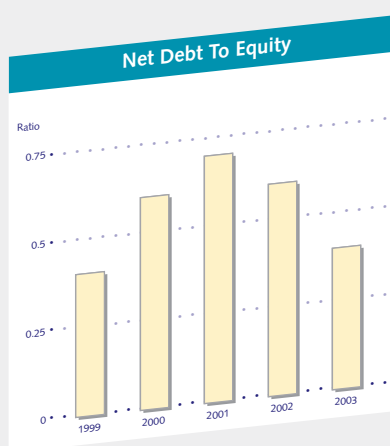
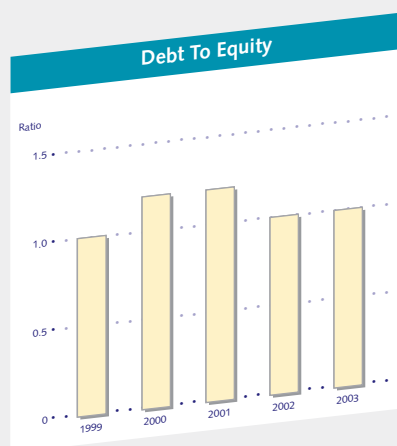
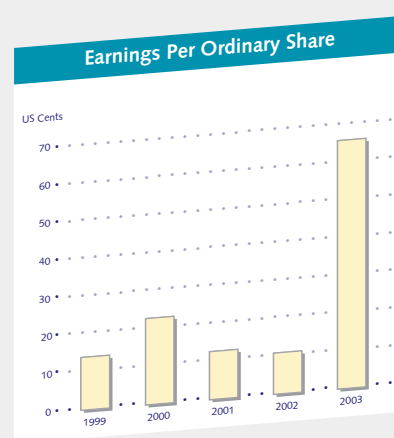
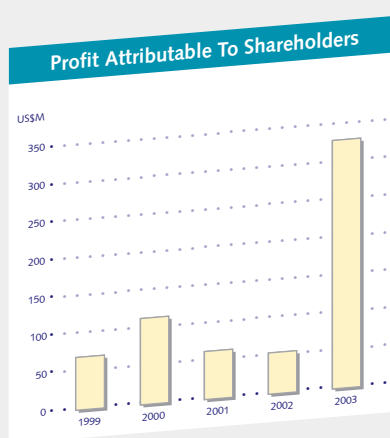
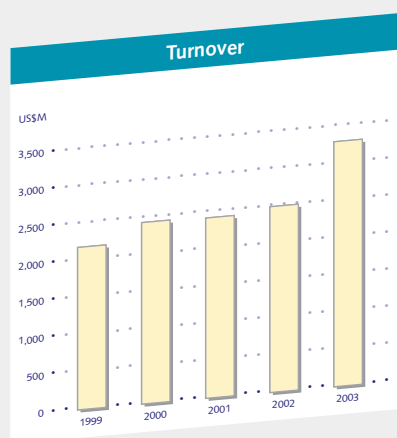
OOIL Group's property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing's most prestigious commercial and office developments 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

	Corporate Profile
1	Contents
2	Financial Highlights
3	Significant Events
6	Chairman's Letter
12	Operations Review
22	Financial Review
40	Board of Directors
	Shareholder Section
46	Financial Calendar
47	Shareholder Information
49	Corporate Governance
50	Notice of Annual General Meeting
57	Report of the Directors
64	Report of the Auditors
	Financial Statements
65	Consolidated Profit and Loss Account
66	Consolidated Balance Sheet
67	Balance Sheet
68	Consolidated Cash Flow Statement
69	Consolidated Statement of Changes in Equity
70	Notes to the Accounts
110	Segment Information
114	Principal Subsidiaries and Jointly Controlled Entities
124	Major Customers and Suppliers
125	10 Years Financial Summary
	Other Information
127	Fleet and Container Information
128	Terminal Information
131	Property Information
132	Corporate Information

Financial Highlights

	2003 US\$'000	2002 US\$'000	Change %
Turnover	3,241,113	2,457,952	+32
Net financing charges	18,740	30,634	-39
Profit attributable to shareholders	329,044	51,738	+536
Earnings per ordinary share (US cents)	65.2	10.0	+552
Ordinary shareholders' funds	1,110,754	860,443	+29
Cash and portfolio investments	680,806	412,446	+65
Property, plant and equipment	1,579,798	1,342,438	+18
Debt to equity ratio	1.0	1.0	—
Net debt to equity ratio	0.4	0.6	-33
Net asset value per ordinary share (US\$)	2.36	1.66	+42



Significant Events

February

OOCL *Xiamen*, one of the four chartered-in vessels of OOCL in 2003, arrived in Hong Kong from the Port of Ningbo. ¹



March

OOIL announced a profit after taxation and minority interests of US\$51.7 million for the year ended 31st December 2002.

Hapag Lloyd, OOCL and P&O Nedlloyd announced the start of a new dedicated Intra-Asia service, plying between Japan, Thailand and Vietnam.

April

OOCL celebrated the christening of OOCL *Shenzhen* at Koji Island, Korea. OOCL *Shenzhen* was the largest vessel ever built by Samsung Heavy Industries Co., Ltd. ²

OOCL launched a new China/Straits Service to enhance its service network for China.



May

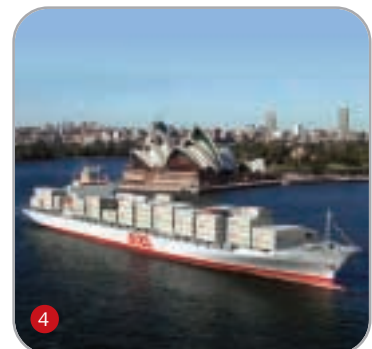
OOCL *Montreal*, a 4,402 TEU Ice-strengthened vessel, was delivered to OOCL from Daewoo Shipbuilding and Engineering Co. ³

A completely new service, the "Australia China Express" (ACE) service was inaugurated by China Shipping and OOCL, replacing the COZ ("China Shipping, OOCL and Zim") service in serving customers' transportation and logistics needs between China and Australia.



June

OOCL *Sydney*, a chartered in brand new container vessel of 2,762 TEU, joined the new Australia China Express (ACE) service, jointly operated by OOCL and China Shipping, linking major ports in Australia with the growing markets of China, Hong Kong and Taiwan. ⁴



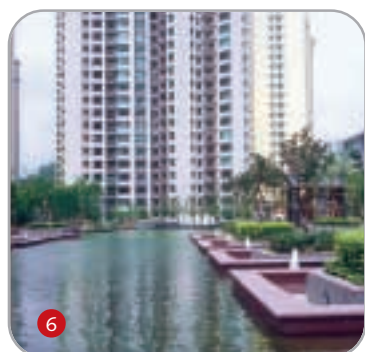
Significant Events



July

OOCL *Long Beach*, the second of the ten 8,063 TEU "SX" Class vessels delivered to OOCL from Samsung Heavy Industries. ⁵

Excavation work for Phase 2B of Century Metropolis commenced.



August

OOIL announced Interim Results on 20th August a profit before taxation of US\$88.7 million as compared with US\$4.1 million for the same period last year.

OOCL (India) Private Limited, a wholly owned subsidiary of OOCL was established as the general agent for OOCL in India.

September

OOIL completed an off-market share repurchase of 46,957,088 shares at a repurchase price of HK\$9.8 per share (the "Share Repurchase").

Following the completion of the Share Repurchase, all the repurchased shares were cancelled and the total number of issued shares of OOIL was reduced from 517,141,632 to 470,184,544.



October

Occupation permit for Phase 2A of Century Metropolis were obtained. ⁶



December

OOCL signed an agreement with Samsung Heavy Industries for the construction of two 8,063 TEU (twenty-foot equivalent unit) "SX" Class post-Panamax container vessels for delivery in 2007. ⁷

OOCL won Best Main Line Operator at the fifth Lloyd's List Maritime Asia Awards ceremony, held in Shanghai on 4th December. ⁸

OOIL announced the following appointments with effect from 1st December 2003: ⁹

1. Professor Richard Yue Chim Wong was appointed an Independent Non-executive Director of the Company;
2. Mr Philip Yiu Wah Chow was appointed a Director of the Company; and
3. Mr Tsann Rong Chang, a Director of the Company, was appointed Vice Chairman.



9



Chairman's Letter



RESULTS FOR 2003

2003 has turned out to have been one of if not the best year to date for the container liner industry. To the surprise of most, and from very uncertain beginnings, the market gathered strength at an unprecedented pace during the course of the year. At the interim stage of 2003, I voiced concerns that the nascent recovery of the world's major economies remained frail and that the significant increases in both container liftings and average freight revenues during the first half of 2003 were greatly assisted by the weakness of the comparable period of 2002 and might not be sustained into the second half of the year. These concerns turned out to have been unfounded with the growth in volumes and the increase in rates having, in the event, accelerated during the second half of 2003. Equally, the perennial fears that the growth in the volume of containers moved would be insufficient to absorb the effects of the introduction of a significant level of newbuilding tonnage were also groundless. It should be noted, however, that the capacity increases were sufficient to alleviate the upward pressure on freight rates to the extent that in the case of the Trans-Pacific for example, they remain below the levels achieved in 1999 and 2000.

Against this background of beneficial market conditions, and aided by both a continued focus on cost control and the benefits deriving from the economies of scale which accrue from our fleet expansion, I am pleased to be able to report a record level of performance by Orient Overseas (International) Limited and its subsidiaries (the "Group") for the year of 2003 as a whole. The Group recorded a profit before tax and minorities of US\$353.3 million for the financial year 2003. A profit attributable to shareholders of US\$329.0 million was

recorded which represents an increase of 536% over the attributable profit of US\$51.7 million which we recorded in 2002. This is a remarkable achievement but must be viewed in the light of the prevailing economic and market conditions which have produced a set of circumstances almost unprecedented in the history of the industry.

The Board of Directors recommends the payment of a final dividend of US12.8 cents (HK\$1) per share to ordinary shareholders. Together with the interim dividend, this represents a 566% over the total dividend paid for the financial year ended December 2002.

The Directors are also recommending a bonus issue of shares on the basis of one bonus share of for every 10 existing issued ordinary shares and have resolved to change the board lot size for trading in OOIL shares from 2,000 to 1,000.

The result for the year as a whole is much superior to that predicted in the middle of 2003 and the forecasts for the trading environment during 2004 remain optimistic.

As hitherto, the Group's operations remain organised into two distinct operating entities to allow each the required independence and ability to concentrate upon their respective businesses.

Our International Transportation, Logistics and Terminals division enjoyed an unprecedented trading environment during 2003 as we experienced a much better supply and demand balance despite the substantial growth in capacity. During the second half of 2002 business confidence generally had started to recover from the

depths of earlier in the year and container volumes had begun to show much higher growth rates. This continued through into 2003 and, if anything, accelerated as the year progressed. Coupled with a lower rate of tonnage increase than had been forecast, the supply and demand balance changed its bias to the extent that space became more scarce and freight rates consequently firmer.

I am pleased also to report that our container terminal businesses in North America were all profitable for 2003. For various reasons this represents the first time that they have all been profitable in the same year. Overall, the four terminals, two in the Port of New York and New Jersey and two in the Port of Vancouver, achieved an increase of just over 7% in throughput, in terms of actual lifts, and an 11% rise in revenues per container handled. This translates into a 133% increase in net recurrent pre-tax income although this figure is distorted by the swing from loss to profit at Global Terminal in New York. However, we expect these levels of profitability to be maintained or bettered during 2004.

As hitherto we continue to make those investments in these terminal facilities necessary to upgrade the equipment and to maintain and improve the services we provide to our customers. In addition we remain alert to the opportunities which, although infrequent, do arise from time to time to invest in other terminal projects in which we see good prospects in terms of the location and hinterland necessary to produce the profitability levels required.

During 2003 we have continued the development and scope of our automated IT platforms. Major enhancements have

been made to IRIS-2, our enterprise system, to include interface capabilities with CargoSmart, e-Payment and Scheduling Smart, and to cater for Bills of Lading and Manifests issued by N.V.O.C.C.s. It's market leading functionality has once again been demonstrated by the fact that a second licensing agreement has been signed to allow use of the system by another major container line. Both the first and this second licensee conducted extensive exercises to identify suitable and available proprietary systems. That both concluded that IRIS-2 was their better and preferred solution demonstrates that no other system compares favourably.

In 2003, CargoSmart, a provider of one of the most advanced portals for the ocean container transportation industry, continued to strengthen its product range by adding and enhancing features that complete the basic shipment cycle from booking through to invoicing, thereby extending its service to help a broader segment of customers and their associates manage their shipments across multiple carriers. The new products and enhancements continue to assist customers to plan, process, monitor, and share their shipment information more efficiently.

OOCL Logistics is the Group's logistics management division. Founded as a global freight services provider, OOCL Logistics today is a major global 3PL (Third Party Logistics Provider) as well as an LLP (Lead Logistics Provider). By combining leading-edge IT solutions, with a full menu of logistics services, it provides customers with integrated logistics solutions and manages multiple carriers, service providers and transportation modes with visibility and

event management capabilities. It offers a wide range of value added services through its worldwide network. While bearing the well-recognised OOCL brand name, OOCL Logistics is a neutral 3PL/LLP with the goal to maximise value for its customers. It has a customer focussed service philosophy, technology driven operations and process oriented business practices.

In line with the Group's overall goal of significantly expanding its logistics services capabilities, OOCL Logistics is focused on end-to-end logistics solutions that maintain a high level of customer satisfaction through consistent service quality. Information technology is at the core of modern logistics. OOCL Logistics prides itself on its sophisticated, customer driven technology solutions. It continues to deliver advanced, integrated web solutions that support a full range of transportation, warehousing, information integration and management reporting requirements. To extend its IT leadership, OOCL Logistics embarked on a new IT initiative in 2003, building on the technology successes of the Group, which aims to provide the engine to manage the entire logistics supply chain from manufacturer to retailer. At the same time, OOCL Logistics is continuing to build upon its long-standing presence and expertise in China, a market we regard as having the greatest potential and enormous demand for logistics services. We intend to maintain our leadership position in China's logistics market in the years to come.

Our Property Development and Investment division returned a solid year in 2003. Despite the numerous issues arising due to SARS, the results of our development portfolio in Shanghai remained satisfactory. This can be attributed to both the experience

of the local development team and the continued brand name premium we have established in Shanghai. In addition, we began during the year to expand our horizons a little to areas immediately outside the Shanghai City limits, efforts which we believe will make a valuable contribution to the Group going forwards.

For our property investment business, we continue to 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. Beijing Oriental Plaza, in which the Group continues to hold an 8% interest, has yielded a modest but positive result at the project level for the financial year ended December 2003 and we look forward to a growing contribution at the Group level in the future. Until such time, we continue to view the project as a long term investment. During 2003, the Group increased its percentage freehold ownership of the land underlying Wall Street Plaza from 66% to 95% at a cost of US\$10 million. As at 31st December 2003, the building was valued on an open-market basis at US\$100 million, which allowing for the capitalisation of the amount spent to acquire the increased freehold interest, represents no change from the prior year. The gradual recovery in the New York property market has benefited Wall Street Plaza, and we look forward to its continued and positive contribution to Group performance.

The outlook for our core international transportation and logistics businesses remains positive. During the course of 2003 the supply and demand balance moved firmly in our favour and at the present time it is hard to find any data to suggest that this favourable situation will alter in the near

term. Indeed, at the time of writing the prospects for the longer term appear brighter than they have for some time. In the past, our concerns have traditionally been over the supply side of the equation with new tonnage generally available between 18 months and two years of having placed an order. The present situation, unique it seems, is that with all sectors of the shipping industry having of late been enjoying exceptional levels of performance, the shipyard order books are virtually full for probably the next 3.5 years. As such, the supply side increases are fixed for a period much longer than is usually the case. With greater confidence therefore on the supply side, concern has now switched more to the demand side and the sustainability of the recent levels of container volume growth. It should be remembered that this is very much an international business and indeed, OOCL depends upon its base in Hong Kong for not more than 10% of its revenues. China's accession to the WTO, the continuing process of containerisation and the return to higher levels of global economic growth all tend to suggest that the presently better supply and demand balance is set to remain with us for 2004 and perhaps beyond. More profound in its effect at present perhaps is the process of globalisation. It would seem that the poorer macroeconomic conditions of the past few years in the world's major consuming economies have placed increased pressure on businesses, largely unable to influence their revenues, to concentrate efforts upon their cost bases and to seek lower manufacturing and or assembly costs. This has resulted in a shift of these processes to lower labour cost areas, namely the Far East and specifically China. The impact of these changes in trade patterns is a compound one since it not only generates increased

container movements to return the finished product back to its consumer market but also creates other movements, most notably in the Asian regional trades, in the transport of raw materials and components. This goes a long way potentially to explaining the very steep rise during 2003 in Intra-Asian container volumes.

General freight levels at the time of writing remain firm on all our trade routes. Whilst for the Trans-Pacific, the all important negotiations of the annual service contracts remain in progress, we do not expect the outcome to demonstrate any softening in rates of which, during 2004, we shall enjoy the benefit for a full 12 months. Similarly we do not foresee any softening in our other trades and for our Intra-Asia services we may experience some unexpected strength in rates as it now appears that there is little if any extra tonnage available, in addition to the increase in trunk route vessels carrying regional cargo, to absorb the continuing volume increases.

2003 has been an exceptional year for the Group and I must pay tribute to the staff who have made this possible. OOIL has a full-time staff on land and at sea of over 5,000 people. It as a committed and stable workforce and the Group includes "People" as one of its Core Values. "People Development", throughout the whole organisation, remains a cornerstone of corporate policy. Quality in service and products has always been the emphasis and now with our positioning as a knowledge based organisation as we continue our IT investment programmes, we place an even greater emphasis on the development of our people. We aim to provide an environment in which they may extend their personal horizons and realise their full potential in partnership with the Company as a whole.

The Group and its employees also take seriously and take pride in responsible corporate citizenship. Recognising that the communities in which we live and work contribute to our success, we focus our community efforts on the provision of youth education, charity relief and cultural promotion. Every week, throughout the world, OOCL employees give to the community by participating in charity events, fundraising or by dedicating their time to ongoing acts of help or assistance. A major initiative is the Group's involvement in Project HOPE (Health Opportunities for People Everywhere) by assisting with the transportation of the latest diagnostic medical equipment and supplies to the Shanghai Children's Hospital, China, to allow those less fortunate children to receive the best medical care and attention possible. Other beneficiaries include cancer, diabetes and leukaemia funds in Hong Kong, Australia, Europe and the USA; children's homes in Hong Kong and France; food banks in the US and many others.

In line with OOIL's long tradition of giving back to the communities in which we live and work, the Tung OOCL Scholarship supports the education of youth. OOIL and The Tung Foundation together spend over US\$1 million per year on educational scholarships for students in China and Hong Kong and for the children of employees globally.

C C Tung

Chairman and Chief Executive Officer
Hong Kong, 19th March 2004

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.





Supply Chain



Operations Review

INTERNATIONAL TRANSPORTATION, LOGISTICS AND TERMINALS



2003 began rather uncertainly. Although the growth in container volumes had picked up strongly during the latter part of 2002, concerns remained over the strength and durability of any US economic recovery, the problems within the other major economies, especially those entrenched and structural problems in Japan and Germany, and the sustainability of the fast growing Chinese economy.

International Transportation and Logistics

	2002		2003
Volumes (teu)	2,264,882	+18.7%	2,687,545
Revenue (US\$ millions)	2,218.1	+33.9%	2,969.6
E.B.I.T.D.A.	169.7	+154.4%	431.8
Depreciation/Amortisation	(100.2)	+8.5%	(108.7)
E.B.I.T.	69.5	+364.9%	323.1
Finance Expenses	(24.4)	-20.5%	(19.4)
Profit Before Tax	45.1	+573.4%	303.7
Tax & M.I.	(4.2)	+57.1%	(6.6)
Net Profit	40.9	+626.4%	297.1



CONTAINERISED TRANSPORTATION

All trade routes achieved an appreciable improvement in performance during the course of 2003 as volumes rose significantly and freight rates for most routes continued their strong recovery. Overall liftings for OOCL rose by 18.7% to 2,687,545 TEU which, combined with a 15.1% recovery in average revenues per TEU, resulted in a 36.6% increase in total revenues to US\$2.8 billion. There were adverse movements on the cost side however. Variable costs per TEU remained largely unchanged, being mainly terminal charges and the cost of third party transportation services. However, bunker costs were 17% higher than in 2002, on an average price per ton basis, resulting in total additional expenditure of US\$61.4 million, US\$21.4 million on a like for like basis after allowing for the fleet expansion which took place during the year. The 2003 resumption of our drydocking programme, postponed

during 2002, resulted in additional costs of US\$10.0 million and higher charter and slot hire expenses represented a further increase year-on-year of US\$37.0 million. Additionally, we have suffered from the devaluation of the US Dollar against the world's major currencies. In approximate terms, any one cent upward movement of the US Dollar / Euro exchange rate represents a US\$1 million increase to our cost base. A one yen fall in the Japanese Yen / US Dollar exchange results in a similar cost increase in US Dollar terms. The overall load factor reduced slightly from 84.1% to 82.0% but remains a considerable achievement when compared with the average 21.8% fleet expansion which took place during 2003.

OOCL's Trans-Pacific trades achieved a significant turnaround from a small loss in 2002, as a result of the unviably low rates

which resulted from the service contract renegotiations in early 2002, to once again resume a position as a significant contributor to the overall OOCL profitability. A 12.1% increase in liftings combined with a 22.0% recovery in average freight rates per TEU resulted in a 37% increase in total revenues. Liftings to the US East Coast experienced the steeper increase at 18.4%. It should be noted that the recovery began only from 1st May 2003 as the new service contract year commenced.

The recovery in the Asia-Europe and Asia / Mediterranean trade routes has been as equally prominent. For 2003 a 20.8% rise in total liftings and a 35.4% recovery in average freight rates resulted in a 63.5% increase in total revenues. By comparison, liftings on the Transatlantic routes experienced a much more modest increase of just 2.9% but, assisted by a general



redeployment of some tonnage onto the other two stronger main east-west trades, average revenues per TEU rose by 13.5% resulting in a 16.8% rise in total revenues.

OOCL's Intra-Asia and Australasia businesses experienced by far the greatest volume increase at 31.1% and, assisted by a marginal 2.2% rise in average revenue per TEU, total revenues rose by 33.9%. This only modest rise in freight rates would suggest that during 2003, there was sufficient tonnage available on the charter market combined with additional trunk line vessel capacity, to match the volume increases. However the very steep rise during the latter part of the year in charterhire rates for the medium to smaller size ships deployed within these trades, would suggest that this supply is now, at best, limited with the potential consequence for 2004 that any continued strong rise in volumes will have a positive impact upon freight rates. Our Asia

to Australasia routes also experience strong growth especially on the southbound trades. Overall, 23.5% and 14.6% rises in liftings and average revenue per TEU respectively, resulted in a 41.6% increase in total revenues.

Orient Overseas Container Line

	TOTAL LIFTINGS		TOTAL REVENUES			
	(TEU'S)		(US\$000'S)			
	2002	2003	2002	2003		
Trans-Pacific	771,428	+12.1%	865,098	936,154	+36.9%	1,281,239
Asia-Europe/ Intra-Europe	355,067	+14.5%	406,648	335,656	+56.6%	525,786
Transatlantic	270,404	+2.9%	278,200	294,125	+16.8%	343,518
Intra-Asia/ Australasia	867,983	+31.1%	1,137,599	451,440	+33.9%	604,657
All Services	2,264,882	+18.7%	2,687,545	2,017,375	+36.6%	2,755,200

Between January and June 2003, OOCL took delivery of the "OOCL Xiamen", "OOCL Osaka", "OOCL Sydney" and "OOCL Melbourne". All are 2,762 TEU

vessels built by Imabari in Japan and are under long-term charterparty arrangements. They were deployed within our Intra-Asian and Australasian services. In May 2003, OOCL took delivery of the "OOCL Montreal", a 4,402 TEU ice-strengthened vessel for deployment in our North Atlantic services between Europe and Canada. Simultaneously, the "OOCL Canada", our former 2,330 TEU ice-strengthened vessel, was delivered to her new owners under a pre-existing contract of sale.

In April and June 2003, OOCL took delivery from Samsung in Korea of the "OOCL Shenzhen" and "OOCL Long Beach". Both were deployed in our Grand Alliance Asia-Europe services and were the first to be delivered of what is now our programme of twelve 8,063 TEU "SX" Class vessels ordered from Samsung. In January and February 2004, OOCL took delivery of the "OOCL Rotterdam" and "OOCL

Hamburg", numbers 3 and 4 in the series. Numbers 5 and 6, the "OOCL Qingdao" and "OOCL Ningbo" will be delivered in April and May 2004 respectively. These vessels remain the largest containerhips by declared capacity yet delivered. Of the remaining six vessels in the series, two will be delivered during each of the first halves of 2005, 2006 and 2007.

During 2003, OOCL also committed to long-term charterparty arrangements under which a series of eight 5,888 TEU vessels, to be built by Imabari in Japan, will be delivered, one in late 2005, three in early 2006, one in late 2006 and the remaining three during the first half of 2007. 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 the further long-term charterparty arrangements, together with the existing fleet of eight 5,560 TEU vessels under medium-term charterparties which begin to reach their first renewal dates from the middle of 2005 onwards, provide us with the flexibility we require to convert vessels earmarked for fleet expansion into replacement tonnage should market conditions so dictate.

LOGISTICS

In 2003, OOCL Logistics again achieved a high growth of 31.5% in total revenues. It witnessed a significant expansion of its customer base and greatly increased the sophistication of its services. It continues to pursue and support its dual strategic initiatives of rapid business growth and continuous service quality improvement. A number of initiatives under its five-year business plan have registered satisfactory results. The China Distribution programme

has seen the development of a nationwide network of regional distribution centres, warehouses and cross-dock operations, giving it a presence and operational capabilities in all key locations throughout the strategically important China market. Upon China's full accession to WTO, the international and PRC domestic networks of OOCL Logistics will combine to offer customers a seamless global end-to-end logistics service. At the same time, its unrelenting efforts in systems development have been a major pillar in supporting ever demanding customer requirements. These and other projects will together put OOCL Logistics ahead of its competition. OOCL Logistics is poised for notable growth in the years to come.

INFORMATION TECHNOLOGY

The Group policy to continue investment in its IT capabilities remains as a means of achieving greater customer satisfaction and cost efficiency. This further automation of our processes continues to free staff from the constraints of day to day process management to concentrate upon exception management and the continuing improvement and broadening of our customer services. It also allows us to reduce significantly the amount that we spend upon service, documentation, administration and other communications with shippers while, at the same time, the budgeted outlay on computer systems continues to fall as a percentage of total revenues. The visibility created by and the flexibility of this "object technology", on which the systems are based, is such that it even allows shippers to change the destination of a container which is already in transit. It is currently the largest "objects system" in the world and holds over 800 million "objects" in its database and it looks at the world as an

integrated whole rather than looking separately at individual countries as traditional shipping systems do. Its total capacity will have been doubled to two billion objects by the end of the first quarter 2004. It has already proved its worth in respect of the "24 Hour Rule" which requires carriers to deliver shipment information to the US Customs, with other jurisdictions either having already followed or about to follow suit, 24 hours before the container is loaded. Implementation was simple since all necessary information was already available from the moment of on-line booking. It will again prove invaluable in the future if RFID (radio tag technology) becomes standard to assist shippers in tracking all their individual shipments at all times. This may be some way off however, since IRIS-2 already tracks all containers at all times.

As one of the most advanced and comprehensive open software platforms in the industry, CargoSmart added Vessel Tracking and Invoices and Payments to its online functions. It also enhanced its product range by providing "offline" methods of conducting common shipper-carrier transactions, including shipping instructions, and it enhanced its bill of lading printing capabilities with batch printing and secure printing on blank paper. CargoSmart and its technology partner Hewlett-Packard, also renewed their long-term hosting agreement for another three years, further strengthening the technological foundation and customer technical support delivery of the company. By the end of 2003, CargoSmart had grown to over 11,000 registered users transacting on a system that was being populated with an average of 215,000 new shipments a month.

CONTAINER TERMINALS

The two container terminals in Vancouver, Deltaport and Vanterm continued to enjoy volume growth in 2003 with a combined increase of 7% above 2002 in the throughput of containers. Although remaining profitable, the operating profits of these two terminals were not at the same levels as in the prior year due to increasing costs such as taxes, insurance, labour, meeting the ISPS code (International Ship and Port Facility Security Code) and the challenges resulting from handling a significant increase in rail import/export volumes.

Although the customer mix changed somewhat from 2002, the overall increase was due in part to a number of factors. The two terminals both continued to build on their success at serving as a first port of call for Trans-Pacific carriers, at providing an alternative gateway to the US Midwest and at growing further in the Canadian import/export marketplace. Further volume increases are attributable to certain existing customers having introduced additional services, the addition of new customers and to an extent, the continued diversion of traffic due to the labour disruption of the US West Coast ports in late 2002. The 7% increase in throughput over 2002 is still significantly positive growth building on the initial 26% growth experienced in the prior year as the two Vancouver terminals successfully secured a new customer base.

New challenges experienced in 2003 included the additional costs and operational issues of handling the significant increase in rail volumes. The required co-operation and support of the railways is critical to ensure that these challenges are minimised. To meet the ongoing challenges to the overall capacity of Deltaport and Vanterm, several initiatives were undertaken to increase terminal capacity and to improve terminal efficiency and productivity in a cost-effective manner. These initiatives included a terminal expansion at Vanterm at a cost of approximately US\$30 million, including the purchase of two 65-ton super post-Panamax cranes and an increase in terminal and inter-modal yard capacity and the purchase of a seventh gantry crane for the Deltaport facility to improve the turnaround time and free up additional berth windows. All new cranes will be delivered in early 2005. Discussions continue with the Vancouver Port Authority on the subject of a third, additional berth at Deltaport and the expansion of its container yard.

Global Terminal in New Jersey, recovering from a difficult 2002, acquired new business in 2003 increasing its throughput by 132%. With the return of throughput to pre-2002 levels, Global's financial and operational performance has demonstrated a marked improvement. Having now completed its transition to a fully grounded mode of terminal operations using rubber-tyred gantry cranes, Global has significantly

increased its terminal capacity. Coupled with other planned facility and service improvements, including the implementation of a new terminal information system, an Optical Character Recognition gate complex and the reduction of redundant labour and process practices, more efficiencies in operations and cost will be realised. Also, the planned deepening and extension of the berth length will position Global to acquire additional business and bring the terminal to its full potential. In addition, Global is actively pursuing with a local short-line railroad the implementation of a near-dock inter-modal service, moving yet further to meet its customer needs.

Global's geographic location within the Port of New York and New Jersey is ideally suited to meet the increasing demands of container carriers by providing unrestricted access from the open sea, and therefore the shortest transit time, as compared with other facilities in the port. These attributes will insure the long-term ability of Global to maintain a customer base that will utilise the full capacity of the terminal.

Howland Hook, on the New York side of the harbour and located on Staten Island, achieved its second consecutive year of profitability. While net revenues were down year over year based on a reduced volume of 25% versus the previous year, there were several key strategic projects which moved forward and the completion of a revised

lease arrangement with the Port Authority made 2003 a very positive year for this facility. The lease revision removed several million dollars of recorded debt and will significantly enhance the terminal's future financial position.

The loss of a customer in the fourth quarter of 2002 was partially offset with the terminal regaining another vessel string from the same customer at the start of the third quarter in 2003. On a strategic note, construction on several key projects including on-dock rail, a 500 ft berth extension and channel dredging have all made significant progress. These three projects, with a combined cost of approximately US\$600 million, are being funded by the Port Authority of New York and New Jersey together with the federal government providing much of the funding for the dredging, and will all be complete in mid-2005 and thereby increasing the facility's capacity by approximately 38%. Dredging of the approach channel also commenced in July 2003 and once complete this 18 month project will allow the facility to handle the largest vessels which call at the harbour.

Complimenting this non-recourse investment, the terminal upgraded much of its terminal handling equipment and completed a contract for the acquisition of four new post-Panamax cranes which will be on line in the third quarter of 2004. Taken together, these terminal improvements, combined with the new operating

equipment, will significantly enhance the long-term value of this operation. During the coming year Howland Hook will also complete a corporate restructuring and going forward, the terminal will be reorganised as New York Container Terminal Inc., scheduled for completion during the first quarter of 2004.

PROPERTY INVESTMENT AND DEVELOPMENT

PROPERTY INVESTMENT

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

The Group retains its 8% interest in Beijing Oriental Plaza which has now been completed. The project consists of 117,000 sq m of retail space, 295,000 sq m of office space, a 500 room 5 star hotel and over 800 service apartments, in total some 585,000 sq m in gross floor area. While the project is now achieving modest profits at the project level, we do not expect this to contribute in the near term to Group profitability as a result of the accounting treatment. The total cash investment by the Group has been US\$93.6 million. No further injection of equity will be required.

Wall Street Plaza, the Group's investment property in New York City's financial district, started the year with a vacancy rate of 11% but a strong leasing programme reduced this to below 1% as 2003 drew to a close, significantly better than the 15% overall vacancy rate in the Downtown Manhattan office market. Furthermore, a majority of those tenants with leases due to expire in 2004 and 2005 and who collectively occupy 12% of the building, elected during 2003 to extend the terms of their respective leases

by an average of five years. Wall Street Plaza remains profitable and is strongly positioned to ride out the current market downturn.

In 2003, the Group purchased the freehold interest in a 8,053 sq ft parcel of land which accounts for approximately 36.5% of the site on which Wall Street Plaza is constructed. This purchase has brought the Group's freehold ownership of the underlying land to 95.1% and provides it with a better position and flexibility in forward planning for Wall Street Plaza. As at the end of 2003, the building was valued, on an open market basis, at US\$100 million. This compares with a valuation as at the end of 2002 by the same valuer of US\$90 million. The increase in valuation includes the newly acquired freehold ownership of the underlying parcel which was purchased for approximately the difference in the two valuation results.

PROPERTY DEVELOPMENT

The Shanghai residential real estate market has continued to grow and the luxury sector registered strong growth for 2003. We continue to be cautiously optimistic given the steep rise in the residential market over the past three years. However, the market continued to be supported by a number of factors including (i) the continued growth





in the underlying economy of Shanghai; (ii) the continued inflow of capital and businesses into Shanghai from both outer provinces and overseas; (iii) the continued discharge of pent-up demand; (iv) speculative buying and investment; (v) new plot ratio restrictions within the city centre; (vi) an active second hand market thereby further stimulating the primary market; and (vii) a further slow down in supply as resettlement guidelines become more stringent. Going forwards, the Government seems to be encouraging further home ownership in the mid and mid to low sectors of the market. It has announced plans to increase the mortgage ratio for these sectors to 85%, plans to lift the RMB100,000 ceiling on provident fund usage by home buyers and has announced a preferential interest rate subsidy policy for lower income buyers. It has also place significant emphasis on building subway and elevated light railway links in and around the city.

Overall, although the market has risen less dramatically during 2003 than previously there continues to be concern over the building of a real estate bubble. While

corrections in selected sectors of the market cannot be ruled out, the affordability of home ownership appears to remain healthy.

During 2003, Orient Overseas Developments Ltd ("OODL") delivered a total of approximately 60,000 sq m of completed residential units in Phases 1B and 2A of Century Metropolis in the Xu Hui district of Shanghai. At present, approximately 58,000 sq m of residential units in Phase 2B are under construction. The sales of residential units in Century Metropolis during 2003 were in line with projections and satisfactory. Sales of the residential units in Phase 2B are scheduled for mid-2004.

The project on the Changle Lu site in the Luwan district of Shanghai will have a total gross floor area of approximately 134,000 sq m and will feature a high-end residential complex in one of Shanghai's most prestigious locations. The Master plan has been approved in principle and piling is scheduled to commence during the summer of 2004. Sales of the residential units are expected to begin in 2005.

The Group's property development team under OODL was able to work through challenges to both construction and sales brought about by SARS. The result of the development projects reflects a deep, mature and well functioning development team adapting well to an ever changing local environment. In addition, OODL has begun targeting areas slightly outside the Shanghai City boundaries. Although still in their early stages, negotiations under way would, if successful, result in a pipeline project of at least 200,000 sq m Gross Floor Area situated 40 minutes to the west of Shanghai. We would expect such a project to begin contributing to the Group from 2006 onwards.

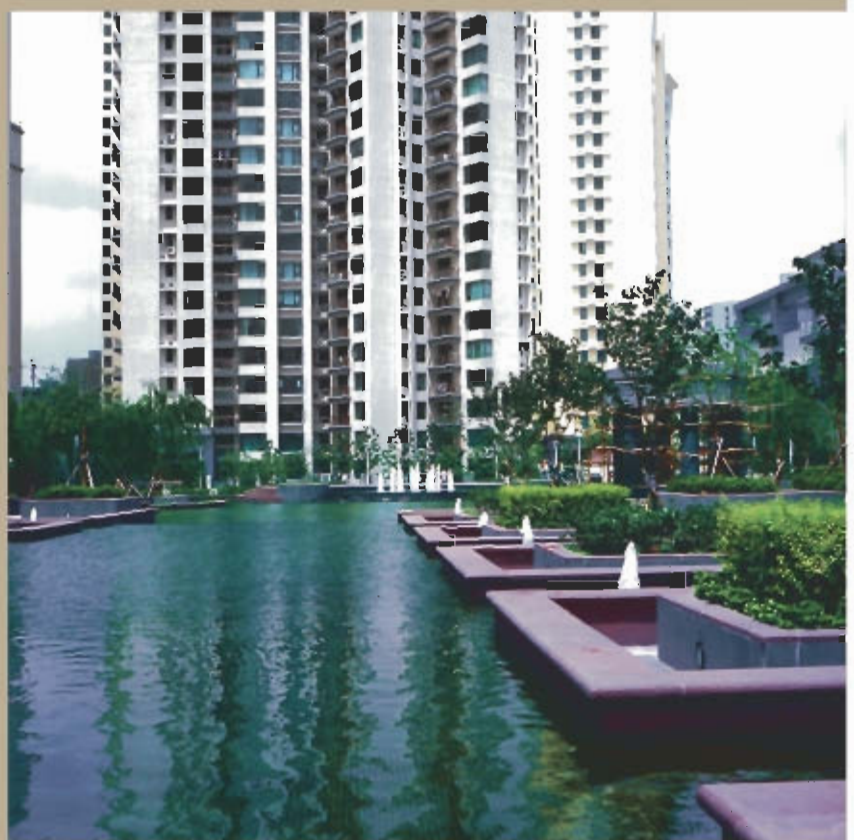
As a property developer
and investor, we continue
to select choice
locations and quality
projects with the objective
of securing a solid and
continuing return.
We have established
ourselves as a quality
residential developer,
and will continue to
build upon the brand
name in Shanghai
and beyond.





Property

Development & Investment



Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US\$'000	2003	2002	Variance
Operating results by activity:			
International transportation and logistics	323,123	69,481	253,642
Container terminals	35,034	11,856	23,178
Property investment and development	21,075	19,631	1,444
Investments and corporate services	238	(5,921)	6,159
Earnings before interest and tax	379,470	95,047	284,423
Interest income	14,020	11,079	2,941
Interest expenses	(30,892)	(36,932)	6,040
Financing charges	(9,292)	(6,292)	(3,000)
Profit before taxation	353,306	62,902	290,404
Taxation	(24,145)	(10,954)	(13,191)
Minority interests	(117)	(210)	93
Profit attributable to shareholders	329,044	51,738	277,306

International Transportation and Logistics

Summary of Operating Results

US\$'000	2003	2002	Variance
Liftings (TEUs)	2,687,545	2,264,882	422,663
Revenue per TEU (US\$)	1,025	891	134
Turnover			
Asia	2,042,717	1,439,984	602,733
North America	481,285	417,455	63,830
Europe	399,068	316,557	82,511
Australia	46,484	44,124	2,360
	2,969,554	2,218,120	751,434
Cargo costs	(1,253,669)	(1,013,763)	(239,906)
Vessel and voyage costs	(630,005)	(476,820)	(153,185)
Equipment and repositioning costs	(446,877)	(368,111)	(78,766)
Gross profit	639,003	359,426	279,577
Business and administrative expenses	(324,144)	(283,537)	(40,607)
Other operating income, net	10,449	2,510	7,939
	325,308	78,399	246,909
Share of results of jointly controlled entities	(2,185)	(8,918)	6,733
Earnings before interest and tax	323,123	69,481	253,642

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 over 90% of the Group's revenue in 2003. International transportation and logistics will continue to be the core business of the Group in which the majority of operating assets will be deployed.

Financial Review

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\$1,440.0 million in 2002 to US\$2,042.7 million in 2003 with a notable increase in the volume of exports to North America across the Pacific, from which a significant portion of the revenue was derived. The Westbound leg of the Asia/Northern Europe service also recovered strongly from the poor market conditions prevailing in previous years with a 24% increase in liftings and a corresponding recovery in revenues. Together with the continuing volume increases in Intra-Asia services, all contributed to the revenue growth for the year.

Liftings on the Eastbound Asia/North America West Coast service increased by 14%, achieved without softening freight rates. Performance of the Westbound leg of the Asia/Northern Europe service followed a similar pattern with substantial gains in both liftings and revenue. Intra-Asia also recorded a 33% growth in liftings for the year, at the expense of a slight fall in average freight rates.

Overall load factors as a percentage of the capacity available during 2003 dropped slightly by 1% as compared with 2002, but compared with a 27% increase in available capacity during the year, notably in the Intra-Asia and Europe bound routes. Results from this region will always be dependent upon the economic environment and consumption patterns of 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 members.

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 by US\$63.8 million for this area in 2003. With the exception of the Eastbound leg of the Canada/Northern Europe service, all routes from this region recorded positive revenue growth, especially the Westbound segment of the Asia/North America West Coast services which experienced a turnaround from the prolonged decline in freight rates since 1996.

Westbound liftings on the Asia/North America West Coast service recorded a 6% increase over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal also achieved a notable improvement of 18%. Performance of the Eastbound Canada/Northern Europe and US East Coast/Northern Europe services barely attained 2002 level. The former achieved improvements in freight rates but at the expense of liftings while the latter's volume gain was largely offset by a corresponding rate decrease.

Average revenue per TEU on all outbound cargoes from North America rose by 9% in 2003 compared with 2002, with a notable recovery in the Trans-Pacific routes.

With the growth in capacity outpacing the increase in liftings, overall load factors in the region recorded a 6% drop 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 2002.

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 2003 greatly surpassed that of 2002 by US\$82.5 million. The Eastbound leg of the Asia/Northern Europe service, being the largest volume source for the Europe area, performed exceptionally well during the year with a promising growth in volume and a comparable rebound in freight rates. The Westbound rates of the Transatlantic routes also received substantial increments to complement a notable revenue increase for the region.

Although liftings for the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were slightly better than those of 2002, average revenue per TEU improved by nearly 20% during the year. Comparatively, the Eastbound leg of the Asia/Northern Europe service experienced a rebound from the precarious market conditions of previous years. Liftings for this segment recorded a 21% rise in 2003 and per TEU revenue also registered a 17% gain.

Overall load factors as a percentage of capacity available for cargo shipments from this region were 4% lower than that of 2002 but balanced against a 12% capacity increase for the Europe area in year 2003.

Average revenues per TEU on all outbound cargoes from Europe recorded a 20% increase from the 2002 levels with both the Transatlantic trade lanes and the export market to Asia experiencing a similar recovery in freight rates.

Financial Review

Australia

Turnover from this area is principally the Northbound freight of our Asia/Australia and New Zealand services. The East Asia/Australia service was operated in consortium with ANL, ZIM and China Shipping from May 2002 onwards. ZIM withdrew in May 2003 and was replaced by a new service jointly operated with China Shipping. 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 PIL and RCL.

Liftings on the Northbound Asia/Australia and New Zealand service increased by 22% in 2003, at the expense of a 12% drop in average revenue, resulting in a net gain in turnover of US\$2.4 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 19% growth in liftings for 2003, total cargo costs also rose by US\$239.9 million, a 24% increase. On a per TEU basis, savings were recorded in items such as transportation, commission and brokerage while terminal costs only grew at a marginal rate.

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. With the total number of vessels, either owned or chartered in and operated by OOCL, increasing from 47 in 2002 to 55 in 2003, total carrying capacity increased from the 153,543 TEU of 2002 to 184,781 TEU in 2003 through the phase-in of new and larger vessels. Consequently, vessel costs increased by 22% in 2003 with a notable rise in charter-hire expenses as charter-hire rates inflated significantly during the year.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. The number of sailings in 2003 increased by 8% and bunker prices also rose from an average of US\$143 per ton in 2002 to an average of US\$167 per ton during 2003. As a result, costs in this category were driven up by more than 40%.

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\$78.8 million in 2003, which was in line with the growing size of the container fleet from the 369,699 TEU of 2002 to 420,004 TEU in 2003.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. With the increasing business volumes, additional offices setup around the globe and a 7% headcount increase, business and administrative expenses also rose by US\$40.6 million in 2003.

Share of Results of Jointly Controlled Entities

The share of the US\$2.2 million loss from jointly controlled entities in 2003 was attributable to the provision for asset impairment for a depot joint venture in Qingdao. The US\$8.9 million share of the loss in 2002 arose mainly from 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. The chartering arrangements ceased in 2003.

Earnings Before Interest and Tax

Earnings before interest and tax of US\$323.1 million for the international transportation and logistics business in 2003 were US\$253.6 million higher than last year due mainly to the freight rate and volume increases. Average revenue per TEU for 2003 was US\$1,025 as compared with US\$891 for 2002. Liftings also increased from 2.26 million TEU in 2002 to 2.69 million TEU in 2003.

Container Terminals

Summary of Operating Results

US\$'000	2003	2002	Variance
Throughput (units)	1,126,206	1,051,051	75,155
Turnover	251,025	215,748	35,277
Terminal operating costs	(180,727)	(171,542)	(9,185)
Gross profit	70,298	44,206	26,092
Business and administrative expenses	(35,264)	(32,350)	(2,914)
Earnings before interest and tax	35,034	11,856	23,178

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 2003 consolidated that strength.

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 remaining 20% equity of the company was subsequently acquired from the minority shareholder in 2001 and it thus became a wholly owned subsidiary of the Group. Grand Alliance services began calling at the terminal in late 1999 and have since become a major user. In 2003, HHCTI successfully negotiated a new terminal lease agreement with the Port Authority with retrospective effect from January 2000, resulting in a one-off credit of US\$14.3 million for rental charged in previous years.

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 rationalization, also ceased calling at the terminal in early 2002, resulting in Global incurring a significant loss for the year. In 2003, management of Global terminal successfully reestablished its customer base and as a result, the bottom line was much improved for the year.

Financial Review

Turnover

Turnover increased by US\$35.3 million in 2003 as a result of the significant rebound in the business volumes of Global. Total throughput levels surpassed last year and successively set another record high in 2003. Average handling rate also showed an 11% growth over that of 2002.

Terminal Operating Costs

Including the one-off credit of rental charged in previous years for HHCTI, operating costs were US\$9.2 million higher than 2002 level with an increased number of boxes handled in 2003. In addition, as TSI's operating costs were denominated in local currency, i.e. Canadian dollar, its strength against the weakening in US dollar during the year translated into much higher operating costs for the two terminals in Vancouver, in terms of US dollars, when compared with 2002.

Business and Administrative Expenses

Business and administrative expenses recorded a US\$2.9 million rise in 2003 as compared with those of 2002. In line with the growth in business volumes, additional headcount and office expenses were incurred to handle the activity growth. In addition, the more than 20% appreciation of the Canadian dollar against the US dollar in 2003 inflated costs incurred by TSI which, in real terms, had been well contained.

Earnings Before Interest and Tax

Overall operating results improved in 2003 as Global returned to profit after suffering a substantial loss in 2002. While TSI continued to produce stable profits in 2003, performance for the year was enhanced by the one-off credit of rental accrued in previous years upon the conclusion of the new terminal lease agreement with the Port Authority by HHCTI.

Property Investment and Development

Summary of Operating Results

US\$'000	2003	2002	Variance
Rental income	20,046	18,510	1,536
Property management costs	(8,924)	(8,556)	(368)
Gross profit	11,122	9,954	1,168
Business and administrative expenses	(3,936)	(3,027)	(909)
Profit from property investment	7,186	6,927	259
Profit from property developments	13,889	12,704	1,185
Earnings before interest and tax	21,075	19,631	1,444

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 these projects is Shanghai. The net rental from Wall Street Plaza provided a stable income source. The other principal profit contributor for the year was the development project in Ziyang Lu ("Century Metropolis") Phase 2A, Shanghai. In year 2002, the major profit contributor was Phase 1B of Century Metropolis.

Rental Income

Rental income for the year, representing mainly the rental income derived from Wall Street Plaza, was higher than that of last year as most of the leases vacated in 2002 were taken up in 2003, leaving a vacancy rate of less than 1% at the year end.

Profit From Property Developments

A profit of US\$13.9 million was recorded from property developments in 2003 compared with US\$12.7 million in 2002. A majority of the current year profit arose from Phase 2A of the Century Metropolis project in Shanghai and the principal profit contributor in 2002 was from Phase 1B of the same project.

Investments and Corporate Services

US\$'000	2003	2002	Variance
Portfolio investment income	7,424	1,511	5,913
Provision write-back for diminution in value of long-term investments	—	507	(507)
Others	(7,186)	(7,939)	753
Earnings/(loss) before interest and tax	238	(5,921)	6,159

Investments in equities and, on a longer term basis, in bonds were managed largely by in-house managers 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.

Financial Review

Portfolio investments recorded a profit of US\$7.4 million for 2003, an increase of US\$5.9 million as compared with 2002. The portfolio investment result reflected the general recovery of the global financial markets during 2003.

“Others” include corporate business and administration overheads, exchange differences, the research costs of financial projects and other miscellaneous income and expenses. With favourable exchange differences recorded for the year, the net expenses level of 2003 was US\$0.8 million lower than that of 2002.

Interest Income, Expenses 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 arrangements 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. With the growth in average cash balances during the year, total interest income for 2003 was US\$2.9 million higher than 2002.

Interest Expenses

Interest expenses decreased by US\$6.0 million in 2003 as compared with 2002. With a further decline in general interest rates during 2003, interest expenses reduced correspondingly, but partly offset by the increase in indebtedness as a result of the new loans drawn upon the delivery of newbuildings during the year. The average cost of finance dropped from 3.8% in 2002 to 3.1% in 2003 as a whole.

Financing Charges

Financing charges mainly include loan arrangement fees, commitment fees, financing costs for loan stocks and charges for the asset securitisation programme. Total financing charges for the year increased by US\$3.0 million principally due to the full year effect of the financing costs associated with the loan stocks of a subsidiary, offset in part by savings in the asset securitisation programme pursuant to the lower prevailing interest rates.

Profit before Taxation

Pre-tax profit for the year reached a record high of US\$353.3 million compared with US\$62.9 million in 2002. The international transportation and logistics business achieved a remarkable result for the year. The Group's result was further boosted by the timely recovery of terminal operations and continual contributions from the property investment and development segment.

Taxation

US\$'000	2003	2002	Variance
Overseas taxation			
Company and subsidiaries:			
North America	15,900	6,450	(9,450)
Europe	370	107	(263)
China	1,015	381	(634)
Asia and others	813	289	(524)
Jointly controlled entities:			
Europe	—	13	13
China	6,047	3,714	(2,333)
Total	24,145	10,954	(13,191)

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 higher tax liabilities in North America for the year principally reflected the much improved profit level from terminal operations while the increase in tax in China was attributable to the increase of business operation in the growing logistics market.

Financial Review

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US\$'000	2003	2002	Variance
Property, plant and equipment	1,579,798	1,342,438	237,360
Jointly controlled entities	24,298	35,576	(11,278)
Long-term investments	99,218	100,763	(1,545)
Intangible assets	29,817	27,541	2,276
Cash and portfolio investments	680,806	412,446	268,360
Accounts receivable and properties under development and for sale	324,868	258,913	65,955
Deferred assets	16,105	11,663	4,442
GROSS ASSETS	2,754,910	2,189,340	565,570
Accounts payable and accruals	(486,244)	(383,550)	(102,694)
Current taxation	(3,159)	(3,870)	711
GROSS ASSETS LESS TRADING LIABILITIES	2,265,507	1,801,920	463,587
Long-term liabilities	840,677	682,759	157,918
Bank loan, overdrafts and current portion of long-term liabilities	257,485	212,849	44,636
Total debt	1,098,162	895,608	202,554
Minority interests and deferred liabilities	56,591	45,869	10,722
Ordinary shareholders' funds	1,110,754	860,443	250,311
CAPITAL EMPLOYED	2,265,507	1,801,920	463,587
Debt to equity ratio	1.0	1.0	
Net debt to equity ratio	0.4	0.6	
Accounts payable as a % of turnover	15.0	15.6	
Accounts receivable as a % of turnover	7.6	7.9	
% return on average ordinary shareholders' funds	33.4	6.2	
Net asset value per ordinary share (US\$)	2.36	1.66	
Cash and portfolio investments per ordinary share (US\$)	1.45	0.80	
Share price at 31st December (US\$)	3.06	0.49	
Price earnings ratio based on share price at 31st December	4.7	4.9	

Property, Plant and Equipment

US\$'000	2003	2002	Variance
International transportation and logistics	1,312,877	1,114,406	198,471
Container terminals	166,775	137,939	28,836
Property investment and development	100,146	90,093	10,053
	1,579,798	1,342,438	237,360

International transportation and logistics remain the core business of the Group and the one in which the majority of property, plant and equipment are deployed. The assets largely comprise container vessels, containers and chassis, property, terminal and computer equipment and systems. In 2003, the Group placed orders for another four new container vessels of 8,063 TEU capacity. Together with the 8 vessels of the same size ordered in 2000 to 2002, there are 12 "SX" class vessels on order. Two were delivered in 2003, four will be delivered in 2004 and two each in 2005, 2006 and 2007. The increase in property, plant and equipment in 2003 principally reflected the delivery of two new "SX" class container vessels previously ordered, offset in part by the annual depreciation charges for the year.

The increase in property, plant and equipment in container terminals in 2003 includes the additional terminal equipment acquired by terminals during the year and favourable exchange differences arising from the appreciation of the Canadian dollar.

Property, plant and equipment in property investment and development activities mainly represent the commercial building, Wall Street Plaza, in New York. During 2003, the Group further acquired 36.5% of the land parcel on which the building resides at a cost of US\$10.0 million. The building, including the land parcel acquired during the year, was valued at US\$100.0 million at the end of 2003 by an independent valuer (2002 : US\$90.0 million).

Jointly Controlled Entities

US\$'000	2003	2002	Variance
International transportation and logistics	2,777	4,185	(1,408)
Property investment and development	21,521	31,391	(9,870)
	24,298	35,576	(11,278)

The investment in jointly controlled entities by international transportation and logistics for 2003 mainly represents an interest in a joint venture for the operation of a container depot and transportation business in Qingdao. During the year, provision has been made against certain assets of this joint venture company, resulting in the drop in the investment balance at year end.

Financial Review

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

- 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 that year. The project was the major profit contributor in 2002 and 2003.

The decrease in the investments in jointly controlled entities for property development activities is mainly a reflection of the dividends and progressive capital repatriations from the property development projects.

Long-term Investments

US\$'000	2003	2002	Variance
International transportation and logistics	1,149	1,072	77
Property investment and development	93,601	93,888	(287)
Others	4,468	5,803	(1,335)
	99,218	100,763	(1,545)

Long-term investments of the Group at 31st December 2003 amounted to US\$99.2 million, principally represented by the Group's 8% interest in Beijing Oriental Plaza of US\$93.6 million.

Intangible Assets

US\$'000	2003	2002	Variance
International transportation and logistics	21,244	21,576	(332)
Container terminals	713	755	(42)
Property investment and development	7,860	5,210	2,650
	29,817	27,541	2,276

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	2003	2002	Variance
International transportation and logistics	169,142	169,876	(734)
Container terminals	8,038	11,738	(3,700)
Property investment and development	40,010	10,054	29,956
Portfolio investment funds	463,616	220,778	242,838
	680,806	412,446	268,360

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 and portfolio investments per ordinary share at 31st December 2003 amounted to US\$1.45 compared with US\$0.80 at 31st December 2002.

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	2003	2002	Variance
International transportation and logistics	187,631	145,098	42,533
Container terminals	46,091	37,476	8,615
Property investment and development	91,001	76,269	14,732
Others	145	70	75
	324,868	258,913	65,955

Accounts receivable and properties under development and held for sale increased by US\$66.0 million to US\$324.9 million at the end of 2003, principally a reflection of an increase in trade receivables pursuant to the growth in business volumes of the international transportation, logistics and container terminal operations, plus further investments in the property development project in Luwan, Shanghai.

Financial Review

Accounts Payable and Accruals

US\$'000	2003	2002	Variance
International transportation and logistics	456,350	340,713	115,637
Container terminals	23,862	38,898	(15,036)
Property investment and development	4,300	1,941	2,359
Others	1,732	1,998	(266)
	486,244	383,550	102,694

Accounts payable at the end of 2003 were US\$102.7 million higher than those at the end of 2002. The increase in accounts payable was largely in line with the growth in business volumes of the international transportation and accounts payable, as a percentage of turnover at 15.0%, was slightly lower than that of 15.6% for 2002. The decrease in accounts payable and accrual balances for container terminals in 2003 mainly reflected the one-off credit received for rental accrued over previous years.

Total Debt

US\$'000	2003	2002	Variance
Bank loans	645,739	590,788	54,951
Other secured loans	18,121	21,606	(3,485)
Finance lease obligations	395,344	239,200	156,144
Bank overdrafts and short-term loans	38,958	44,014	(5,056)
	1,098,162	895,608	202,554

Total debt increased during the year by US\$202.6 million principally as a result of the financial obligation taken up pursuant to the delivery of new container vessels during the year, offset in part by scheduled repayment of loans and bank indebtedness. The repayment profile of the Group's long-term liabilities is set out in Note 24 to the Accounts.

Debt Profile

As at the end of 2003, over 96% (2002 : 92%) 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 a comparable amount of assets in local currencies.

Of the total US\$1,098.2 million debt outstanding at the end of 2003, US\$149.5 million was fixed rate debt comprised mainly of container and terminal equipment leases. The fixed rates range from 3.5% to 10.6% dependent upon the cost of money at the time each transaction was entered into. The remaining US\$948.7 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 2003 was 3.1%, inclusive of the interest rate hedging contracts.

Shareholders' Funds

In September 2003, the Group completed an off-market share repurchase of 46,957,088 ordinary shares at a price of HK\$9.8 per share. The repurchased shares were subsequently cancelled resulting in the number of issued and outstanding shares of the Company being reduced from 517,141,632 shares to 470,184,544 shares. Shareholders' funds also dropped by US\$59.7 million as a result. However, with the favourable profit reported for the year, the Group's shareholders' funds increased by US\$250.3 million to US\$1,110.8 million at the end of 2003 with a net asset value per ordinary share of US\$2.36 (2002 : US\$1.66).

Net Debt to Equity Ratio

This ratio was lower at 0.4 as at the end of 2003, as against 0.6 for 2002, with the profits recorded for 2003, offset in part by the share repurchase during the year. This ratio has been closely monitored in the light of the delivery and financing of new vessels ordered and forecasts for the business over the next four years. It is the Group's objective to keep this key ratio below the 1.0 threshold.

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 2004 amounted to US\$260.9 million as detailed in Note 31(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.

As at the end of 2003, the Group had outstanding capital commitments amounting to US\$868.4 million, principally represented by the orders placed for ten new container vessels to be delivered between 2004 and 2007.

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

US\$'000	2003	2002	Variance
Net cash inflow from operations	520,696	169,846	350,850
Investing and financing inflow:			
Interest and investment income	19,149	9,455	9,694
Sale of property, plant and equipment and investments	92,757	2,566	90,191
New loan drawdown	189,706	94,763	94,943
Cash from jointly controlled entities	17,893	10,575	7,318
Capital contribution from minority interests	—	3,600	(3,600)
Others	—	527	(527)
	319,505	121,486	198,019
Investing and financing outflow:			
Interest paid	(41,827)	(43,202)	1,375
Dividends paid to shareholders	(31,028)	(7,757)	(23,271)
Taxation paid	(12,355)	(5,966)	(6,389)
Purchase of property, plant and equipment and investments	(236,421)	(70,203)	(166,218)
Loan repayments	(184,403)	(149,609)	(34,794)
Purchase of intangible assets	(10,547)	(7,088)	(3,459)
Share repurchase	(59,739)	—	(59,739)
Others	(255)	(470)	215
	(576,575)	(284,295)	(292,280)
Net cash inflow	263,626	7,037	256,589
Beginning cash and portfolio balances	412,446	402,424	10,022
Changes in exchange rates	4,734	2,985	1,749
Ending cash and portfolio balances	680,806	412,446	268,360
Represented by:			
Unrestricted bank balances and deposits	536,791	304,858	231,933
Restricted bank balances and deposits	35,850	53,312	(17,462)
Portfolio investments	108,165	54,276	53,889
	680,806	412,446	268,360

A net cash inflow of US\$263.6 million was recorded for 2003 as compared with an inflow of US\$7.0 million for 2002. Operating cash inflow for the year was substantially higher than that of 2002 pursuant to the level of operating profits recorded for the year. In 2003, the new vessels previously ordered were delivered, which accounted for the rise in capital payments and corresponding loan drawdown amounts while the sale of property, plant and equipment for the year largely represented the disposal of a container vessel pursuant to deployment plans and the sale-and-lease-back arrangement for one of the delivered vessels. The US\$59.7 million share repurchase payment in 2003 reflected the off-market buy back of 46,957,088 ordinary shares of the Company in September 2003. Total cash and portfolio balances rose to US\$680.8 million as at the end of 2003 compared with US\$412.4 million in 2002.

Liquidity

As at 31st December 2003, the Group had total cash and portfolio investment balances of US\$680.8 million compared with debt obligations of US\$218.5 million repayable in 2004. Total current assets at the end of 2003 amounted to US\$984.9 million against total current liabilities of US\$746.9 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 61, has been 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 a 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; Wing Hang Bank, Ltd; Bank of China (Hong Kong) Ltd;

BOC Hong Kong (Holdings) Limited; Global China Group Holdings Limited and Cathay Pacific Airways Limited. Mr Tung was Chairman of the Hong Kong Shipowner's Association between 1993-1995, a Chairman of the Hong Kong General Chamber of Commerce between 1999-2001. He is also 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 Development Council; 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 64, has been a Director of OOIL since 1988 and Vice Chairman since 1st December 2003. He is also a member of the OOIL Executive Committee. Mr Chang is a Certified Public Accountant in Taiwan and holds a Master of Business Administration degree from Indiana State University, USA. Mr Chang has served the Group in various capacities for 35 years and was the Chief Executive Officer of Orient Overseas Container Line Limited and a Director of various OOIL subsidiaries until 31st December 2003.



ROGER KING

Mr King, aged 63, 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 an associated company. He became 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 at Bell Telephone Laboratories. 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 World Metal Holdings Limited, a listed company in Hong Kong. He is also the former Executive Chairman of Systempro Computers Limited, one of the largest personal computer retailers in Hong Kong and the former President and CEO of Sa Sa International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Ltd. 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 64, has been a Director of OOIL since May 1997. He is a member of OOIL Finance Committee, Share Committee and Bridge Financing 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 and the investment property Wall Street Plaza in New York City. Mr Suan has been with the Group for 34 years, has held various positions involving US investments and real estate. He holds a Ph.D. in civil engineering from the University of London. Mr Suan is married to a cousin of Mr C C Tung.



NICHOLAS D SIMS

Mr Sims, aged 50, has been a Director and the Chief Financial Officer of OOIL since October 2000. He serves on the OOIL Executive Committee, the Finance Committee, the Investment Committee, the Audit Committee, the Share Committee and the Bridge Financing Committee of the Board of OOIL and is a Director of various subsidiary companies of OOIL. 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.

Board of Directors



PHILIP CHOW

Mr Chow, aged 56, has been a Director of OOIL since December 2003. He is a member of the Executive Committee, the Finance Committee, the Share Committee and the Bridge Financing Committee and a Director of various subsidiary companies of OOIL. Mr Chow holds a Bachelor of Science degree in chemistry and physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has served the Group in various capacities for 27 years and is the Chief Executive Officer of OOCL.



SIMON MURRAY

Mr Murray, CBE, aged 63, 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 has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.



DR VICTOR K FUNG

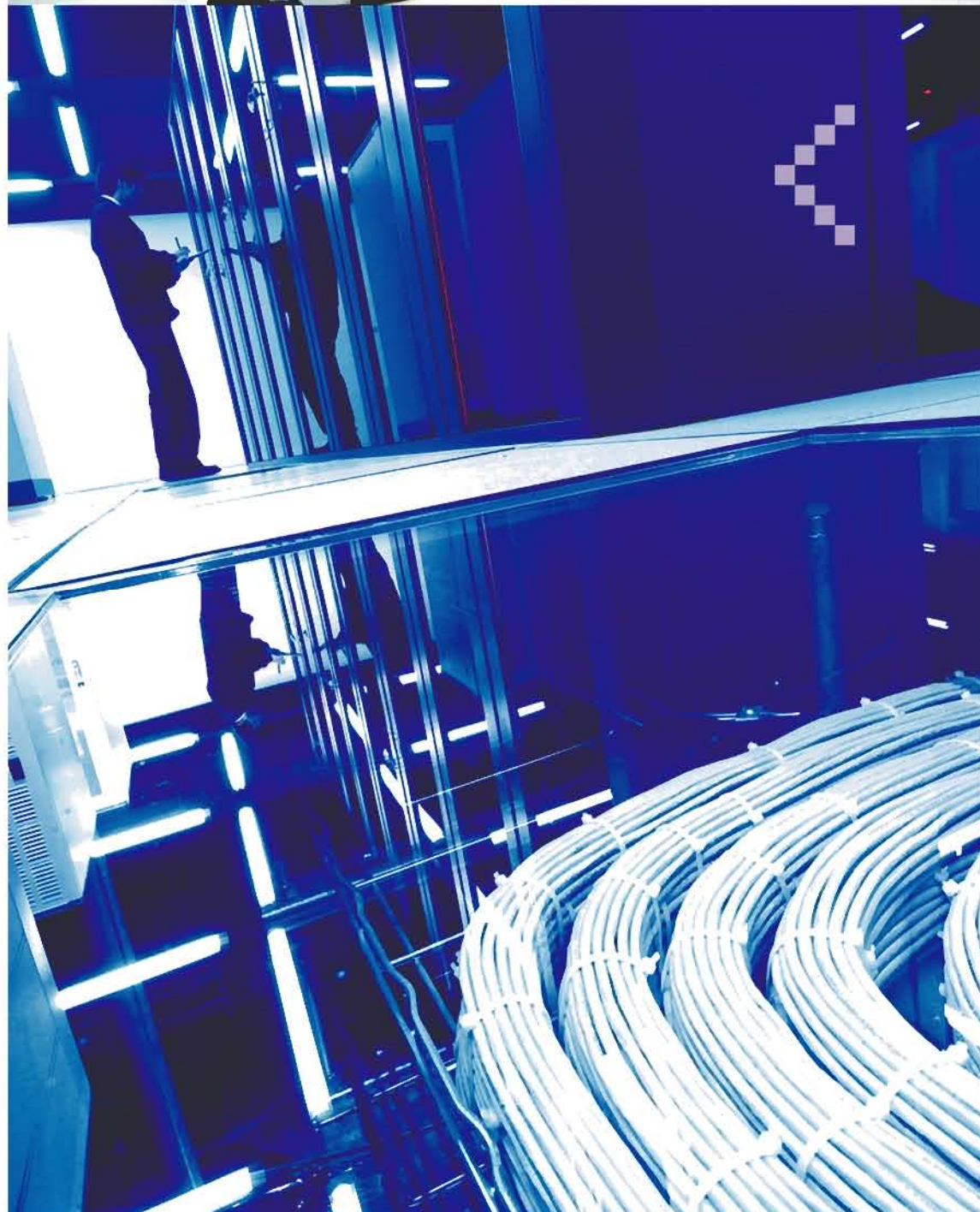
Dr Fung, aged 58, has been a Non-executive Director of OOIL since July 1996. He is Chairman of the Audit Committee of OOIL. Dr Fung is Chairman of the Li & Fung Group, the Hong Kong Airport Authority, the Hong Kong University Council and the Greater Pearl River Delta Business Council. He was appointed by Government to serve as the Hong Kong Representative on the APEC Business Advisory Council from 1996 to 2003. From 1991 to 2000, he was Chairman of the Hong Kong Trade Development Council. Dr Fung is also active on a number of Government advisory boards including the Judicial Officers Recommendation Commission. 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 in Business Economics from Harvard University. In 2003, the Government of the Hong Kong Special Administrative Region awarded Dr Fung the Gold Bauhinia Star for distinguished service to the community.



PROF RICHARD WONG

Professor Wong, aged 51, has been a Non-executive Director of OOIL since December 2003. He serves on the Investment Committee and the Audit Committee of OOIL. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is Dean of the Faculty of Business and Economics and Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions to education, housing, industry and technology development. He was appointed a Justice of the Peace in July 2000.

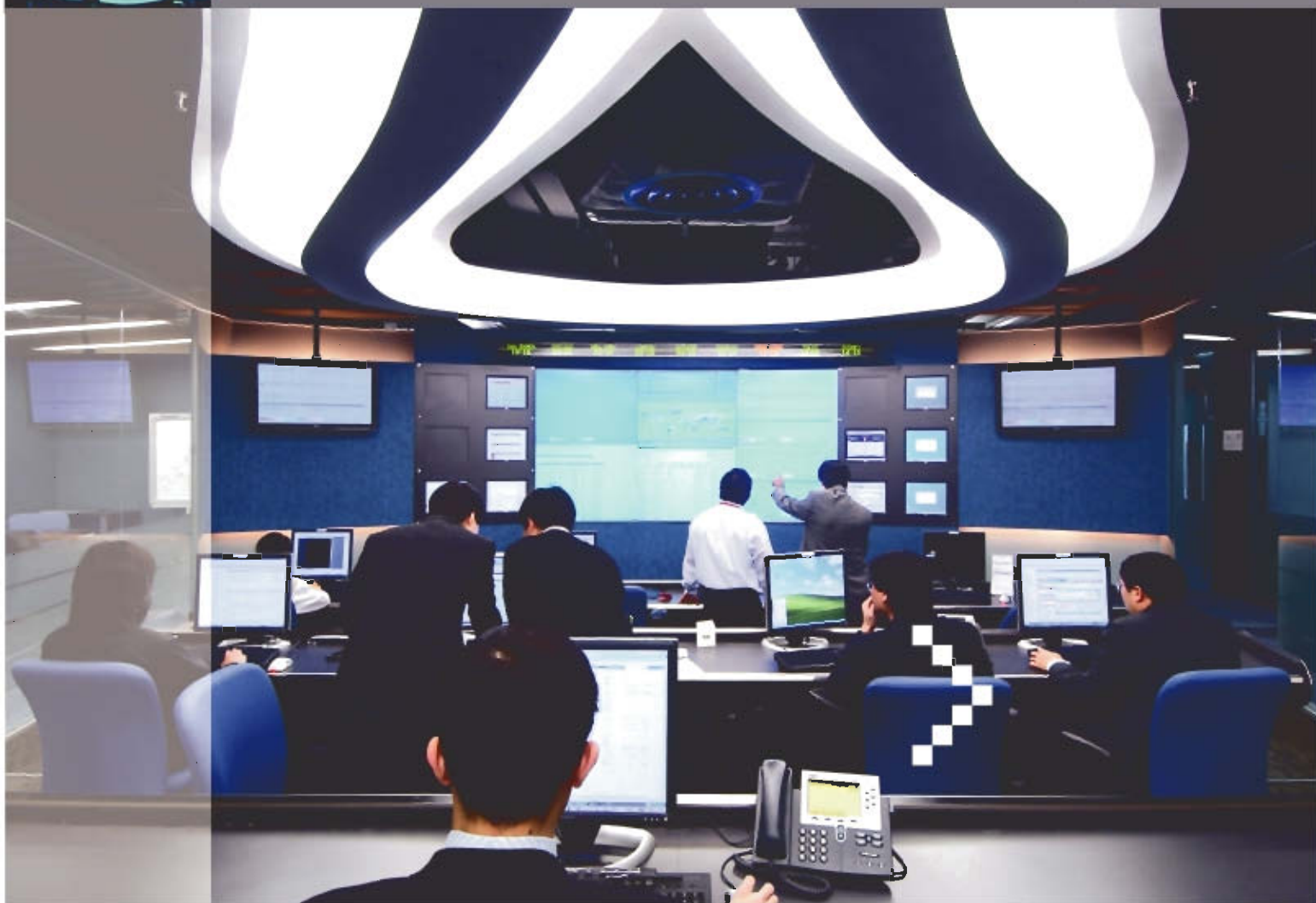
We lead the industry
in the application of IT.
We will continue to
commit ourselves to
the innovative and effective
use of technology
to provide superior
transport and logistics
solutions to our customers.



IT



Information Technology



Financial Calendar

Announcement of results for the half year ended 30th June 2003	20th August 2003
Despatch of 2003 Interim Report to shareholders	8th September 2003
Announcement of results for the year ended 31st December 2003	19th March 2004
Despatch of 2003 Annual Report to shareholders	2nd April 2004
Closure of the Register of Members to determine entitlements to a final dividend and Bonus Shares for ordinary shareholders in respect of the year ended 31st December 2003	20th April 2004 to 27th April 2004 both days inclusive
2003 Annual General Meeting	27th April 2004
Payment of 2003 final ordinary dividend together with the Bonus Shares	11th May 2004

Shareholder Information

Ordinary Shares:

Issued shares	470,184,544 shares (as at 31st December 2003)
	517,184,544 shares (as at 19th March 2004)
Nominal value	US\$0.10

Annual Report

This annual report is available in both English and Chinese.

Shareholders can obtain copies by writing to:

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905, 19th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:

OOCL (Corporate Services) Limited,
33rd Floor, Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong
Attn: Company Secretary

Our annual report and accounts are also available online at our corporate website at <http://www.ooilgroup.com>.

Shareholder Services

Any matters relating to your shareholding, such as transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to the Company's Branch Registrar:

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905, 19th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone (852) 2862 8628 Facsimile: (852) 2529 6087

Shareholder Enquiries

Our enquiry hotline is operational during normal office hours:

Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

Shareholder Information

Ordinary Shareholder Information at 31st December 2003:

Category	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
Corporate	39	3.68%	454,830,213	96.74%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.09%	345,093	0.07%
Individual	1,019	96.23%	15,009,238	3.19%
	1,059	100.00%	470,184,544	100.00%

Number of Shares Held	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
1 - 2,000	883	83.38%	354,344	0.07%
2,001 - 5,000	73	6.89%	224,552	0.05%
5,001 - 10,000	36	3.40%	261,425	0.06%
10,001 - 20,000	23	2.17%	369,404	0.08%
20,001 - 100,000	24	2.27%	1,053,768	0.22%
100,001 - 200,000	4	0.38%	604,114	0.13%
200,001 - 500,000	1	0.09%	345,093	0.07%
500,001 - 1,000,000	5	0.47%	2,699,821	0.57%
1,000,001 - 2,000,000	2	0.19%	2,202,407	0.47%
5,000,001 - 10,000,000	2	0.19%	16,832,427	3.58%
10,000,001 or above	6	0.57%	445,237,189	94.70%
	1,059	100.00%	470,184,544	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2003 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
Wharnclyff Limited	138,215,662	29.40%
Bank of China (Hong Kong) Nominees Limited	130,943,246	27.85%
HKSCC Nominees Limited	95,242,733	20.26%
Springfield Corporation	55,409,576	11.78%
Monterrey Limited	25,425,972	5.41%
Leung Hok Pang	8,803,291	1.87%
HSBC Nominees (Hong Kong) Limited	8,029,136	1.71%
Chin Yiu Tong	1,180,000	0.25%
Mok Kwun Cheung	1,022,407	0.22%
The First National Bank of Boston	612,505	0.13%

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 nine Directors of which three 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 comprised of Dr Victor Fung (Chairman), Mr Simon Murray and Prof Richard Wong, Independent Non-executive Directors, 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 Eighteenth 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 27th April 2004 at 10:00 a.m. for the following purposes:

1. To consider and adopt the audited Statement of Accounts and the Reports of the Directors and the Auditors for the year ended 31st December 2003;
2. To declare the payment of a final dividend for the year ended 31st December 2003;
3. To consider and, if thought fit, pass, with or without modification, the following resolutions as an Ordinary Resolution:

ORDINARY RESOLUTION

"**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares of US\$0.10 each (individually a "Bonus Share" and collectively the "Bonus Shares") in the capital of the Company to be issued:

- (a) to capitalise such amount necessary to give effect to the issue of the Bonus Shares that is for the time being standing to the credit of the share premium account of the Company and the Directors be and are hereby authorised to apply such sum in paying up in full at par (US\$0.10) such number of Bonus Shares to be allotted and issued as fully paid to the shareholders of the Company on the basis of one (1) Bonus Share for every ten (10) issued ordinary shares of US\$0.10 each held by such shareholders whose names appear on the Register of Members of the Company at the close of business on 27th April 2004 and to allot and issue such Bonus Shares;
 - (b) the Bonus Shares to be issued shall rank *pari passu* in all respects with the existing issued shares of the Company as at the date of issue of such Bonus Shares;
 - (c) no fractional Bonus Shares (if any) shall be allotted to the shareholders of the Company and fractional entitlements will be rounded down to the nearest whole number and sold for the benefit of the Company; and
 - (d) the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of Bonus Shares.";
4. To re-elect Directors and authorise the Board of Directors to fix their remuneration;
 5. To re-appoint PricewaterhouseCoopers as Auditors and to authorise the Board of Directors to fix their remuneration; and

6. To consider and, if thought fit, pass, with or without modification, the following resolutions as Ordinary Resolutions:-

ORDINARY RESOLUTIONS

- (a) **"THAT** a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and otherwise deal with Shares (as hereinafter defined) 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."
- (b) **"THAT** a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) 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 passing of this resolution."

For the purposes of resolutions 6(a) and 6(b):

"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.

- (c) **"THAT** the general mandate granted to the Directors to allot Shares pursuant to the resolution set out in item 6(a) 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(b) 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 passing of this resolution."

Notice of Annual General Meeting

7. To consider and, if thought fit, pass, with or without modification, the following resolution as a Special Resolution:-

SPECIAL RESOLUTION

"THAT the existing bye-laws of the Company be and are hereby amended in the following manner:

- (a) by adding the following definition in Bye-law 1 immediately after the definition of "Act"

" "associate" the meaning attributed to it in the rules of the Designated Stock Exchange.";

- (b) by deleting the existing Bye-law 2(e) in its entirety and substituting therefor the following:

"2(e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the shareholder's election comply with all applicable Statutes, rules and regulations;"

- (c) by adding the following new Bye-law 2(k):

"2(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a Notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.";

- (d) by deleting the existing Bye-law 51 in its entirety and substituting therefor the following:

"51. The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.";

- (e) by deleting the existing Bye-law 66 in its entirety and substituting therefor the following:

"66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person or by proxy or by attorney or (being a corporation) is present by a representative duly authorised under Section 78 of the Act shall have one vote and on a poll every Member present in person or by proxy shall have one vote for every fully paid share of which he is the holder. A resolution put to the vote of a meeting shall be decided on a show of hands unless it is required by the rules of the Designated Stock Exchange that such resolution shall be voted by way of poll or a poll is demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll:

- (a) by the Chairman; or

- (b) by at least three Members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member shall be deemed to be the same as a demand by the Member.

- (f) by re-numbering existing Bye-law 76 as Bye-law 76(1) and adding the following new Bye-law 76(2) immediately thereafter:

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;

- (g) by deleting the word “special” in the second line in Bye-law 86(4) and substituting therefore the word “ordinary”;
- (h) by deleting the existing Bye-law 89 in its entirety and substituting therefor the following:

“89. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice in writing signed by the person to be proposed of his willingness to be elected shall have been lodged at the Office or the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”;

- (i) by deleting the existing Bye-law 104 in its entirety and substituting therefor the following:

“104.(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving of any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (a) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

Notice of Annual General Meeting

- (c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and his associate(s) are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
 - (f) any proposal concerning the benefit of employees of the Company or its subsidiaries, including the adoption, modification or operation of (i) any employee's share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or (ii) a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”;

- (j) By deleting the existing Bye-law 160 in its entirety and substituting therefor the following:

“160. Any notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not to be given or issued under these Bye-laws, from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address supplied by him to the Company for the giving of notice or document to him or which the person transmitting the notice or document reasonably and bona fide believes at the relevant time will result in the notice or document being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website and giving to the member a notice stating that the notice or document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices or documents shall be given to that one of the joint holders whose name stands first in the Register and notice or document so given shall be deemed a sufficient service on or delivery to all the joint holders.”;

- (k) By renumbering the existing Bye-law 161(b) as a new Bye-law 161(c) and by inserting the following new Bye-law 161(b):

“161(b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice or document placed on the Company’s website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;”;

- (l) By substituting for the full stop “.” appearing at the end of the new Bye-law 161(c) with a semi-colon “;” and inserting the word “and” after the semi-colon “;”;

- (m) By adding the following new Bye-law 161(d):

“161(d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”; and

- (n) By inserting, in Bye-law 163, after the words “a cable or telex or facsimile”, the following words:

“or electronic”.

By Order of the Board

Lammy Lee

Secretary

Hong Kong, 19th March 2004

Notice of Annual General Meeting

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 20th April 2004 to 27th April 2004, both days inclusive, during which period no transfer of shares can be registered.
- (iv) An explanatory statement containing further details regarding Ordinary Resolutions no. 3, 6(a), 6(b) and 6(c) will be dispatched to the members of the Company together with the Annual Report of the Company for the year ended 31 December 2003.
- (v) Special Resolution no.7 to amend the Bye-laws of the Company for the purposes of, amongst other things, complying with the recent amendments to Appendix 3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and generally extending the mode of communication with the members of the Company.
- (vi) The translation into Chinese language of this notice (including the Special Resolution which contains the proposed new Bye-laws) is for reference only. In case of any inconsistency, the English version shall prevail.

Report of the Directors

The Directors present their report together with the audited Accounts of the Company for the year ended 31st December 2003.

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 114 to 123.

Group Results

The consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") are shown on page 65.

Dividends

The Directors have recommended a dividend for the year ended 31st December 2003 of US12.8 cents (HK\$1) per ordinary share to be paid on 11th May 2004 to the shareholders of the Company whose names appear on the Register of Members of the Company on 27th April 2004. Shareholders who wish to receive dividend in US Dollars should complete the US Dollars Election Form and return it to the Branch Registrar on or before 4th May 2004.

Proposed Bonus Issue

The Directors have recommended a bonus share issue (the "Proposed Bonus Issue") of new shares (individually a "Bonus Share" and collectively the "Bonus Shares") to the shareholders of the Company on the basis of one (1) Bonus Share of US\$0.10 for every ten (10) issued ordinary shares held by such shareholders whose names appear on the Register of Members of the Company on 27th April 2004. The Bonus Shares will be fully paid at par and will rank *pari passu* with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the recommended final dividend or the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon

- (i) an ordinary resolution being passed to approve the Proposed Bonus Issue at the 2004 Annual General Meeting being duly passed; and
- (ii) the listing of and permission to deal in the Bonus Shares being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the 2004 Annual General Meeting.

A circular setting out further details of the Proposed Bonus Issue will be despatched to shareholders as soon as practicable.

Change of Board Lot Size

The Directors have resolved to change the board lot size for trading the shares of the Company from 2,000 to 1,000. Further announcement will be made by the Company setting out the time table, trading arrangement and other details of the change in the board lot size.

Directors

The Directors of the Company are shown on pages 40 to 43.

Report of the Directors

Mr Philip Chow and Prof Richard Wong were appointed Directors of the Company with effect from 1st December 2003. They retire at the forthcoming Annual General Meeting under the provisions of the Company's Bye-laws and, being eligible, offer themselves for re-election.

The Directors retiring by rotation at the forthcoming Annual General Meeting in accordance with the Company's Bye-laws are Dr Victor Fung and Mr Roger King, who, 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

During the year and as at 31st December 2003, 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.

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 to the Group for the year ended 31st December 2003 was approximately US\$545,169.

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 2003, the issued share capital of the Company (the "Issued Capital") consisted of 470,184,544 ordinary shares (the "Shares") and the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the Company's register kept under section 352 of the SFO were as follows:

Name	Direct Interests	Other Interests		Total Number of Shares Interested (in Long Position)	Percentage
		Beneficial	Voting		
Mr C C Tung	—	80,835,548 (Note 1)	269,158,908 (Notes 2 & 3)	349,994,456	74.44%
Mr Roger King	—	80,835,548 (Note 1)	—	80,835,548	17.19%
Mr T R Chang	506,390	—	—	506,390	0.11%
Mr Nicholas D Sims	46,000	—	—	46,000	0.01%
Mr Philip Y W Chow	60,000	—	—	60,000	0.01%

Notes:

1. Mr C C Tung and Mr Roger King have an interest in a trust which, through Springfield Corporation ("Springfield"), holds 80,835,548 Shares. Of such Shares, Springfield has an indirect interest in 25,425,972 Shares in which Monterrey Limited ("Monterrey"), a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 55,409,576 Shares.
2. Wharnclyff Limited ("Wharnclyff"), a company owned by a discretionary trust established by Mrs Shirley S P Peng, a sister of Mr C C Tung and sister-in-law of Mr Roger King, holds 229,107,662 Shares and the voting rights in respect of such holdings are held by Mr C C Tung through Tung Holdings (Trustee) Inc. Gala Way Company Inc. ("Gala Way"), a company owned by the discretionary trust established by Mrs Shirley S P Peng, holds 40,051,246 Shares and the voting rights in respect of such holdings are held by Mr C C Tung through Tung Holdings (Trustee) Inc.
3. Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.

Save as disclosed above, as at 31st December 2003, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares and underlying Shares of the Company or any of its associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or the Chief Executive is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Substantial Shareholders

1. Shares

As at 31st December 2003, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, the following substantial shareholders (other than a Director or Chief Executive of the Company) had interests in the Issued Capital (including short positions) representing 5% or more of the Issued Capital:

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Bermuda Trust Company Limited	Trustee	349,994,456 (Note 1)	74.44%
Mrs Shirley S P Peng	Founder of a discretionary trust	269,158,908 (Note 2)	57.25%
Winfield Investment Limited	Indirect	269,158,908 (Notes 2 & 3)	57.25%
Tung Holdings (Trustee) Inc.	Voting	269,158,908 (Note 4)	57.25%
Wharnclyff Limited	Direct	229,107,662 (Notes 2 & 5)	48.73%
Mr C H Tung	Indirect	80,856,401 (Note 6)	17.20%
Springfield Corporation	Direct and Indirect	80,835,548 (Note 6)	17.19%

Report of the Directors

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Archduke Corporation	Beneficiary of a trust	80,835,548 (Note 7)	17.19%
Phoenix Corporation	Beneficiary of a trust	80,835,548 (Note 7)	17.19%
Gala Way Company Inc.	Direct	40,051,246 (Notes 2 & 5)	8.52%
Monterrey Limited	Direct	25,425,972 (Note 8)	5.41%

Notes:

1. Bermuda Trust Company Limited has an indirect interest in the same Shares in which Winfield Investment Limited ("Winfield") and Springfield, wholly-owned subsidiaries of Bermuda Trust Company Limited, have an interest.
2. Mrs Shirley S P Peng, a sister of Mr C C Tung and sister-in-law of Mr Roger King, established the discretionary trust which, through Winfield, holds 269,158,908 Shares, 229,107,662 of which are owned by Wharnclyff, a wholly-owned subsidiary of Winfield, and 40,051,246 of which are owned by Gala Way, a wholly-owned subsidiary of Winfield.
3. Winfield has an indirect interest in the same Shares in which Wharnclyff and Gala Way, wholly-owned subsidiaries of Winfield, have an interest.
4. Tung Holdings (Trustee) Inc. is a company wholly-owned by Mr C C Tung.
5. Wharnclyff and Gala Way are wholly-owned subsidiaries of Winfield.
6. Mr C H Tung, a brother of Mr C C Tung and brother-in-law of Mr Roger King, has an interest in the trust which, through Springfield, holds 80,835,548 Shares. Of such Shares, Springfield has an indirect interest in the same 25,425,972 Shares in which Monterrey, a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 55,409,576 Shares. Mrs Betty Tung, the wife of Mr C H Tung, owns 20,853 Shares.
7. Archduke Corporation and Phoenix Corporation, companies which are wholly-owned by Mr C C Tung, have an interest in the trust which, through Springfield, holds 80,835,548 Shares.
8. Monterrey is a wholly-owned subsidiary of Springfield.

Save as disclosed herein, as at 31st December 2003, no other person was recorded in the Company's register kept pursuant to Section 336 of the SFO as having an interest in the Issued Capital (including short positions) representing 5% or more of the Issued Capital.

Save as disclosed herein, the Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the Issued Capital (including short positions) representing 5% or more of the Issued Capital as at 31st December 2003.

2. Disclosure

As at 31st December 2003, 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 2003

Tenure

US\$194,250,000

12 years from April 1997

US\$20,741,666.66

12 years and 7 months from February 1998

Connected Transactions

During the year, companies within the Group 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\$466,000.
- 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\$12,934,000.
- 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, container inspection and crew manning services in Taiwan. The aggregate amount paid by the Group during the year was approximately US\$2,917,000.

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Report of the Directors

The Independent Non-executive Directors of the Company, Mr Simon Murray, Dr Victor K Fung and Prof Richard Wong, have reviewed the above transactions and confirm that such transactions have complied with the conditions set by the Stock Exchange 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 2003 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

On 7th August 2003, the Company entered into agreements with Fortwin Investment Limited and Sixpence Holdings Limited, under which the Company agreed to repurchase 15,922,000 shares and 31,035,088 shares respectively, at the price of HK\$9.80 per share. The share repurchase was completed on 25th September 2003 and all the shares repurchased were then cancelled. The total number of issued ordinary shares of the Company was reduced from 517,141,632 to 470,184,544.

Share Capital

Pursuant to a Placing Agreement dated 13th February 2004, the Company issued 47,000,000 new shares at a price of HK\$25.75 per share. Following the placing, the total number of issued ordinary shares of the Company is 517,184,544.

Pre-emptive Rights

No pre-emptive rights exist under Bermudan law in relation to issue 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.

Amendments to Bye-laws

Due to the recent changes to the requirements of the Listing Rules, the Board of Directors of the Company proposes to put forward to the shareholders for approval at the Annual General Meeting of a Special Resolution to amend the Bye-laws of the Company, among other things, in the following manner:

- (a) to require that the minimum seven-day period for lodgment by shareholders of the notice to nominate a Director to commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (b) to prohibit Directors from voting at and being counted towards the quorum of the Board meeting on any matter in which any of his associates has a material interest; and
- (c) to exclude the votes cast by a shareholder in contravention of a requirement or restriction under the Listing Rules.

The amendments to the Bye-laws of the Company that are being proposed are set out in the notice of the Annual General Meeting in the Special Resolution set out on pages 52 to 55 of this Annual Report.

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\$74,000.

Annual General Meeting

The notice of Annual General Meeting is set out on pages 50 to 56. 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 “Securities”) and the general mandate to authorise the repurchase of Securities (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, 19th March 2004

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 65 to 123 which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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, solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 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, 19th March 2004

Consolidated Profit and Loss Account

For the year ended 31st December 2003

US\$'000	Note	2003	2002
Turnover	2	3,241,113	2,457,952
Operating costs	3	(2,520,202)	(2,038,912)
Gross profit		720,911	419,040
Other operating income	4	14,875	2,822
Other operating expenses	5	(376,402)	(331,016)
Operating profit before financing	6	359,384	90,846
Net financing charges	8	(18,740)	(30,634)
Share of profits less losses of jointly controlled entities		12,662	2,690
Profit before taxation		353,306	62,902
Taxation	9	(24,145)	(10,954)
Profit after taxation		329,161	51,948
Minority interests		(117)	(210)
Profit attributable to shareholders		329,044	51,738
Dividends	11	78,283	12,929
		US cents	US cents
Earnings per ordinary share	10	65.2	10.0

Consolidated Balance Sheet

As at 31st December 2003

US\$'000	Note	2003	2002
Property, plant and equipment	12	1,579,798	1,342,438
Jointly controlled entities	14	24,298	35,576
Long-term investments	15	99,218	100,763
Intangible assets	16	29,817	27,541
Other non-current assets	17	36,907	33,243
Non-current assets		1,770,038	1,539,561
Properties under development and for sale	18	78,224	64,552
Debtors and prepayments	19	246,644	194,361
Portfolio investments		108,165	54,276
Bank balances and deposits	21	551,839	336,590
Current assets		984,872	649,779
Creditors and accruals	22	486,244	383,550
Current portion of long-term liabilities	24	218,527	168,835
Bank overdrafts and short-term loans	23	38,958	44,014
Current taxation		3,159	3,870
Current liabilities		746,888	600,269
Net current assets		237,984	49,510
Long-term liabilities	24	(840,677)	(682,759)
Other non-current liabilities	25	(48,741)	(37,881)
		1,118,604	868,431
Capital employed			
Share capital	29	47,018	51,714
Reserves	30	1,063,736	808,729
Shareholders' funds		1,110,754	860,443
Minority interests		7,850	7,988
		1,118,604	868,431

C C Tung
Nicholas D Sims
 Directors

Balance Sheet

As at 31st December 2003

US\$'000	Note	2003	2002
Subsidiaries	13	329,837	418,378
Other non-current assets	17	57	55
Non-current assets		329,894	418,433
Debtors and prepayments	19	53	57
Bank balances and deposits	21	15,728	18,398
Current assets		15,781	18,455
Creditors and accruals	22	1,219	1,163
Current liabilities		1,219	1,163
Net current assets		14,562	17,292
		344,456	435,725
Capital employed			
Share capital	29	47,018	51,714
Reserves	30	297,438	384,011
Shareholders' funds		344,456	435,725

C C Tung

Nicholas D Sims

Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2003

US\$'000	Note	2003	2002
Cash flows from operating activities			
Cash generated from operations	34(a)	520,696	169,846
Interest paid		(17,729)	(23,061)
Interest element of finance lease rental payments		(15,296)	(16,642)
Dividend on preference shares		(6,304)	—
Financing charges paid		(2,498)	(3,499)
Overseas tax paid		(12,355)	(5,966)
Net cash from operating activities		466,514	120,678
Cash flows from investing activities			
Sale of property, plant and equipment		90,945	2,205
Sale of long-term investments		1,812	3,496
Sale of a jointly controlled entity		—	59
Purchase of property, plant and equipment		(236,163)	(64,675)
Purchase of long-term investments		(258)	(233)
Repayment of investment in a jointly controlled entity		9,500	—
Capital element from investments in finance leases		—	268
(Increase)/decrease in amounts due by jointly controlled entities		(795)	1,267
Decrease/(increase) in bank deposits maturing more than three months from the date of placement		5,592	(6,735)
Purchase of intangible assets		(10,547)	(7,088)
Interest received		11,723	7,914
Long-term investment income		2	30
Portfolio investment income		7,424	1,511
Gross earnings from investments in finance leases		—	259
Dividends received from jointly controlled entities		9,188	9,308
Net cash used in investing activities		(111,577)	(52,414)
Cash flows from financing activities			
New long-term loans		189,706	94,763
Repayment of long-term loans		(139,816)	(97,478)
Capital element of finance lease rental payments		(39,531)	(53,250)
Capital contribution from minority interests		—	3,600
Increase in short-term loans repayable more than three months from the date of advance		10,312	13,250
Repurchase of own shares		(59,739)	—
Dividends paid to shareholders		(31,028)	(7,757)
Dividends paid to minority interests		(255)	(470)
Net cash used in financing activities		(70,351)	(47,342)
Net increase in cash and cash equivalents		284,586	20,922
Cash and cash equivalents at beginning of year		355,498	331,591
Changes in exchange rates		4,734	2,985
Cash and cash equivalents at end of year	34(c)	644,818	355,498

Consolidated Statement of Changes in Equity

For the year ended 31st December 2003

US\$'000	Capital				Asset		Total
	Share capital	Share premium	redemption reserve	Contributed surplus	revaluation reserve	Retained profit	
At 31st December 2001	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
2001 final dividend	—	—	—	—	—	(7,757)	(7,757)
At 31st December 2002	51,714	35,073	—	148,286	9,948	615,422	860,443
Changes in exchange rates	—	—	—	—	—	12,034	12,034
Repurchase of own shares (note 29)	(4,696)	—	4,696	(59,739)	—	—	(59,739)
Profit for the year	—	—	—	—	—	329,044	329,044
2002 final dividend	—	—	—	—	—	(12,929)	(12,929)
2003 interim dividend	—	—	—	—	—	(18,099)	(18,099)
At 31st December 2003	47,018	35,073	4,696	88,547	9,948	925,472	1,110,754

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 Hong Kong Financial Reporting Standards.

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.

(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.

1. Principal accounting policies (Continued)

(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 and improvements	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

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.

1. Principal accounting policies (Continued)

(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.

(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.

1. Principal accounting policies (Continued)

(h) 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.

(i) 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.

(j) 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.

(k) 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 property, plant and equipment 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.

1. Principal accounting policies (Continued)

(l) 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.

(m) 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.

1. Principal accounting policies (Continued)

(n) 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.

(o) Vessel repairs and surveys

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

(p) 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.

(q) 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. Unrealised gains and losses at the balance sheet date on open exchange contracts for future obligations are dealt with in the profit and loss account.

(r) Cash and cash equivalents

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.

(s) Foreign currencies

The functional currency of the Group is US dollar.

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	2003	2002
International transportation and logistics	2,969,554	2,218,120
Container terminals	251,025	215,748
Property investment and development	20,534	24,084
	3,241,113	2,457,952

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, logistics and container terminal businesses, sales of properties and rental income from the investment property.

3. Operating costs

US\$'000	2003	2002
Cargo	1,253,669	1,013,763
Vessel and voyage	630,005	476,820
Equipment and repositioning	446,877	368,111
Terminal operating	180,727	171,542
Property management and development	8,924	8,676
	2,520,202	2,038,912

4. Other operating income

US\$'000	2003	2002
Long-term investment income, listed	2	30
Profit on disposal of long-term investments	17	31
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	1,914	—
Exchange gain	8,095	1,625
Others	4,847	910
	14,875	2,822

5. Other operating expenses

US\$'000	2003	2002
Business and administrative	366,692	320,815
Corporate	9,710	7,815
Loss on disposal of property, plant and equipment	—	2,386
	376,402	331,016

6. Operating profit before financing

US\$'000	2003	2002
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	20,046	18,510
Reduction in terminal lease rental payments	14,254	—
Gross earnings on finance leases	—	259
and after charging:		
Depreciation		
Owned assets	68,074	63,172
Leased assets	46,666	38,776
Operating lease rental expense		
Vessels and equipment	362,566	292,978
Land and buildings	21,759	27,919
Staff costs		
General and administrative staff	292,891	233,752
Terminal workers	151,325	126,639
Crew and seamen	19,631	18,257
Amortisation of intangible assets	11,752	12,120
Auditors' remuneration	1,825	1,679

7. Directors' remuneration

US\$'000	2003	2002
Fees	324	266
Salaries and other emoluments	1,709	1,674
Discretionary bonuses	317	560
Retirement benefits	177	191
	2,527	2,691

7. Directors' remuneration (Continued)

The emoluments of individual Directors fall within the following bands:

Emoluments bands (US\$)		Number of Directors	
		2003	2002
Nil ~ 128,200	(Nil ~ HK\$1,000,000)	5	3
320,501 ~ 384,600	(HK\$2,500,001 ~ HK\$3,000,000)	1	1
384,601 ~ 448,700	(HK\$3,000,001 ~ HK\$3,500,000)	1	—
448,701 ~ 512,800	(HK\$3,500,001 ~ HK\$4,000,000)	—	1
769,231 ~ 833,300	(HK\$6,000,001 ~ HK\$6,500,000)	2	—
833,301 ~ 897,400	(HK\$6,500,001 ~ HK\$7,000,000)	—	1
897,401 ~ 961,500	(HK\$7,000,001 ~ HK\$7,500,000)	—	1
		9	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\$14,400 (2002: US\$13,000) and US\$35,200 (2002: US\$32,000), respectively.

Details of the emoluments paid to the five individuals, including three (2002: two) Directors, whose emoluments were the highest in the Group are:

US\$'000	2003	2002
Salaries and other emoluments	2,419	2,262
Discretionary bonuses	562	1,012
Retirement benefits	266	303
	3,247	3,577

7. Directors' remuneration (Continued)

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

Emoluments bands (US\$)		Number of individuals	
		2003	2002
384,601 ~ 448,700	(HK\$3,000,001 ~ HK\$3,500,000)	1	—
448,701 ~ 512,800	(HK\$3,500,001 ~ HK\$4,000,000)	—	1
512,801 ~ 576,900	(HK\$4,000,001 ~ HK\$4,500,000)	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)	2	1
833,301 ~ 897,400	(HK\$6,500,001 ~ HK\$7,000,000)	—	1
897,401 ~ 961,500	(HK\$7,000,001 ~ HK\$7,500,000)	—	1
		5	5

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

8. Net financing charges

US\$'000	2003	2002
Interest expense		
Bank loans, overdrafts and other loans wholly repayable within five years	18,182	22,677
Finance lease obligations		
Wholly payable within five years	8,911	11,798
Not wholly payable within five years	6,435	4,670
	33,528	39,145
Amount capitalised under assets	(2,636)	(2,213)
	30,892	36,932
Interest income	(14,020)	(11,079)
	16,872	25,853
Net interest expense		
Dividend on preference shares (note 26)	6,794	2,793
Financing charges	2,498	3,499
Portfolio investment income	(7,424)	(1,511)
	18,740	30,634

Financing charges include the funding costs reimbursed to TAPCO (note 20) amounting to US\$1.6 million (2002: US\$2.6 million).

9. Taxation

US\$'000	2003	2002
Current (overseas)		
Company and subsidiaries	16,349	3,301
Jointly controlled entities	6,047	3,727
	22,396	7,028
Deferred		
Company and subsidiaries	1,749	3,926
	24,145	10,954

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 17.5% (2002: 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	2003	2002
Profit before taxation	353,306	62,902
Tax calculated at applicable tax rate	76,579	16,585
Income not subject to tax	(63,490)	(16,322)
Expenses not deductible for tax purposes	14,695	6,807
Tax losses not recognised	3,756	2,010
Temporary differences not recognised	2,813	2,629
Utilisation of previously unrecognised tax losses	(11,043)	(113)
Recognition of previously unrecognised deferred tax assets	(523)	(26)
Recognition of previously unrecognised temporary differences	(254)	(403)
Withholding tax	935	415
Increase in tax rate	40	—
Other items	637	(628)
	24,145	10,954

10. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US\$329.0 million (2002: US\$51.7 million) and the weighted average number of 504.5 million (2002: 517.1 million) ordinary shares in issue during the year.

11. Dividends

US\$'000	2003	2002
Interim paid of US3.85 cents (2002: nil) per ordinary share	18,099	—
Proposed final of US12.8 cents (2002: US2.5 cents) per ordinary share	60,184	12,929
	78,283	12,929

The Board of Directors proposes a final dividend in respect of 2003 of US12.8 cents (2002: US2.5 cents) per ordinary share. This dividend will be accounted for as an appropriation of retained profit in the year ending 31st December 2004.

12. Property, plant and equipment

US\$'000	Container vessels	Vessels under construction	Containers	Chassis	Terminal equipment and improvements	Land and buildings outside Hong Kong Medium-term	Freehold	leasehold	Vehicles, furnitures, computer and other equipment	Total
Group										
Cost or valuation										
At 31st December 2002	929,253	164,836	344,377	109,931	223,053	143,368	28,429	102,827		2,046,074
Changes in exchange rates	—	—	—	1,043	23,455	239	422	3,607		28,766
Additions	984	219,105	115,720	9,204	49,397	10,000	—	19,363		423,773
Reclassification	211,657	(211,657)	—	—	—	—	—	—		—
Disposals	(98,082)	—	(17,232)	—	(8,044)	—	(2,711)	(17,478)		(143,547)
At 31st December 2003	1,043,812	172,284	442,865	120,178	287,861	153,607	26,140	108,319		2,355,066
Accumulated depreciation										
At 31st December 2002	285,657	—	139,023	76,867	86,276	23,188	8,766	83,859		703,636
Changes in exchange rates	—	—	—	579	8,568	39	95	2,127		11,408
Charge for the year	35,863	—	44,037	7,039	17,657	1,645	1,812	6,687		114,740
Disposals	(14,074)	—	(14,522)	—	(6,829)	—	(1,866)	(17,225)		(54,516)
At 31st December 2003	307,446	—	168,538	84,485	105,672	24,872	8,807	75,448		775,268
Net book amount										
At 31st December 2003	736,366	172,284	274,327	35,693	182,189	128,735	17,333	32,871		1,579,798
At 31st December 2002	643,596	164,836	205,354	33,064	136,777	120,180	19,663	18,968		1,342,438
Net book amount of leased assets										
At 31st December 2003	153,073	—	125,867	26,913	77,620	—	—	607		384,080
At 31st December 2002	—	—	156,760	24,181	57,882	—	—	465		239,288

12. Property, plant and equipment (Continued)

- (a) Freehold land and buildings include the investment property, "Wall Street Plaza", a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066 (2002: 2 parcels of about 34% were held under leases). The property is stated at Directors' valuation of US\$100.0 million (2002: US\$90.0 million), by reference to a professional valuation made in December 2003 on an open market basis.
- (b) Container vessels include three (2002: 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\$2.7 million (2002: US\$3.1 million).
- (c) Apart from the investment property and container vessels mentioned under (a) and (b) above, all other property, plant and equipment are carried at cost.
- (d) The aggregate net book amount of assets pledged as securities for loans amounts to US\$999.0 million (2002: US\$976.7 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.
- (e) Interest costs of US\$1.6 million (2002: US\$1.7 million) during the year were capitalised as part of vessels under construction.

13. Subsidiaries

US\$'000	2003	2002
Company		
Unlisted shares, at cost less provision	169,482	169,482
Amounts receivable	688,368	465,994
Amounts payable	(528,013)	(217,098)
	329,837	418,378

Particulars of the principal subsidiaries at 31st December 2003 are shown on pages 114 to 123. The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

14. Jointly controlled entities

US\$'000	2003	2002
Group		
Unlisted shares, at cost less provision	12,905	22,520
Share of retained post-acquisition (losses)/profits	(347)	2,111
Share of net assets	12,558	24,631
Amounts receivable	11,740	10,945
	24,298	35,576

Particulars of the principal jointly controlled entities at 31st December 2003 are shown on page 123. The amounts receivable are unsecured, interest free and have no specific repayment terms.

15. Long-term investments

US\$'000	2003	2002
Group		
Investment in Hui Xian, at cost	93,601	93,601
Unlisted, at cost less provisions	5,617	7,162
	99,218	100,763

The investment in Hui Xian represents the Group's approximately 8% (2002: 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 was completed 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 a bank loan of US\$275 million (2002: RMB3,460 million and US\$120 million), over which the Group has provided a proportionate guarantee (note 32 (a)).

16. Intangible assets

US\$'000	2003	2002
Group		
Computer software development costs	48,336	42,123
Property leasing expenses	24,936	20,129
Financing charges	6,295	3,287
	79,567	65,539
Accumulated amortisation	(49,750)	(37,998)
Net book value	29,817	27,541
Net book value at beginning of year	27,541	32,568
Changes in exchange rates	—	5
Additions	14,028	7,088
Amortisation	(11,752)	(12,120)
Net book value at end of year	29,817	27,541

17. Other non-current assets

US\$'000	2003	2002
Group		
Restricted bank balances and deposits (note 21)	20,802	21,580
Deferred taxation assets (note 27)	10,960	6,541
Pension and retirement assets (note 28)	5,145	5,122
	36,907	33,243
Company		
Restricted bank balances and deposits (note 21)	57	55

18. Properties under development and for sale

Interest costs of US\$1.0 million (2002: US\$0.5 million) during the year were capitalised as part of properties under development.

19. Debtors and prepayments

US\$'000	2003	2002
Group		
Trade debtors (note 20)	115,650	81,865
Other debtors	26,901	28,027
Prepayments	48,611	36,501
Utility and other deposits	29,126	21,681
Bunker	24,257	19,483
Tax recoverable	2,099	6,804
	246,644	194,361
Company		
Other debtors	—	2
Prepayments	53	55
	53	57

20. 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.

20. Trade debtors (Continued)

As at 31st December 2003, trade debtors of the Group include the following trade receivables:

US\$'000	2003	2002
Gross trade receivables assigned to Rhino	164,067	128,350
Less non-returnable proceeds received from TAPCO	(99,500)	(99,500)
	64,567	28,850

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	2003	2002
Below one month	194,084	152,137
Two to three months	19,575	24,621
Four to six months	1,162	4,329
Over six months	329	278
	215,150	181,365

21. Bank balances and deposits

US\$'000	2003	2002
Group		
Restricted	127,825	153,312
Not restricted	536,791	304,858
	664,616	458,170
Less restricted and included in		
Non-current assets (note 17)	(20,802)	(21,580)
Non-current liabilities (note 26)	(91,975)	(100,000)
	551,839	336,590
Company		
Restricted	57	55
Not restricted	15,728	18,398
	15,785	18,453
Less restricted and included in		
Non-current assets (note 17)	(57)	(55)
	15,728	18,398

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\$15.0 million (2002: US\$30.4 million), which has been pledged as security for a short-term bank loan of the same amount (note 23), is not classified as a non-current asset.

22. Creditors and accruals

US\$'000	2003	2002
Group		
Trade creditors	141,199	118,613
Other creditors	30,877	26,177
Accrued operating expenses	278,095	223,263
Deferred revenue	36,073	15,497
	486,244	383,550
Company		
Accrued operating expenses	1,219	1,163

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

US\$'000	2003	2002
Below one month	82,741	65,155
Two to three months	52,559	49,255
Four to six months	2,402	2,237
Over six months	3,497	1,966
	141,199	118,613

23. Bank overdrafts and short-term loans

US\$'000	2003	2002
Group		
Short-term loans		
Secured	29,283	35,998
Unsecured	9,625	8,000
Bank overdrafts		
Unsecured	50	16
	38,958	44,014

A secured bank loan of US\$15.0 million (2002: US\$30.4 million) is secured by a bank deposit of the same amount (note 21).

24. Long-term liabilities

US\$'000	2003	2002
Group		
Bank loans		
Secured	594,334	590,788
Unsecured	51,405	—
Other loans wholly repayable within five years		
Secured	15,541	21,606
Unsecured	2,580	—
Finance lease obligations		
Wholly payable within five years	190,317	189,079
Not wholly payable within five years	205,027	50,121
	1,059,204	851,594
Current portion included in current liabilities	(218,527)	(168,835)
	840,677	682,759

24. Long-term liabilities (Continued)

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

US\$'000	Bank loans	Other loans	Finance leases	
			Present value	Minimum payments
As at 31st December 2003				
2004	160,053	7,271	51,203	65,892
2005	80,818	5,268	34,727	47,748
2006	63,478	4,659	73,647	84,364
2007	64,833	487	44,823	51,507
2008	66,302	430	8,735	13,550
2009 onwards	210,255	6	182,209	227,387
	645,739	18,121	395,344	490,448
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

(b) The bank loans, other loans and finance lease obligations carry interest at fixed rates, ranging from 3.5% to 10.6% per annum, or variable rates, varying from 0.3% to 2.2% over stipulated market rates per annum.

25. Other non-current liabilities

US\$'000	2003	2002
Group		
Redeemable preference shares (note 26)	—	—
Deferred taxation liabilities (note 27)	37,624	29,141
Pension and retirement liabilities (note 28)	11,117	8,740
	48,741	37,881

26. Redeemable preference shares

US\$'000	2003	2002
Group		
Redeemable preference shares and premium	91,975	100,000
Less restricted deposits under the put options (note 21)	(91,975)	(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 €150 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. During the year, Premium amounting to US\$8.0 million was repaid to the Preference Shareholders.

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\$92.0 million (2002: US\$100.0 million), 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.

27. Deferred taxation assets/(liabilities)

US\$'000	2003	2002
Group		
Deferred taxation assets (note 17)	10,960	6,541
Deferred taxation liabilities (note 25)	(37,624)	(29,141)
	(26,664)	(22,600)

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	2003	2002
Group		
Deferred taxation assets to be recovered after more than twelve months	4,455	5,771
Deferred taxation liabilities to be settled after more than twelve months	(37,396)	(28,291)

27. 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 2001	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
Changes in exchange rates	—	255	8	—	263
Credited/(charged) to profit and loss account	(93)	1,521	740	589	2,757
At 31st December 2003	—	7,330	3,880	1,541	12,751

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

US\$'000	Accelerated depreciation allowances	Investment property	Pensions	Total
Deferred taxation liabilities				
At 31st December 2001	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
Changes in exchange rates	2,489	—	89	2,578
Charged/(credited) to profit and loss account	4,095	577	(166)	4,506
At 31st December 2003	19,271	19,413	731	39,415

Deferred taxation assets of US\$33.2 million (2002: US\$30.0 million) arising from unused tax losses of US\$164.2 million (2002: US\$145.5 million) have not been recognised in the accounts. Unused tax losses of US\$162.0 million (2002: US\$132.3 million) have no expiry date and the balance will expire at various dates up to and including 2009.

Deferred taxation liabilities of US\$7.0 million (2002: US\$5.4 million) on temporary differences associated with investments in subsidiaries of US\$105.5 million (2002: US\$93.4 million) have not been recognised as there is no current intention of remitting the retained profits of these subsidiaries to the holding companies.

28. 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 were US\$16.2 million (2002: US\$11.7 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	2003	2002
Contributions to the schemes	11,332	10,773
Forfeitures utilised	(49)	(89)
	11,283	10,684

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 14% 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.

28. Pension and retirement benefits (Continued)

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

US\$'000	2003	2002
Fair value of plan assets	229,844	199,814
Present value of funded obligations	(263,382)	(223,779)
Net funded obligations	(33,538)	(23,965)
Present value of unfunded obligations	(5,682)	(3,447)
Unrecognised actuarial losses	31,902	22,183
Unrecognised prior service cost	841	1,012
Unrecognised other assets	505	599
Net pension and retirement liabilities	(5,972)	(3,618)
Representing:		
Pension and retirement assets (note 17)	5,145	5,122
Pension and retirement liabilities (note 25)	(11,117)	(8,740)
	(5,972)	(3,618)

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

US\$'000	2003	2002
Balance at beginning of year	(3,618)	(6,011)
Changes in exchange rates	(352)	(137)
Net expense recognised in profit and loss account	(4,962)	(975)
Contributions paid	2,960	3,505
Balance at end of year	(5,972)	(3,618)

28. Pension and retirement benefits (Continued)

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

US\$'000	2003	2002
Current service cost	3,536	2,803
Interest cost	13,726	11,409
Expected return on plan assets	(12,956)	(11,757)
Amortisation of past service cost	185	193
Net actuarial loss	353	983
Loss/(gain) on curtailments and settlements	118	(2,656)
Net expense recognised for the year	4,962	975

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

	2003	2002
Discount rate	1 to 8%	2 to 7%
Expected return on plan assets	2 to 8%	1 to 8%
Expected future salary increases	3 to 7%	3 to 9%
Actual return on plan assets (US\$'000)	20,885	(3,774)

29. Share capital

US\$'000	2003	2002
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:		
470,184,544 (2002: 517,141,632) ordinary shares of US\$0.10 each	47,018	51,714

29. Share capital (Continued)

On 7th August 2003, the Company entered into agreements with Fortwin Investment Limited and Sixpence Holdings Limited, under which the Company agreed to repurchase an aggregate of 46,957,088 of its ordinary shares at the price of HK\$9.80 per share. The share repurchase was approved by the disinterested shareholders at the Special General Meeting held on 22nd September 2003 and completed on 25th September 2003. All the shares repurchased were then cancelled.

Subsequent to the balance sheet date, the Company allotted and issued 47,000,000 new ordinary shares of US\$0.10 each under a placing agreement dated 13th February 2004 at an issue price of HK\$25.75 per share for cash to be used for working capital and general corporate purposes of the Company. All the new shares rank pari passu with the existing shares.

30. Reserves

US\$'000	2003	2002
Group		
Share premium	35,073	35,073
Capital redemption reserve	4,696	—
Asset revaluation reserve	9,948	9,948
Contributed surplus	88,547	148,286
Retained profit	925,472	615,422
	1,063,736	808,729
Company		
Share premium	35,073	35,073
Capital redemption reserve	4,696	—
Contributed surplus	88,547	148,286
Retained profit	169,122	200,652
	297,438	384,011

The results attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of a loss of US\$0.5 million (2002: US\$0.1 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\$257.7 million (2002: US\$348.9 million) as at 31st December 2003.

31. Commitments

Group

(a) Capital commitments

US\$'000	2003	2002
Contracted but not provided for	653,597	533,407
Authorised but not contracted for	214,770	186,173
	868,367	719,580

The commitments include the balance of the purchase cost of ten 8,063 TEU container vessels (2002: eight 8,063 TEU and one 4,402 TEU ice-strengthened container vessels) to be delivered between 2004 to 2007. In March 2002, the Group entered into agreements under which two 8,063 TEU container vessels will be sold to third parties at considerations equal to the acquisition costs to the Group upon delivery in 2004. The Group also entered into agreements to bareboat charter these two vessels under operating lease terms for minimum periods ranging from nine to twelve years from their respective dates of delivery.

31. 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 2003			
2004	219,425	41,487	260,912
2005	174,986	36,280	211,266
2006	165,582	31,653	197,235
2007	159,902	31,062	190,964
2008	161,857	30,060	191,917
2009 onwards	995,849	413,386	1,409,235
	1,877,601	583,928	2,461,529
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

31. 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 2003	
2004	19,328
2005	19,718
2006	18,714
2007	17,195
2008	16,073
2009 onwards	34,545
	125,573
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

32. Contingent liabilities

Group

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

US\$'000	Facilities		Utilised	
	2003	2002	2003	2002
Hui Xian (note 15)	22,000	43,100	22,000	30,540

32. Contingent liabilities (Continued)

Group (Continued)

(b) Litigation

The Group is a member of the Trans-Atlantic Conference Agreement ("TACA") and involved in litigation with the European Commission as more fully described in note 33 (c) to the 2002 Annual Accounts. In September 2003, the European Court of First Instance delivered its judgement annulling the decisions of the Commission and all the fines imposed on the TACA parties, including the Group. The Commission has not, so far, lodged any further appeal to the European Court of Justice.

Company

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

US\$'000	Facilities		Utilised	
	2003	2002	2003	2002
Subsidiaries	1,052,136	1,096,260	965,697	785,371
Hui Xian (note 15)	22,000	43,100	22,000	30,540
	1,074,136	1,139,360	987,697	815,911

- (b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$246.3 million (2002: US\$266.3 million).
- (c) 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 2003, the outstanding contribution amounted to US\$5.5 million (2002: US\$8.5 million).

33. Financial instruments

US\$'000	Contract amount		Replacement cost	
	2003	2002	2003	2002
Interest rate swap agreements	100,000	100,000	(1,588)	(4,055)
Forward foreign exchange contracts	1,894	—	41	—
Foreign exchange option contracts	—	20,000	—	(12)
	101,894	120,000	(1,547)	(4,067)

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 unrealised gains or losses on open exchange contracts at the balance sheet date is dealt with in the profit and loss account.

34. Notes to consolidated cash flow statement

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

US\$'000	2003	2002
Operating profit before financing	359,384	90,846
Depreciation	114,740	101,948
(Profit)/loss on disposal of property, plant and equipment	(1,914)	2,386
Long-term investment income	(2)	(30)
Profit on disposal of long-term investments	(17)	(31)
Profit on disposal of a jointly controlled entity	—	(4)
Write back of provision for diminution in value of long-term investments	—	(222)
Amortisation of intangible assets	11,752	12,120
Increase/(decrease) in net pension liabilities	2,354	(2,393)
Operating profit before working capital changes	486,297	204,620
Increase in properties under development and for sale	(12,611)	(46,152)
Increase in debtors and prepayments	(54,691)	(13,676)
Increase in creditors and accruals	101,701	25,054
Cash generated from operations	520,696	169,846

34. Notes to consolidated cash flow statement (Continued)

(b) Analysis of changes in financing

US\$'000	Share capital and premium	Capital redemption reserve and contributed surplus	Minority interests	Loans and finance lease obligations*	Total
At 31st December 2001	86,787	148,286	4,647	893,910	1,133,630
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	148,286	7,988	865,190	1,108,251
Changes in exchange rates	—	—	—	7,735	7,735
Inception of finance leases	—	—	—	189,516	189,516
Repurchase of own shares	(4,696)	(55,043)	—	—	(59,739)
Minority interests' share of profit	—	—	117	—	117
Dividends paid to minority interests	—	—	(255)	—	(255)
Net cash inflow from financing	—	—	—	20,671	20,671
At 31st December 2003	82,091	93,243	7,850	1,083,112	1,266,296

* Including bank loans repayable more than three months and within one year.

(c) Analysis of cash and cash equivalents

US\$'000	2003	2002
Bank balances and deposits maturing within three months from the date of placement	551,703	331,640
Portfolio investments	108,165	54,276
Overdrafts and bank loans repayable within three months from the date of advance	(15,050)	(30,418)
	644,818	355,498

35. Subsequent event

On 20th February 2004, the Company allotted and issued 47,000,000 new ordinary shares of US\$0.10 each at an issue price of HK\$25.75 per share for cash to be used for working capital and general corporate purposes of the Company.

36. Approval of accounts

The accounts were approved by the Board of Directors on 19th March 2004.

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 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

	Investments and					
	International			corporate	Elimination	
US\$'000	transportation and logistics	Terminal	Property	services		Group
Year ended 31st December 2003						
Turnover	2,969,554	273,359	21,249	—	(23,049)	3,241,113
Other operating income	10,449	38	1,219	3,169	—	14,875
Segment results	325,308	35,034	6,228	(7,186)	—	359,384
Net financing charges						(18,740)
Share of profits less losses of jointly controlled entities	(2,185)	—	14,847	—	—	12,662
Profit before taxation						353,306
Taxation						(24,145)
Profit after taxation						329,161
Minority interests	(206)	—	89	—	—	(117)
Profit for the year						329,044
Segment assets						
Property, plant and equipment	1,312,877	166,775	100,146	—	—	1,579,798
Jointly controlled entities	2,777	—	21,521	—	—	24,298
Other assets	212,484	47,441	192,411	4,613	—	456,949
Unallocated assets						693,865
Consolidated total assets						2,754,910
Segment liabilities						
Minority interests	(4,400)	—	(3,450)	—	—	(7,850)
Other liabilities	(464,669)	(26,660)	(4,300)	(1,732)	—	(497,361)
Unallocated liabilities						(1,138,945)
Consolidated total liabilities						(1,644,156)
Capital expenditure	394,945	27,955	14,901	—	—	437,801
Depreciation	99,185	15,387	168	—	—	114,740
Amortisation of intangible assets	9,553	42	2,157	—	—	11,752

Business segments (Continued)

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)

Geographical segments

US\$'000	Turnover	Operating profit before financing	Total assets	Capital expenditure
Year ended 31st December 2003				
Asia	2,043,205	(1,634)	450,080	37,230
North America	752,356	42,896	420,007	61,237
Europe	399,068	—	12,882	504
Australia	46,484	—	139	13
Unallocated*	—	318,122	1,871,802	338,817
	3,241,113	359,384	2,754,910	437,801
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

- * Operating profit before financing comprise of results from international transportation and logistics and investment activities whereas total assets, comprise of vessels, containers, portfolio investments and bank balances while capital expenditure comprise of vessels, containers and financing charges under intangible assets.

Principal Subsidiaries and Jointly Controlled Entities

As at 31st December 2003

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	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 Warehouse and Transport Ltd	100	3,000 shares of HK\$100 each HK\$300,000	Equipment owning	Hong Kong	Hong Kong
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
Global Terminal & Container Services, Inc.	100	24,750 shares of no par value US\$5,500,000	Terminal operating	USA	USA
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	Bermuda	Worldwide

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
Howland Hook Container Terminal, Inc.	100	1,000,000 common stock of US\$1 each	Terminal operating	USA	USA
	100	5,200 cumulative preferred stock of US\$1,000 each US\$6,200,000			
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
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

Principal Subsidiaries and Jointly Controlled Entities

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
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
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. 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. 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

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
Newcontainer No. 22 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 23 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 25 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 26 (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
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

Principal Subsidiaries and Jointly Controlled Entities

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
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 and liner territorial office	United Kingdom	Europe
OOCL (Finland) Ltd Oy	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 (India) Private Ltd	100	1,000 shares of Rs100 each Rs100,000	Liner agency	India	India
OOCL (Ireland) Ltd	100	100 shares of €1.25 each €125	Liner agency	Ireland	Ireland
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			

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
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) Co Ltd	100	10,000,000 shares of NT\$10 each NT\$100,000,000	Liner agency	Taiwan	Taiwan
OOCL (Thailand) Ltd	100	40,000 shares of Baht100 each Baht4,000,000	Liner agency	Thailand	Thailand
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 RMB21,250,000	Freight agency and cargo consolidation	China	China
OOCL Logistics (Asia Pacific) Ltd	100	200 shares of US\$100 each US\$20,000	Investment holding, transportation and logistics	Bermuda	Asia Pacific
OOCL Logistics (China) Ltd	100	Registered capital US\$3,400,000	Logistics, cargo consolidation and forwarding	China	China
OOCL Logistics (Europe) Ltd	100	2 shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	Europe

Principal Subsidiaries and Jointly Controlled Entities

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL Logistics (Hong Kong) Ltd	100	50,000 shares of HK\$10 each HK\$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (Japan) Ltd	100	200 shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd	100	30,000 shares of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics (Singapore) Pte Ltd	100	2 shares of S\$1 each S\$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (Taiwan) Ltd	100	750,000 shares of NT\$10 each NT\$7,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan
OOCL Logistics Inc.	100	100 shares of no par value US\$200	Logistics, cargo consolidation and forwarding	USA	Worldwide
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

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
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 Corp.	100	10 shares of no par value US\$150,000	Property owning	USA	USA
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	Containerised transportation	Hong Kong	Worldwide
Orient Overseas Container Line (China) Co Ltd	100	Registered capital US\$2,080,000	Liner agency	China	China
Orient Overseas Container Line (Europe) Ltd	100	66,000,000 shares of £1 each £66,000,000	Investment holding	United Kingdom	United Kingdom
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	5,000 shares of US\$1 each US\$5,000	Containerised transportation and ship management	Cayman Islands	Worldwide
# Orient Overseas Developments Ltd	100	10,000 shares of HK\$10 each HK\$100,000	Investment holding	Hong Kong	Hong Kong

Principal Subsidiaries and Jointly Controlled Entities

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
Orient Overseas Property (Shanghai) Co Ltd	100	Registered capital US\$2,100,000	Property development	China	China
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
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			

	Effective percentage				
	held by	Particulars of issued share	Principal	Country of	Area of
Name of Company	Group	and loan capital	activities	incorporation	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
Jointly controlled entities					
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 Xujiahui Real Estate Co Ltd	47.5	Registered capital US\$10,000,000	Property development	China	China

Direct subsidiaries of the Company.

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

Major Customers and Suppliers

Approximately 5.2% and 18.3% 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 1.2% and 4.7% 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	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated Profit and Loss Data										
Turnover	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	3,241,113
Operating profit before financing	119,543	91,594	157,447	68,033	48,327	122,729	166,399	107,391	90,846	359,384
Net financing charges	(59,620)	(21,038)	(42,899)	(42,471)	(42,911)	(41,421)	(48,246)	(45,614)	(30,634)	(18,740)
Profit before taxation	60,106	70,579	115,078	26,548	3,674	80,341	131,464	71,089	62,902	353,306
Profit after taxation	57,648	66,788	107,233	24,204	170	67,623	112,477	61,809	51,948	329,161
Preferred share dividends	9,097	9,097	9,003	4,875	2,564	—	—	—	—	—
Profit/(loss) attributable to ordinary shareholders	48,113	56,108	97,149	18,790	(2,867)	67,221	111,863	61,287	51,738	329,044
Per Ordinary Share										
Earnings/(loss) (US cents)	10.4	12.2	21.0	3.6	(0.6)	13.0	21.6	11.8	10.0	65.2
Dividends (US cents)	1.61	2.08	2.60	1.65	—	3.0	4.0	2.5	2.5	16.65
Weighted average number of ordinary shares in issue ('000)	460,369	460,369	462,065	517,142	517,142	517,142	517,142	517,142	517,142	504,534

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.

10 Years Financial Summary

US\$'000	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Consolidated Balance Sheet Data										
Property, plant and equipment	672,911	891,336	936,309	992,807	1,042,076	1,006,412	1,286,197	1,365,378	1,342,438	1,579,798
Cash, portfolio and bond investments	419,307	384,056	447,440	458,944	375,531	455,954	458,025	402,424	412,446	680,806
Other net current liabilities	(182,278)	(193,422)	(196,593)	(252,718)	(304,157)	(327,047)	(346,574)	(343,659)	(341,356)	(471,895)
Gross assets	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	2,754,910
Long-term debt	405,444	533,787	592,020	646,726	587,210	560,457	753,761	760,386	682,759	840,677
Total long and short-term debt	494,609	633,914	682,375	800,452	771,989	733,036	952,053	936,459	895,608	1,098,162
Net debt	75,302	249,858	234,935	341,508	396,458	277,082	494,028	534,035	483,162	417,356
Shareholders' funds	560,516	606,973	702,200	690,883	656,326	708,453	796,747	812,924	860,443	1,110,754
Ordinary shareholders' funds	460,842	507,299	652,200	660,883	656,326	708,453	796,747	812,924	860,443	1,110,754
Other Financial Information										
Depreciation	75,646	73,827	83,139	75,364	65,590	69,544	84,118	88,227	101,948	114,740
Capital expenditure	97,599	309,767	272,245	216,785	95,077	46,276	378,458	232,353	89,873	437,801
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.9	1.0	1.0	1.2	1.2	1.0	1.2	1.2	1.0	1.0
Net debt to equity ratio	0.1	0.4	0.3	0.5	0.6	0.4	0.6	0.7	0.6	0.4
Return on average ordinary shareholders' funds (%)	10.7	11.6	16.7	2.9	(0.4)	9.9	14.9	7.6	6.2	33.4
Accounts Payable as a % of turnover	16.7	17.3	19.3	19.2	19.5	18.9	16.3	15.0	15.6	15.0
Accounts Receivable as a % of turnover	11.1	11.8	14.0	13.6	12.9	11.7	10.2	7.3	7.9	7.6
Net asset value per ordinary share (US\$)	1.00	1.10	1.26	1.28	1.27	1.37	1.54	1.57	1.66	2.36

Fleet and Container Information

Fleet

The following table sets out the Group's vessels deployed in all its services at 31st December 2003.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL France	5,560	Chartered	Trans-Pacific	2001	24.9	Liberia
OOCL Germany	5,560	Chartered	Trans-Pacific	2000	24.9	Liberia
OOCL New York	5,560	Chartered	Trans-Pacific	1999	24.9	Liberia
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 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 Montreal	4,402	Chartered	Transatlantic	2003	23.0	Hong Kong
OOCL Fortune	3,161	Owned	Transatlantic	1987	20.5	Hong Kong
OOCL Belgium	2,808	Owned	Transatlantic	1998	21.0	Hong Kong
OOCL Shenzhen	8,063	Chartered	Asia-Europe	2003	25.2	Hong Kong
OOCL Long Beach	8,063	Chartered	Asia-Europe	2003	25.2	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 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 Netherlands	5,390	Chartered	Asia-Europe	1997	24.6	Hong Kong
OOCL Freedom	3,161	Chartered	Asia-Europe	1996	20.5	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-Europe	1987	20.5	Hong Kong
OOCL Sydney	2,762	Chartered	Asia/Australia	2003	22.0	Singapore
OOCL Melbourne	2,762	Chartered	Asia/Australia	2003	22.0	Hong Kong
OOCL Envoy	2,544	Owned	Asia/Australia	1979	20.5	Hong Kong
OOCL Exporter	2,535	Owned	Asia/Australia	1976	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 Norppa	822	Chartered	Intra-Europe	2003	18.5	United Kingdom
OOCL Narva	660	Chartered	Intra-Europe	1998	18.0	Germany
Mare Caspium	2,959	Chartered	Intra-Asia	2001	21.0	Antigua
OOCL Harmony	2,959	Chartered	Intra-Asia	2001	21.0	Antigua
OOCL Osaka	2,762	Chartered	Intra-Asia	2003	22.0	Panama
OOCL Xiamen	2,762	Chartered	Intra-Asia	2003	22.0	Panama
Wehr Havel	2,526	Chartered	Intra-Asia	2003	21.7	Marshall Island
Torge S	2,450	Chartered	Intra-Asia	2003	22.5	Hong Kong
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
Sinar Batam	1,560	Chartered	Intra-Asia	2003	18.5	Panama
Jock Rickmers	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Island
Carla Rickmers	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Island
Blue Moon	614	Chartered	Intra-Asia	2002	16.0	Liberia
Tokyo Glory	588	Chartered	Intra-Asia	2003	15.3	Panama
OSG Alpha	585	Chartered	Intra-Asia	2003	15.0	St Vincent & the Grenadines
Sea Breeze	502	Chartered	Intra-Asia	2003	15.4	Gibraltar
OOCL Kyushu	455	Chartered	Intra-Asia	2000	14.0	Bahamas
OOCL Seto	455	Chartered	Intra-Asia	2000	14.0	Bahamas
TOTAL 55 VESSELS	184,781					

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 253,558 units (420,004 TEU) at 31st December 2003. Approximately 60% of the container fleet in TEU capacity at 31st December 2003 was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2003 the Group owned, purchased on finance lease terms or leased under operating lease terms 25,908 trailer chassis.

Terminal Information



TSI TERMINAL SYSTEMS INC.

VANTERM

Location: Vancouver, British Columbia, Canada.

Status of Terminal: A 76 acre, four berth container terminal facility operated under a long-term lease agreement with the Vancouver Port Authority, which has been extended to 2022.

Equipment/Facilities: Two container berths, 619 metres long; two conventional berths, one 90 metres long and one 83 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; seven toppicks, one reachstacker; 10 empty handlers (sidepicks); 34 yard tractors; 43 yard chassis; various lift trucks and truck scale; reefer points with 288 reefer outlets.

Building Facilities: 25,000 sq ft maintenance building and modular operations building. The Vancouver Port Authority has commenced an expansion of Vanterm's container capacity by removing a 125,000 sq ft transit shed and 30,000 sq ft main 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 31st December 2003, 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; five 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; 16 rubber tire gantries (RTGs), some equipped with auto-steering and a positional determination system; abundant supply of multi-trailer systems (triples) and single chassis; 14 reachstackers/toplifts, 10 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; three top handlers; six 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 through-out 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; ten 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; four 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, Hapag Lloyd, P&O Nedlloyd, OOCL, Columbia Coastal Transport, The United States Military Traffic Management Command.



Terminal Information



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 to be delivered first quarter 2004; 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: Grand Alliance (NYK, Hapag Lloyd, P&O Nedlloyd, OOCL), New World Alliance (APL, MOL, Hyundai and Evergreen), Chilean Lines/CSAV, CCNI, Hamburg Sud, Turkon Container Line, CMA-CGM, Ecuadorian Line and The United States Military Traffic Management Command.



KAOHSIUNG CONTAINER TERMINAL

Location: Pier 65-66 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, wireless lane network and fiber optics, state-of-art new rail-mounted gantry cranes and quay cranes, 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: Six post-Panamax quay cranes including three with 18 rows; 12 rail-mounted gantry cranes (RMGs); six straddle carriers; six empty stackers and various shipside handling equipment.

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.

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	47.5		
	- Phase 1A		2001	64,896
	- Phase 1B		2003	83,298
	- Phase 2A		2003	27,227

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 2B		2005	58,000
Changle Lu Project	Changle Lu, Shanghai	88	2007	135,000

Corporate Information

Executive Directors

Mr CC TUNG (*Chairman*)
Mr Tsann Rong CHANG
Mr Robert H SUAN
Mr Nicholas D SIMS
Mr Philip CHOW

Non-executive Director

Mr Roger KING

Independent Non-executive Directors

Mr Simon MURRAY
Dr Victor K FUNG
Prof Richard WONG

Company Secretary

Ms Lammy LEE

Authorised Representative

Mr Nicholas D SIMS
Ms Lammy LEE

Audit Committee

Dr Victor K FUNG (*Chairman*)
Mr Simon MURRAY
Prof Richard WONG
Mr Nicholas D SIMS

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Branch Registrar

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The Stock Exchange of Hong Kong Limited
Stock Code : 0316

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Deutsche Schiffsbank AG
ING Bank NV
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