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Statement to Shareholders from the Chairman and Chief Executive Officer

The trading environment during the first half of 2003 has been substantially better than that experienced in the first half of 2002. This significant improvement in fortune has resulted in Orient Overseas (International) Limited and its subsidiaries (the "Group") attaining a profit before tax of US\$88.7 million for the first six months of this year. After tax and minority interests a profit attributable to shareholders of US\$79.5 million was recorded. At the interim stage this level of profitability constitutes a significant achievement for the Group when compared with the US\$1.03 million profit attributable to shareholders recorded for the first half of 2002. The earnings per ordinary share of US15.4 cents compare with the earnings per ordinary share of 0.2 of US1 cent for the first half of 2002.

DIVIDEND

In 2002 the Board of Directors decided not to declare an interim dividend as a result of both the lack of meaningful profits recorded for the period and as a reflection, at the time, of the uncertain market conditions which lay ahead. The Board of Directors is pleased to announce for 2003 an interim dividend of US3.85 cents (HK30 cents) per ordinary share. As in previous years this decision has been arrived at after taking into account the level of performance during the period in question, the business outlook for the remainder of the year and the future needs of the Group's core business. The dividend will be paid on 26th September 2003 to those ordinary shareholders whose names appear on the register on 11th September 2003. Business forecasts for the second six months of 2003 remain positive and the Board of Directors will consider a further dividend for the full year as performance and future business prospects dictate.

INTERNATIONAL CONTAINERISED TRANSPORTATION

The core international containerised transportation business of the Group, trading under the "OOCL" name, has experienced a significant trading improvement over the past twelve months with the business environment, having been one of the worst in the history of the industry in early 2002, now having evolved towards a point at which there is a much improved level of capacity utilisation. The slower growth rates of the world's economies, which had begun in late 2000 and had gathered pace during 2001, prevailed throughout much of 2002. Although there have been signs of returning strength during the first half of 2003 it still remains very much to be seen whether the US, as the world's largest economy, will enter into a cycle of sustained and sustainable recovery during the second half of this year. The indications from Europe remain far from optimistic, although of late slightly more positive indications have begun to emerge, and Japan, as the world's second single largest economy, still shows no real signs of extricating itself from its almost decade long period of economic stagnation. Nevertheless, and notwithstanding these poor prevailing macroeconomic fundamentals, container volume growth has generally remained strong. The globalisation process and the continuing shift of manufacturing towards Asia, and particularly China, remain in effect. Sentiment, however, is driven more by future projections of the supply and

demand balance and it was such forecasts of over supply of tonnage and weaker demand in late 2001 and early 2002 which created the very poor environment during much of 2002. In the event, the over supply position did not materialise as predicted and, during the latter part of 2002, it became evident that in fact the industry was likely to be entering into a period of a much improved supply and demand balance. Once this had become the prevailing sentiment, freight rates began to recover during the first half of 2003 to the levels we are at today.

TERMINAL OPERATIONS

During the first half of 2003 our terminal operations have again enjoyed mixed fortunes although all have benefitted from the continuing general increase in the number of container movements. Throughput increased by 14.4% to a total of 556,622 lifts. Global Terminal in New Jersey remains in the process of re-establishing its customer base and has had some measure of success in its attempts to rebuild its throughput back towards former levels. Nevertheless and despite its handicaps, the terminal has achieved a break even position for the period. At Deltaport and Vanterm in Vancouver, throughput numbers have risen 15% compared with the same period last year and in US Dollar terms average revenues per box have risen by 11%. However, the weaker US Dollar, higher rentals under the newly extended lease together with potentially higher local taxation has meant that overall performance has not enjoyed a commensurate improvement. After many years of significant under achievement Howland Hook Terminal on Staten Island, New York, which is shortly to commence operations under the new name of New York Container Terminal Inc., has also achieved a better than break even position on a recurrent basis. After some considerable time, negotiations have finally been concluded on the structure of the operating lease and have resulted in a one-off credit to profit of approximately US\$14.3 million during this first half of the year. We now look forward to a much more stable period of sustained profitability from this business.

PROPERTY INVESTMENT AND DEVELOPMENT

The Group's wholly owned and majority owned property investment and development businesses have continued to perform well in the first half of the year and once again have achieved results ahead of budget. Despite the depressed nature of the market generally, Wall Street Plaza in New York has continued to perform well with a vacancy rate of just 2.8% as at the end of June 2003 compared with the overall vacancy rate for Downtown Manhattan of 11.7%.

In Shanghai, the residential housing market remained firm during the first half of the year and the sales price of our Century Metropolis units remained strong. Notwithstanding the degree of turmoil experienced by certain other Shanghai-based real estate companies, we expect these price levels to remain firm for the remainder of the year and for sales to progress in line with budget. Our Changle Lu project in the Luwan district of Shanghai is progressing as planned. There has been some recent debate amongst analysts over a potential real estate bubble in certain Mainland cities. As an established developer in Shanghai, we continue to monitor the situation closely and position our portfolio against any volatility in the marketplace. Notwithstanding any volatility in the short term, we continue to view with optimism GDP growth and personal income growth in Shanghai over the long term. Our current projects remain soundly positioned and we remain committed to building a long-term development and investment real estate business in Shanghai and beyond.

In Beijing the Group continues to maintain its 8% minority interest in Beijing Oriental Plaza. Development is progressing according to schedule and I am pleased to announce that for the first time, a profit was recorded for the first half of 2003.

OUTLOOK

At this time last year predictions as to the outcome for the full year of 2002 were almost impossible to formulate and many of those doubts and uncertainties which prevailed then remain today. Whilst the foremost major geopolitical concerns at the time have been largely resolved, at least for the time being, the macroeconomic frailties of the world's major economies remain very much in evidence. However, and despite the general weaknesses of the global economy, the second half of 2002 experienced a strong recovery in the rate of growth in container volumes. This increase, variously estimated at between 15% and 17% for the third and fourth quarters, was at such a rate that the previously much vaunted problem of new tonnage deployment outstripping the rate of demand growth never materialised, certainly not to the extent feared, and towards the end of the year the spectre of space shortages again arose. These strong demand growth rates continued into the first half of 2003, although from the weak base of first half 2002. These rates are likely to soften during the second half of 2003 based, as they will be, on the very strong second half to 2002.

Consumer confidence and demand in the major export economies of North America and Europe have retained their strength and the development of globalisation and the shift of manufacturing to Asia continue together with the still prevalent process of containerisation. As a result, container volumes are currently growing at an annual rate estimated at between 7% and 8%, a growth rate which keeps pace with the known rate at which newbuilding tonnage can be delivered. From the exceptionally high level of over 12% for 2002, the world's container fleet is expected to grow at lower levels of probably between 7% and 9% for the next three years and these rates of expansion are fixed. We are experiencing the almost unprecedented situation, certainly in recent times, of all sectors of the shipping industry simultaneously enjoying prosperous times with the effect that the world's major shipyard are working at full capacity and are likely to remain so until the latter part of 2006.

Having moved from what was a particularly weak business environment in early 2002 into a much stronger position this year the Group is beginning to reap the rewards of the heavy investments made in the past. Our ability to handle significantly higher business volumes without concomitant rises in our business and administration costs is a direct result of the commitments made over the years to the improvements in our IT systems. At the same time the introduction of new, larger and more efficient tonnage allows us to continue to reduce our voyage and vessel costs on a per TEU basis. We also continue our focus upon our customers, both existing and potential, and persist in our drive to improve our services yet further. In an improving business environment we have achieved a record first half result for the Group. For this we remain, as ever, indebted to our people and it is upon their skill and determination that we remain dependent in order to achieve yet higher levels of performance for the remainder of the year and beyond.

C C Tung

Chairman and Chief Executive Officer

Hong Kong, 20th August 2003

Management Discussion and Analysis

ANALYSIS OF RESULTS

For the first six months of 2003 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders of US\$79.5 million. This compares with a profit attributable to shareholders of US\$1.03 million for the corresponding period of 2002. This dramatic improvement in overall performance has been due almost entirely to a strong recovery in the comparative performance of Orient Overseas Container Line ("OOCL"), the Group's core international containerised transportation business. This in turn, was the result of both the continuing strength in the growth of container volumes and a strong recovery in the general level of freight rates resulting from the significantly favourable changes in the balance between the rates of growth of container volumes carried and the introduction of new tonnage into service.

Group turnover for the six months ended 30th June 2003 was US\$1,441 million, an increase of US\$306 million as compared with the corresponding period of 2002. Profit before tax for the first half of 2003 was US\$88.7 million compared with US\$4.1 million for the same period last year.

OOCL's total liftings increased by 15.1% for the first half of 2003 as compared with the same period last year. Whilst this rate of increase is only slightly higher than the 14.6% recorded for the first half of 2002, this same period last year experienced a fall in average revenues per TEU of 17%. However, this year's partial recovery in average revenues per TEU by 13%, when combined with the overall increase in liftings, has resulted in a 30% year on year rise in total revenues for OOCL to US\$1,220 million. Despite the significant growth in the number of containers carried, the introduction of new tonnage into our services has resulted in load factors remaining much unchanged year on year. Whilst variable costs per TEU have remained largely unchanged year on year, OOCL has suffered from the higher oil prices of 2003. In the first half of 2002 the average cost of bunkers was US\$128 per ton whereas for 2003 this increased to US\$172 per ton. In absolute terms, bunker costs accounted for an additional US\$37.7 million during the first half of 2003 although this includes a 12% increase in consumption as a result of the deployment of additional tonnage.

Compared with the corresponding period last year, liftings increased by 13% on our Trans-Pacific services, by 16% on our Asia to Europe services but by just 1% on our Transatlantic services. For our Intra-Asia and Australasia services the increases were 23% and 27% respectively whilst our comparatively modest Intra-Europe business experienced a fall due to the reorganisation of the services.

Our two container terminals in the Port of Vancouver and the two in the Port of New York and New Jersey in total recorded a 14.4% increase in throughput for the first six months of 2003 resulting in a significant improvement in performance compared with the same period last year. Deltaport and Vanterm in Vancouver achieved a total throughput of 361,310, in terms of containers actually lifted, representing a 15% increase over the comparable figure for 2002. Global Terminal in New Jersey remains in the process of rebuilding its customer base. Having achieved some success in this endeavour, throughput increased significantly when compared with the first half of 2002. Nevertheless, the terminal remains operating at considerably below full capacity but this relative improvement has allowed an almost break even result for the period compared with the significant loss recorded for the first half last year. Our Howland Hook terminal on Staten Island, New York, shortly to begin operations under the new name of New York Container Terminal Inc., has enjoyed a very successful first half in terms of its bottom line performance. Also suffering from the loss of the call of certain services, resulting in a 24.8% fall in the number of lifts handled, the protracted negotiations with the Port of New York and New Jersey were finally concluded successfully. The result was a restructuring of the rental payments under its operating lease with the result that the terminal is now profitable on a recurrent basis, notwithstanding the fall in throughput, and a one off credit to Profit and Loss of US\$14.3 million was recorded constituting effectively a reduction in the rental payments made for the years 2000 to 2002.

Wall Street Plaza, our investment property in the city of New York, has produced a result ahead of budget for the period aided by lower than forecast operating and interest costs. It has been successful in reducing its vacancy rate down to just 2.8% which compares very favourably with the 11.7% for Downtown Manhattan as a whole. Our development properties in Shanghai have recorded profits significantly ahead of budget as a result of the strong residential property market. This has resulted in a faster than forecast rate of sale at a higher than forecast average sale price. In relation to Century Metropolis we anticipate handover of Phase 1B (totalling 83,000 sqm.) to be completed by the year end. For Phase 2A (totalling 30,000 sqm.), we expect to receive the Occupation Permit by the 4th quarter of this year as planned. As at the mid year, 15% of this phase remained unsold. Work will begin on Phase 2B (totalling 56,000 sqm.) during the 3rd quarter of this year. We expect to commence pre-selling during the 1st quarter of 2004. The Changle Lu Project (totalling 135,000 sqm.) in Luwan District is progressing as planned and we expect to receive vacant possession during the 2nd half of 2003. Piling will begin thereafter. We continue to seek further potential projects and are looking to conclude negotiations to acquire development and investment projects in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2003, the Group had cash, bond and portfolio investment balances of US\$418.3 million and a total indebtedness of US\$962 million. The net debt to equity ratio stood at 0.6 : 1, unchanged from that at the end of 2002.

The indebtedness of the Group mainly comprises bank loans, finance leases and other obligations which are largely denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity. The profile of the Group's long-term liabilities is set out in Note 11 to the Accounts.

VESSELS

During the first half of 2003 the Group took delivery of two SX Class 8,063 TEU newbuildings, the "OOCL Shenzhen" and the "OOCL Long Beach". The Group also took delivery of the "OOCL Montreal", a 4,200 TEU ice-strengthened vessel, to replace the 2,330 TEU ice-strengthened "OOCL Canada" which was subsequently sold. In addition delivery was taken under long-term charter arrangements of four 2,754 TEU vessels, the "OOCL Xiamen", "OOCL Osaka", "OOCL Sydney" and "OOCL Melbourne".

As at 30th June 2003 the Group had also committed to six other SX Class vessels of 8,063 TEU and has since that date committed to a further two. Four are for delivery in 2004, two in 2005 and two in 2006. These new vessels in total, serve to satisfy the projected capacity needs of our international containerised transportation business for the foreseeable future. Nevertheless, the size and composition of the fleet is kept under constant review. Adequate resources have been reserved to ensure that the delivery of these vessels does not impose an undue financial burden upon the Group as a whole.

OTHER SIGNIFICANT INVESTMENTS

The Group continues to hold an 8% interest in the "Beijing Oriental Plaza" project in Beijing. Once the East Service Apartments are completed by the end of this year, the project will have been finished. As at 30th June 2003, the Group's total investment in this project amounted to US\$93.6 million and no further investment is required.

CURRENCY EXPOSURE AND RELATED HEDGES

The Group's principal income is mainly comprised of freight revenues, receipts from terminal operations and rental income from the investment properties all of which is denominated in US dollars. Over 67% of cost items is also US dollar based. Certain costs, such as terminal charges, transportation charges and administrative expenses for regional offices, were expended in domestic currencies. The Group's policy is to hedge the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

Over 90% of the Group's total liabilities are denominated in US dollars. The non-US dollar denominated liabilities were backed by an equivalent value of assets denominated in the respective local currency. Consequently, the risk of currency fluctuations affecting the Group's debt profile is effectively mitigated.

EMPLOYEE INFORMATION

As at 30th June 2003, the Group worldwide employed a total staff of 4,987. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary bonuses, education assistance and medical & dental schemes. The Group also provides in-house training programmes and external training sponsorships.

Other Information

DIVIDEND

The Directors are pleased to announce an interim dividend of US3.85 cents (HK30 cents) per ordinary share in view of the six months performance. The dividend will be paid on 26th September 2003 to the ordinary shareholders whose names appear in the register on 11th September 2003. For shareholders who wish to receive the dividend in US dollars, the election form, which accompanies this Interim Report, should be completed and returned to the Hong Kong Branch Registrar on or before 18th September 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 5th September 2003 to 11th September 2003, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 4th September 2003.

DIRECTORS' INTERESTS

As at 30th June 2003, the issued share capital of the Company (the "Issued Capital") consisted of 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)	%
		Beneficial	Voting		
C C Tung	—	80,835,548 (Note 1)	298,158,908 (Notes 2&3)	378,994,456	73.29%
Roger King	—	80,835,548 (Note 1)	—	80,835,548	15.63%
T R Chang	506,390	—	—	506,390	0.098%
Nicholas D Sims	46,000	—	—	46,000	0.009%

Notes:

1. C C Tung and 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 Shirley S P Peng, a sister of C C Tung and sister-in-law of Roger King, holds 258,107,662 Shares and the voting rights in respect of such holdings are held by C C Tung through Tung Holdings (Trustee) Inc., Gala Way Company Inc. ("Gala Way"), a company owned by the discretionary trust established by Shirley S P Peng, holds 40,051,246 Shares and the voting rights in respect of such holdings are held by 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 30th June 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 30th June 2003, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO and so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) were interested 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)	%
Bermuda Trust Company Limited	Trustee	378,994,456 (Note 1)	73.29%
Shirley S P Peng	Founder of a discretionary trust	298,158,908 (Note 2)	57.65%
Winfield Investment Limited	Indirect	298,158,908 (Notes 2&3)	57.65%
Tung Holdings (Trustee) Inc.	Voting	298,158,908 (Note 4)	57.65%
Wharnclyff Limited	Direct	258,107,662 (Notes 2&5)	49.91%
C H Tung	Indirect	80,856,401 (Note 6)	15.63%
Springfield Corporation	Direct and Indirect	80,835,548 (Note 6)	15.63%
Archduke Corporation	Beneficiary of a trust	80,835,548 (Note 7)	15.63%
Phoenix Corporation	Beneficiary of a trust	80,835,548 (Note 7)	15.63%
Gala Way Company Inc.	Direct	40,051,246 (Notes 2&5)	7.74%
Monterrey Limited	Direct	25,425,972 (Note 8)	4.92%
Li Ka-shing	Settlor and founder of discretionary trusts	51,191,088 (Note 9)	9.89%
Li Ka-Shing Unity Trustcorp Limited	Trustee	51,191,088 (Note 10)	9.89%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee	51,191,088 (Note 11)	9.89%

Name	Nature of Interest	Number of Shares Interested (in Long Position)	%
Li Ka-Shing Unity Trustee Company Limited	Trustee	51,191,088 (Note 12)	9.89%
Cheung Kong (Holdings) Limited	Indirect	51,191,088 (Note 13)	9.89%
Hutchison Whampoa Limited	Indirect	31,347,088 (Note 14)	6.06%
Hutchison International Limited	Indirect	31,347,088 (Note 15)	6.06%
Sixpence Holdings Limited	Direct	31,347,088	6.06%

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. Shirley S P Peng, a sister of C C Tung and sister-in-law of Roger King, established the discretionary trust which, through Winfield, holds 298,158,908 Shares, 258,107,662 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 C C Tung.
5. Wharnclyff and Gala Way are wholly-owned subsidiaries of Winfield.
6. C H Tung, a brother of C C Tung and brother-in-law of 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. Betty Tung, the wife of C H Tung, owns 20,853 Shares.

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7. Archduke Corporation and Phoenix Corporation, companies which are wholly-owned by 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.
 9. Li Ka-shing is a settlor and for the purpose of the SFO, may be regarded as a founder of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2") which indirectly hold interest in the shares of Cheung Kong (Holdings) Limited ("CKH") through trustees, and also two discretionary trusts which indirectly hold interest in the shares of Hutchison Whampoa Limited ("HWL") through trustees.

By virtue of the interest in the shares of CKH and HWL, Li Ka-shing is accordingly taken to have an interest in 51,191,088 Shares in relation to the interest in such Shares held by Fortwin Investment Limited ("Fortwin") and Sixpence Holdings Limited ("Sixpence") under the SFO.

10. Li Ka-Shing Unity Trustcorp Limited ("TDT2"), as trustee of DT2 and holding units in The Li Ka-Shing Unity Trust ("UT1"), is accordingly taken to have an interest in 51,191,088 Shares in relation to the interest in such Shares held by Fortwin and Sixpence under the SFO.
11. Li Ka-Shing Unity Trustee Corporation Limited ("TDT1"), as trustee of DT1 and holding units in UT1, is accordingly taken to have an interest in 51,191,088 Shares in relation to the interest in such Shares held by Fortwin and Sixpence under the SFO.
12. Li Ka-Shing Unity Trustee Company Limited ("TUT1"), as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings, holds interests in the shares of CKH.

By virtue of the interest of TUT1 as trustee of UT1 and its related companies in the shares of CKH, TUT1 is accordingly taken to have an interest in 51,191,088 Shares under the SFO.

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13. CKH holds 50% of the issued share capital of Sixpence and is accordingly taken to have an interest in 31,347,088 Shares in which Sixpence is interested under the SFO.

CKH indirectly holds 100% of the issued share capital of Fortwin which holds 19,844,000 Shares and is accordingly taken to have an interest in 19,844,000 Shares in which Fortwin is interested under the SFO.

14. HWL holds 100% of the issued share capital of Hutchison International Limited ("HIL") and is accordingly taken to have an interest in 31,347,088 Shares in which HIL is interested under the SFO.

15. HIL holds 50% of the issued share capital of Sixpence and is accordingly taken to have an interest in 31,347,088 Shares in which Sixpence is interested under the SFO.

Save as disclosed herein, as at 30th June 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 30th June 2003.

2. Disclosure

As at 30th June 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 30th June 2003	Tenure
US\$205,750,000	12 years from April 1997
US\$22,141,666.67	12 years and 7 months from February 1998

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBT SECURITIES

As at 30th June 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 rights to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or Chief Executive (or any of their spouses or children under 18 years of age) during the six-month period ended 30th June 2003.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six-month period ended 30th June 2003.

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

The Company announced on 7th August 2003 that on that day it had entered into two share sale and purchase agreements ("Share Repurchase Agreement") with Fortwin Investment Limited ("Fortwin") and Sixpence Holdings Limited ("Sixpence") pursuant to which Fortwin and Sixpence respectively agreed to sell and the Company agreed to purchase an aggregate of 46,957,088 shares of the Company (approximately 9.08% of the Company's issued share capital) beneficially owned by Fortwin and Sixpence (the "Share Repurchase"). The total cash consideration payable by the Company is HK\$460,179,462, which is equivalent to HK\$9.80 per share.

The Share Repurchase is conditional upon (i) approval by the Securities and Futures Commission and (ii) approval by the disinterested shareholders at the special general meeting of the Company expected to be held on or around 22nd September 2003. Completion of the Share Repurchase is expected to take place on the third business day after the fulfillment of all conditions of the Share Repurchase Agreement.

COMPANY'S COMPLIANCE WITH THE 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by these interim results 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.

Review Report of the Auditors

To the Board of Directors of Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the financial information set out on pages 18 to 32.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial information to be in compliance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial information is the responsibility of and has been approved by the Directors.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial information.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial information for the six months ended 30th June 2003.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th August 2003

Financial Statements

Consolidated Profit and Loss Account

For The Six Months Ended 30th June 2003

US\$'000	Note	2003	2002
Turnover	2	1,440,528	1,135,039
Operating costs		(1,179,547)	(983,692)
Gross profit		260,981	151,347
Other operating income		6,470	1,223
Other operating expenses		(177,211)	(137,412)
Operating profit before financing	3	90,240	15,158
Net financing charges	5	(9,685)	(16,386)
Share of profits less losses of jointly controlled entities		8,138	5,348
Profit before taxation		88,693	4,120
Taxation	6	(9,155)	(2,979)
Profit after taxation		79,538	1,141
Minority interests		(44)	(113)
Profit attributable to shareholders		79,494	1,028
		US cents	US cents
Earnings per ordinary share	7	15.4	0.2

Consolidated Balance Sheet

As At 30th June 2003

US\$'000	Note	30th June 2003	31st December 2002
Property, plant and equipment		1,465,497	1,342,438
Jointly controlled entities		43,505	35,576
Long-term investments		100,258	100,763
Intangible assets		30,244	27,541
Other non-current assets		32,777	33,243
Non-current assets		1,672,281	1,539,561
Properties under development and for sale		77,107	64,552
Debtors and prepayments	9	223,508	194,361
Portfolio investments		61,152	54,276
Bank balances and deposits		334,008	336,590
Current assets		695,775	649,779
Creditors and accruals	10	420,668	383,550
Current portion of long-term liabilities	11	199,033	168,835
Bank overdrafts and short-term loans		10,370	44,014
Current taxation		1,524	3,870
Current liabilities		631,595	600,269
Net current assets		64,180	49,510
Long-term liabilities	11	(752,639)	(682,759)
Other non-current liabilities		(42,041)	(37,881)
		941,781	868,431
Capital employed			
Share capital	12	51,714	51,714
Reserves	13	882,284	808,729
Shareholders' funds		933,998	860,443
Minority interests		7,783	7,988
		941,781	868,431

Consolidated Cash Flow Statement

For The Six Months Ended 30th June 2003

US\$'000	2003	2002
Cash flows from operating activities		
Cash generated from operations	145,038	35,727
Interest paid	(7,762)	(10,959)
Interest element of finance lease rental payments	(7,188)	(8,581)
Financing charges paid	(1,065)	(2,000)
Dividend on preference shares	(6,303)	—
Overseas tax paid	(4,774)	(3,537)
Net cash from operating activities	117,946	10,650
Cash flows from investing activities		
Sale of property, plant and equipment	57,266	1,170
Sale of long-term investments	531	3,244
Purchase of property, plant and equipment	(50,346)	(5,798)
Purchase of long-term investments	(59)	(98)
Capital element from investments in finance leases	—	125
Increase in amounts due by jointly controlled entities	(1,565)	(2,671)
Decrease in bank deposits maturing more than three months from the date of placement	6,043	2,252
Purchase of intangible assets	(9,331)	(4,316)
Interest received	8,990	3,700
Long-term investment income	—	30
Portfolio investment income	2,723	1,040
Gross earnings from investments in finance leases	—	134
Dividend received from jointly controlled entities	—	8,204
Net cash from investing activities	14,252	7,016
Cash flows from financing activities		
New long-term loans	49,284	38,178
Repayment of long-term loans	(99,305)	(29,648)
Capital element of finance lease rental payments	(18,474)	(19,877)
Capital contributions from minority interests	—	3,600
(Decrease)/increase in short-term loans repayable more than three months from the date of advance	(3,878)	8,277
Dividends paid to shareholders	(12,929)	(7,757)
Dividends paid to minority interests	(249)	(469)
Net cash used in financing activities	(85,551)	(7,696)
Net increase in cash and cash equivalents	46,647	9,970
Cash and cash equivalents at beginning of period	355,498	331,591
Changes in exchange rates	(4,958)	1,517
Cash and cash equivalents at end of period	397,187	343,078
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	336,687	332,799
Portfolio investments	61,152	44,694
Overdrafts and bank loans repayable within three months from the date of advance	(652)	(34,415)
	397,187	343,078

Consolidated Statement of Changes in Equity

For The Six Months Ended 30th June 2003

US\$'000	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Retained profit	Total
At 31st December 2002	51,714	35,073	148,286	9,948	615,422	860,443
Changes in exchange rates	—	—	—	—	6,990	6,990
Profit for the period	—	—	—	—	79,494	79,494
Dividend (note 8)	—	—	—	—	(12,929)	(12,929)
At 30th June 2003	51,714	35,073	148,286	9,948	688,977	933,998
At 31st December 2001	51,714	35,073	148,286	9,948	567,903	812,924
Changes in exchange rates	—	—	—	—	3,131	3,131
Profit for the period	—	—	—	—	1,028	1,028
Dividend (note 8)	—	—	—	—	(7,757)	(7,757)
At 30th June 2002	51,714	35,073	148,286	9,948	564,305	809,326

Notes to the Accounts

1. Accounting Policies

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

During 2002, the Group changed its accounting policy for the revised Statement of Standard Accounting Practice No. 12 "Income Taxes" issued by the Hong Kong Society of Accountants, details of which are given in the 2002 Annual Accounts. The effect of this change in accounting policy is not significant to the results for the six months ended 30th June 2002.

The accounting policies adopted for the preparation of these accounts are consistent with those described in the 2002 Annual Accounts.

2. Turnover

US\$'000	2003	2002
International transportation and logistics		
Asia	882,321	653,311
North America	226,402	195,124
Europe	179,613	155,627
Australia	20,940	19,952
	1,309,276	1,024,014
Container terminals		
North America	121,707	100,195
Property investment and development		
North America	9,545	10,256
Asia	—	574
	1,440,528	1,135,039

2. Turnover (continued)

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

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

Freight revenues from international transportation and logistics are analysed based on the outbound cargoes of each geographical territory.

3. Operating Profit Before Financing

US\$'000	2003	2002
International transportation and logistics	66,965	6,316
Container terminals	22,869	4,466
Property investment and development	3,850	5,060
Others	966	3,127
	94,650	18,969
Corporate services	(4,410)	(3,811)
	90,240	15,158

In respect of the international transportation and logistics activities which cover the world's major shipping lanes, the Directors consider that the nature of the trade and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Operating profit from international transportation and logistics includes the results from the operations of the terminals at Long Beach and Kaohsiung which form an integral part of that business. The other container terminals and the investment property are located in North America. The Group has no other significant identifiable components in one geographical location for the purpose of carrying on a distinct and separate business.

4. Operating Profit

US\$'000	2003	2002
Operating profit before financing is arrived at after crediting :		
Operating lease rental income		
Land and buildings	9,545	11,890
Reduction in terminal lease rental payments	14,254	—
Gross earnings on finance leases	—	134
and after charging :		
Depreciation		
Owned assets	30,675	31,224
Leased assets	21,816	19,250
Operating lease rental expense		
Vessels and equipment	177,313	143,901
Land and buildings	12,500	11,575
Amortisation of intangible assets	6,916	6,270

5. Net Financing Charges

US\$'000	2003	2002
Interest expense	(16,300)	(20,067)
Amount capitalised under assets	1,391	891
Interest income	7,076	3,750
Net interest expense	(7,833)	(15,426)
Dividend on preference shares (note 27 to the 2002 Annual Accounts)	(3,510)	—
Financing charges	(1,065)	(2,000)
Portfolio investment income	2,723	1,040
	(9,685)	(16,386)

6. Taxation

US\$'000	2003	2002
Current (overseas)		
Company and subsidiaries	(3,794)	(2,967)
Jointly controlled entities	(1,773)	(12)
	(5,567)	(2,979)
Deferred		
Company and subsidiaries	(3,588)	—
	(9,155)	(2,979)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit for the period (2002: nil).

7. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US\$79.5 million (2002: US\$1.0 million) and 517.1 million ordinary shares in issue during the period.

8. Dividend

US\$'000	2003	2002
Final dividend in respect of 2002 of US2.5 cents (2001: US1.5 cents) per ordinary share	12,929	7,757

The Board of Directors declares an interim dividend of US3.85 cents per ordinary share for 2003 (2002: nil).

9. Debtors and Prepayments

	30th June	31st December
US\$'000	2003	2002
Trade debtors	105,189	81,865
Other debtors	19,874	28,027
Prepayments	43,229	36,501
Utility and other deposits	26,253	21,681
Bunker	23,525	19,483
Tax recoverable	5,438	6,804
	223,508	194,361

As described in note 21 to the 2002 Annual Accounts, the Group has assigned and sold certain trade receivables to Rhino and TAPCO (as defined) respectively. Trade debtors of the Group includes the following trade receivables:

	30th June	31st December
US\$'000	2003	2002
Gross trade receivables assigned to Rhino	151,510	128,350
Less non-returnable proceeds received from TAPCO	(99,500)	(99,500)
	52,010	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 provisions for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows:

	30th June	31st December
US\$'000	2003	2002
Below one month	173,213	152,137
Two to three months	24,569	24,621
Four to six months	6,771	4,329
Over six months	136	278
	204,689	181,365

10. Creditors and Accruals

US\$'000	30th June 2003	31st December 2002
Trade creditors	150,036	118,613
Other creditors	21,535	26,177
Accrued operating expenses	236,440	223,263
Deferred revenue	12,657	15,497
	420,668	383,550

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

US\$'000	30th June 2003	31st December 2002
Below one month	84,949	65,155
Two to three months	60,263	49,255
Four to six months	2,099	2,237
Over six months	2,725	1,966
	150,036	118,613

11. Long-term Liabilities

US\$'000	30th June 2003	31st December 2002
Secured bank loans	538,954	590,788
Other secured loans wholly repayable within five years	23,419	21,606
Finance lease obligations		
Wholly payable within five years	181,461	189,079
Not wholly payable within five years	207,838	50,121
	951,672	851,594
Current portion included in current liabilities	(199,033)	(168,835)
	752,639	682,759

12. Share Capital

US\$'000	30th June 2003	31st December 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 :		
517,141,632 ordinary shares of US\$0.10 each	51,714	51,714

13. Reserves

US\$'000	30th June 2003	31st December 2002
Share premium	35,073	35,073
Contributed surplus	148,286	148,286
Asset revaluation reserve	9,948	9,948
Retained profit	688,977	615,422
	882,284	808,729

14. Capital Expenditure

US\$'000	Intangible assets	Property, plant and equipment	Total
At 31st December 2002	27,541	1,342,438	1,369,979
Changes in exchange rates	288	13,334	13,622
Additions	9,331	218,918	228,249
Disposals	—	(56,702)	(56,702)
Depreciation and amortisation	(6,916)	(52,491)	(59,407)
At 30th June 2003	30,244	1,465,497	1,495,741
At 31st December 2001	32,973	1,365,378	1,398,351
Changes in exchange rates	13	3,796	3,809
Reclassification	(876)	876	—
Additions	4,316	8,965	13,281
Disposals	—	(3,092)	(3,092)
Depreciation and amortisation	(6,270)	(50,474)	(56,744)
At 30th June 2002	30,156	1,325,449	1,355,605

15. Commitments

(a) Capital commitments

US\$'000	30th June 2003	31st December 2002
Contracted but not provided for	408,459	533,407
Authorised but not contracted for	186,714	186,173
	595,173	719,580

The commitments as at 30th June 2003 include the balance of the purchase cost of six 8,000 TEU container vessels (2002: eight 8,000 TEU and one 4,200 TEU ice-strengthened container vessels) to be delivered between 2004 to 2005. In March 2002, the Group entered into agreements under which two 8,000 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 vessels under operating lease terms for minimum periods ranging from eight to twelve years from their respective dates of delivery.

In addition, the Group has a long-term investment plan in respect of the Beijing property development as set out in note 15(a) to the 2002 Annual Accounts.

15. Commitments (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 30th June 2003			
2003/04	238,596	30,116	268,712
2004/05	179,659	34,108	213,767
2005/06	156,870	28,783	185,653
2006/07	116,868	26,893	143,761
2007/08	107,775	26,831	134,606
2008/09 onwards	289,822	389,793	679,615
	1,089,590	536,524	1,626,114
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

16. Contingent Liabilities

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

US\$'000	Facilities		Utilised	
	30th June	31st	30th June	31st
		December		December
	2003	2002	2003	2002
Hui Xian (as defined in note 15 to the 2002 Annual Accounts)	43,100	43,100	30,698	30,540

- (b) A jointly controlled entity, Shanghai Orient Overseas Xujiahui Real Estate Company Limited ("SOOX") has entered into agreements with certain banks in China in relation to the mortgage financing arrangements for end purchasers of its property development projects in Shanghai. Pursuant to the terms of the agreements, SOOX has provided guarantees in respect of the outstanding loans and accrued interest owed by the purchasers to the financing banks. These guarantees will be discharged upon obtaining the legal title for the property. As at 30th June 2003, the guarantees for such mortgage loans remained outstanding and amounted to US\$15.2 million (2002: US\$18.9 million). The Group's share of such contingent liabilities is US\$7.2 million (2002: US\$9.0 million).
- (c) 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.

17. Post Balance Sheet Events

On 11th July 2003, the Group entered into two ship building contracts for the construction of two 8,000 TEU container vessels at the total consideration of US\$146 million. The vessels are expected to be delivered in 2006.