ORIENT OVERSEAS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)

2002 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited ("the Company") are pleased to announce the audited results of the Company and its subsidiaries ("the Group") for the year ended 31st December 2002 as follows:

Consolidated Profit and Loss Account
For the year ended 31st December 2002

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

Condensed Consolidated Balance Sheet
As at 31st December 2002

	2002 US$'000	2001 US$'000
Property, plant and equipment	**1,342,438**	1,365,378
Jointly controlled entities	**35,576**	47,250
Long-term investments	**100,763**	107,272
Intangible assets	**27,541**	32,568
Other non-current assets	**33,243**	54,887
Non-current assets	**1,539,561**	1,607,355
Current assets	**649,779**	542,929
Current liabilities	**(600,269)**	(536,645)
Net current assets	**49,510**	6,284
Long-term liabilities	**(682,759)**	(760,386)
Other non-current liabilities	**(37,881)**	(35,682)
	868,431	817,571
Capital employed		
Share capital	**51,714**	51,714
Reserves	**808,729**	761,210
Shareholders' funds	**860,443**	812,924
Minority interests	**7,988**	4,647
	868,431	817,571

NOTES

1. **Changes of accounting policies**

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

   Following the adoption and implementation of the new and revised accounting standards, certain comparative figures have been restated or reclassified to conform with the current year presentation.

2. **Turnover**

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

3. **Segmental information**

	2002 US$'000	2001 US$'000
Business segment		
Turnover		
International transportation and logistics	**2,218,120**	2,134,612
Container terminals	**215,748**	221,482
Property investment and development	**24,084**	22,856
	2,457,952	2,378,950
Operating profit before financing		
International transportation and logistics	**78,399**	117,464
Container terminals	**11,856**	9,788
Property investment and development	**8,023**	(10,711)
Investments and corporate services	**(7,432)**	(9,150)
	90,846	107,391
Geographical segment		
Turnover		
Asia	**1,445,558**	1,390,527
North America	**651,713**	641,576
Europe	**316,557**	309,064
Australia	**44,124**	37,783
	2,457,952	2,378,950

   Given the nature of the Group's operations and the way in which costs are allocated, it is not considered meaningful to provide a geographical analysis of operating profit.

4. **Taxation**

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

   Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 10% to 53% and the rate applicable for Hong Kong profits tax is 16% (2001: 16%).

5. **Dividends**

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

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

6. **Earnings per ordinary share**

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

Results for 2002

Orient Overseas (International) Limited and its subsidiaries ("the Group") recorded a profit before tax and minorities of US$62.9 million for the financial year 2002. A profit attributable to shareholders of US$51.7 million was recorded which represents a fall of just 16% from the attributable profit of US$61.3 million which we recorded in 2001. We should view this result as a commendable achievement in the light of the prevailing economic conditions throughout much of the year during which the industry as a whole experienced considerable difficulties. Earnings per ordinary share were US10.0 cents as compared with US11.8 cents in 2001.

Review of Operations

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

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

In year 2002, we took delivery under long-term charter of a 5,500 TEU newbuilding vessel and in line with our long-term business plans, at the end of 2002, we placed orders for two 8,000 TEU "SX" Class newbuildings, for delivery during the second quarter of 2005.

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

In New York, our terminal at Howland Hook has now begun to reap the benefits of the management changes we made in late 2001 and which I outlined in my Letter last year. For the year 2002, and for the first time albeit in its relatively short history, it has made a meaningful contribution to Group profits on a total throughput much unchanged from 2001.

On the other hand however, Global Terminal in New Jersey experienced a very difficult 2002. I mentioned last year that due to bankruptcy it had lost one of its two major customers and this unfortunately was followed in 2002 by the loss of its other major customer as a result of the exercise in the rationalisation of services undertaken by many of the major liner companies during the early part of last year. As a consequence, Global Terminal experienced a near 60% fall in throughput thereby producing a negative result for the year.

Our Property Development and Investment division enjoyed another good year in 2002. Our development projects in Shanghai benefited yet again from the increasingly active and rising residential real estate market. During the year, we continued our efforts to maximise the returns from our existing projects, to source new projects and, even more firmly, to consolidate what is already a profitable business unit. We believe that this has already largely been achieved and the reputation of Orient Overseas Developments Ltd ("OODL") in Shanghai yet further enhanced. We believe that both China's entry to the WTO and the gradual build up to the 2008 Olympic Games will slowly but surely benefit all sectors of the Beijing property market but in the longer term. Beijing Oriental Plaza, in which the Group continues to hold an 8% interest, will also therefore begin to enjoy the better returns from a stronger market environment as existing leases fall due for renewal. At the present time however it remains a long-term investment and is unlikely to begin to produce a return in the shorter term.

At the operational level, Wall Street Plaza performed less well than it did in 2001. It began 2002 with a 100% occupancy rate and with the vast majority of its rentable space leased through until 2004. However, as I had last year intimated might happen, one major tenant, under Chapter XI protection, handed back a significant proportion of the lettable space. This had an obvious effect upon the performance for the year but nevertheless the return from this investment remained healthily positive although below budget. Last year we took the prudent measure of writing down the book value of this investment property and, as a result, we have been able to leave it unchanged for this year.

Looking Forward

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

Dividends

The Directors have recommended a final dividend for the year ended 31st December 2002 of US2.5 cents (with the exchange rate of US$1: HK$7.8, which approximately HK19.5 cents) per ordinary share to be paid on 16th May 2003 to the shareholders of the Company whose names appear on the register of members of the Company on 2nd May 2003. Shareholders who wish to receive the dividend in US Dollars should complete the US Dollars Election Form and return it to the Branch Registrar on or before 9th May 2003.

Liquidity and Financial Resources

As at 31st December 2002, the Group had cash and portfolio investments amounting to US$412.4 million and a total indebtedness of US$895.6 million. The net debt to equity ratio was improved to 0.56:1 at end of year 2002, compared with that of 2001.

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.

Employee Information

As at 31st December 2002, the Group employed a total staff of 4,743 around the world. 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 programs and external training sponsorships.

Closure of Register of Members

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

In order to qualify for the final 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 Thursday, 24th April 2003.

Annual General Meeting and Annual Report

The annual general meeting of the Company will be held on 2nd May 2003. Notice of the meeting will be sent to shareholders together with the annual report on or before 4th April 2003.

Both the English and Chinese versions of the annual report will always be available from our Hong Kong Branch Registrar on request. The soft copy of the annual report will be available on the Company's website at *www.oocl.com* on or before 4th April 2003.

Disclosure of Information on the Website of The Stock Exchange of Hong Kong Limited ("HKSE")

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Exchange will be published on the HKSE's website *www.hkex.com.hk* in due course.

Purchase, Sale or Redemption of Shares

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

Corporate Governance

With the exception that non-executive Directors have not been appointed for a specific term, the Company was in compliance 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 during the year ended 31st December 2002.

By Order of the Board
C C TUNG
Chairman

Hong Kong, 14th March 2003