



# ORIENT OVERSEAS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2003

The Directors of Orient Overseas (International) Limited ("the Company") announce the unaudited interim results of the Company and its subsidiaries ("the Group") for the six months ended 30th June 2003 as follows:

### Consolidated Profit and Loss Account For The Six Months Ended 30th June 2003

	Note	2003 US\$'000	2002 US\$'000
Turnover	3	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	4	90,240	15,158
Net financing charges		(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	5	(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	6	15.4	0.2

### NOTES

1. The interim results for the six months ended 30th June 2003 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants, by the Company's auditors, PricewaterhouseCoopers, whose report is to be included in the interim report to be sent to shareholders.

### 2. Accounting policies

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 2003 interim accounts are consistent with those described in the 2002 Annual Accounts.

### 3. 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.

### 4. Operating profit before financing

	2003 US\$'000	2002 US\$'000
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.

### 5. Taxation

	2003 US\$'000	2002 US\$'000
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).

### 6. 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.

### 7. Dividend

	2003 US\$'000	2002 US\$'000
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).

### Results for First Half 2003

In the first six months of 2003, the Group reported a profit attributable to shareholders of US\$79.5 million. This level of profitability represents a significant increase from the US\$1.0 million profit after tax and minority interests earned during the first half of 2002. This dramatic improvement in overall performance has been due almost entirely to a strong recovery in 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.

### Review of Operations

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 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.

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. 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. 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. 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.

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. 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. Our development properties in Shanghai have recorded profits significantly ahead of budget as a result of the strong residential property market. 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.

### Looking Forward

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 continues 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. We also continue our focus upon our customers, both existing and potential, and persist in our drive to improve our services yet further.

### Dividend

The Directors are pleased to announce an interim dividend of US3.85 cents (HK30 cents at the exchange rate of US\$1 : HK\$7.792) 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. Shareholders who wish to receive the dividend in US dollars should complete the election form and return it 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.

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

The printed copy of the 2003 Interim Report will be sent to shareholders on or about 8th September 2003. The soft copy of the Interim Report will be available on the Company's website at [www.oocl.com](http://www.oocl.com) on or about 8th September 2003.

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 will be subsequently published on the HKSE's website [www.hkex.com.hk](http://www.hkex.com.hk) in due course.

### 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. Fortwin and Sixpence are controlled by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, respectively.

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.

On behalf of the Board  
C C TUNG  
Chairman

Hong Kong, 20th August 2003