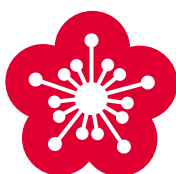


If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Orient Overseas (International) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

PROPOSED OFF-MARKET REPURCHASE OF SHARES FROM FORTWIN INVESTMENT LIMITED AND SIXPENCE HOLDINGS LIMITED

Independent Financial Adviser to the Independent Director

CAZENOVE
Cazenove Asia Limited

A letter from the Independent Director containing his recommendation in respect of the Share Repurchase to the Disinterested Shareholders is set out on page 15 of this circular. A letter from Cazenove containing its advice to the Independent Director is set out on pages 16 to 39 of this circular.

A notice convening a special general meeting of the Company to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 11:00 a.m., on 22nd September, 2003 is set out on pages 68 to 70 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

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DEFINITIONS

In this circular, the following expressions shall have the meanings as set out below unless the context requires otherwise:

“Board”	the board of Directors
“Business Day”	a day (other than Saturday) on which banks in Hong Kong are open to conduct business generally throughout their normal business hours
“Cazenove”	Cazenove Asia Limited, the independent financial adviser to the Independent Director
“Company”	Orient Overseas (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Repurchase Agreements, which is expected to take place three Business Days after the fulfilment of all the conditions of the Repurchase Agreements
“Controlling Shareholders”	Wharnclyff, Springfield, Monterrey and Gala Way
“Director(s)”	the director(s) of the Company, including the independent non-executive directors
“Discretionary Trust”	a discretionary trust founded by Mrs. Shirley S.P. Peng
“Disinterested Shareholders”	disinterested shareholders of the Company within the meaning of the Share Repurchase Code
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fortwin”	Fortwin Investment Limited, a wholly-owned subsidiary of Cheung Kong (Holdings) Limited
“Gala Way”	Gala Way Company Inc., a company owned by the Discretionary Trust, and holding approximately 7.74% of the issued Shares
“Group”	the Company and its subsidiaries
“Independent Director”	Dr. Victor K. Fung
“Latest Practicable Date”	28th August, 2003, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Monterrey”	Monterrey Limited, a company owned by Springfield, and holding approximately 4.92% of the issued Shares
“Repurchase Agreements”	the two agreements dated 7th August, 2003 entered into between the Company and Fortwin and the Company and Sixpence in relation to the Share Repurchase
“Repurchase Price”	HK\$9.80 per Share for the purchase of 46,957,088 Shares by the Company pursuant to the Repurchase Agreements for a total amount of HK\$460,179,462
“Repurchase Shares”	means 46,957,088 Shares proposed to be purchased by the Company pursuant to the Repurchase Agreements
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Laws of Hong Kong, Cap 571)
“SGM”	a special general meeting of the Company to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on 22nd September, 2003, to approve, among other things, the Share Repurchase
“Share(s)”	ordinary share(s) of US\$0.10 each in the share capital of the Company
“Share Repurchase”	the proposed purchase of an aggregate of 46,957,088 Shares by the Company from Fortwin and Sixpence at HK\$9.80 per Share for a total cash consideration of HK\$460,179,462 pursuant to the Repurchase Agreements
“Share Repurchase Code”	the Hong Kong Code on Share Repurchases
“Shareholder(s)”	holder(s) of the Share(s)
“Sixpence”	Sixpence Holdings Limited, a company owned by Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in the proportion of 50:50
“Springfield”	Springfield Corporation, a company owned by the Trust, and holding approximately 10.71% of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Trust”	a trust under which the descendants of the late Mr. C.Y. Tung and members of their families, or any of them, are beneficiaries
“Wharnclyff”	Wharnclyff Limited, a company owned by the Discretionary Trust, and holding approximately 49.91% of the issued Shares
“HK\$” or “HK cents”	Hong Kong dollars or Hong Kong cents, the lawful currency in Hong Kong
“US\$” or “US cents”	United States dollars or United States cents, the lawful currency in the United States of America
“%”	per cent.

Unless otherwise specified in this circular, amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$ at a rate of HK\$7.8 = US\$1.00. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at the above rate or at any other rates or at all.



Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

Executive Directors:

C.C. Tung (*Chairman*)

Tsann-Rong Chang

Roger King

Robert H. Suan

Nicholas D. Sims

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Non-Executive Directors:

Simon Murray

Dr. Victor K. Fung

Principal office:

33rd Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

29th August, 2003

To the Shareholders

Dear Sir or Madam,

PROPOSED OFF-MARKET REPURCHASE OF SHARES FROM FORTWIN INVESTMENT LIMITED AND SIXPENCE HOLDINGS LIMITED

INTRODUCTION

On 7th August, 2003, the Board announced that on that day the Company had entered into two share sale and purchase agreements with Fortwin and Sixpence pursuant to which Fortwin and Sixpence respectively agreed to sell and the Company agreed to acquire from Fortwin and Sixpence an aggregate of 46,957,088 Shares for a total cash consideration of approximately HK\$460,179,462, amounting to HK\$9.80 per Share.

The Share Repurchase constitutes an off-market repurchase and will be subject to (i) grant of an approval by the Executive; and (ii) approval by at least three-fourths of the votes cast on a poll by Disinterested Shareholders. An application will be made to the Executive for its consent to the Share Repurchase.

LETTER FROM THE BOARD

The purpose of this circular is, among other things, (i) to provide you with information on the Share Repurchase, the proposed new share repurchase mandate and the proposed amendments to the Company's Bye-Laws, (ii) to set out the recommendation from the Independent Director and the advice from Cazenove to the Independent Director in respect of the Share Repurchase, and (iii) to give you notice of the SGM at which the necessary resolutions will be proposed to seek your approval of the Share Repurchase, the proposed new share repurchase mandate and the proposed amendments to the Company's Bye-Laws.

THE REPURCHASE AGREEMENTS

- (1) **Parties:**
- (i) the Company;
 - (ii) Fortwin Investment Limited, a wholly-owned subsidiary of Cheung Kong (Holdings) Limited; and
 - (iii) Sixpence Holdings Limited, a company owned by Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in the proportion of 50:50.
- (2) **Repurchase Shares to be repurchased**

The Repurchase Agreements provide that the Company will purchase from Fortwin and Sixpence respectively an aggregate of 46,957,088 Shares, being Fortwin's and Sixpence's entire shareholding interest in the Company, representing approximately 9.08% of the existing issued share capital of the Company as at the Latest Practicable Date.

The Repurchase Shares are to be repurchased free from all claims, liens, encumbrances, options, rights of pre-emption, defects and equities of any kind whatsoever and together with all rights attached, accrued or accruing thereto as at Completion. On 20th August, 2003, the Directors declared an interim dividend of US3.85 cents (HK30 cents) per Share payable on 26th September, 2003 to Shareholders registered as at 11th September, 2003. Pursuant to the Repurchase Agreements, Fortwin and Sixpence have agreed with the Company that any dividends, if declared or paid after 7th August, 2003, shall be for the account of the Company. Accordingly:

- (i) if Completion takes place prior to the interim dividend being paid, then as the Repurchase Shares will have been cancelled by the time of the payment of the interim dividend Fortwin and Sixpence will not receive the interim dividend;
- (ii) if the interim dividend is paid on or before Completion, the Company will pay the interim dividend in respect of the Repurchase Shares to each of Fortwin and Sixpence. On Completion Fortwin and Sixpence will pay to the Company an amount equal to the full amount of the interim dividend paid in respect of the Repurchase Shares. However, if following the payment of the interim dividend the Share Repurchase is not approved by at least three-fourths of the votes cast on a poll by Disinterested Shareholders or for any other reason Completion does not take place (other than as a result of breach of the Repurchase Agreements by Fortwin and Sixpence), Fortwin and Sixpence shall each be entitled to retain the interim dividend paid by the Company in respect of the Repurchase Shares.

LETTER FROM THE BOARD

Following Completion, the Repurchase Shares will be cancelled. As a result, the number of Shares in issue immediately following the Share Repurchase will be reduced from 517,141,632 to 470,184,544.

(3) Consideration

The Repurchase Shares will be acquired by the Company at the Repurchase Price of HK\$9.80 per Share amounting in aggregate to approximately HK\$460,179,462, which will be funded by the Company's existing cash reserves.

The Repurchase Price was determined after arm's length negotiations between the Company on the one hand and Fortwin and Sixpence on the other. The Repurchase Price represents:

- (i) a discount of 4.4% to the closing price of the Shares of HK\$10.25 as quoted on the Stock Exchange on 6th August, 2003, being the last day of trading in Shares on the Stock Exchange before signing of the Repurchase Agreements;
- (ii) a discount of 16.6% to the closing price of the Shares of HK\$11.75 as quoted on the Stock Exchange on 7th August, 2003, being the date of the announcement of the Share Repurchase;
- (iii) a discount of 42.0% to the closing price of the Shares of HK\$16.90 as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of 6.8% to the 10-day average closing price of the Shares as quoted on the Stock Exchange up to and including 6th August, 2003 of HK\$10.52; and
- (v) a premium of 30.3% over the 6-month daily average closing price of the Shares as quoted on the Stock Exchange since 7th February, 2003 up to and including 6th August, 2003 of HK\$7.52.

Based on the latest audited consolidated accounts of the Company as at 31st December, 2002, the book net asset value was US\$0.86 billion (equivalent to approximately US\$1.66 (HK\$12.95) per Share based on 517,141,632 Shares in issue as at 31st December, 2002). On this basis, the Repurchase Price represents a discount of approximately 24.3% to the net book asset value per Share.

For the two years ended 31st December, 2002, the audited consolidated profits of the Company before taxation and minority interests were approximately US\$71.09 million (HK\$554.50 million) (2001) and US\$62.90 million (HK\$490.62 million) (2002) respectively. For the same period, the audited consolidated profits of the Company after tax and minority interests were approximately US\$61.29 million (HK\$478.06 million) (2001) and US\$51.74 million (HK\$403.57 million) (2002), respectively.

On this basis, the earnings per Share for the year ended 31st December, 2002 based on 517,141,632 Shares in issue was US\$0.10. The Repurchase Price represents a multiple of approximately 12.6 times the earnings per Share.

LETTER FROM THE BOARD

(4) Conditions

Completion of the sale and repurchase of the Repurchase Shares pursuant to the Repurchase Agreements is subject to the Company obtaining the approval of the Share Repurchase by Shareholders at the SGM.

(5) Completion

Completion shall take place on the earlier of (i) three Business Days after the fulfilment of the conditions of the Repurchase Agreements; and (ii) 5th October, 2003 or such date as may be agreed by the parties to the Repurchase Agreements.

INFORMATION ON THE GROUP

The Company has total revenues in excess of US\$2.4 billion and engages in two principal business activities: international transportation, logistics and terminals and property development and investment. Listed on the Stock Exchange, the Group has more than 160 offices in 50 countries.

Orient Overseas Container Line Limited, operating under the trade name OOCL, a wholly owned subsidiary of the Company, 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.

The 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.

For the six months ended 30th June, 2003, the turnover of the Group grew 26.9% to approximately US\$1,441 million. The net profit of the Group for the same period grew by 7,633% to approximately US\$79.5 million.

Further financial information regarding the Group is set out in Appendix I to this circular, including audited financial information on the Group for the past three financial years, unaudited consolidated profit and loss accounts for the six-month periods ended 30th June, 2002 and 30th June, 2003, and the authorised and issued Share capital of the Company before and after the Share Repurchase.

LETTER FROM THE BOARD

INTERIM RESULTS

On 20th August 2003 the Company announced its interim results for 2003. 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 the Company 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.

FUTURE STRATEGY AND PROSPECTS

Consumer confidence and demand in the major 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 shipyards are working at full capacity and are likely to remain so until the latter part of 2006.

Recent press articles have stated that the Company expects its transportation volume to increase by 5% in the second half of 2003 when compared with the corresponding period last year. The Company has not made any such statement. The Company has noted, however, that growth in container volumes could go down to about 5% in the second half of 2003 when compared with the strong corresponding period last year. This does not mean that a 5% increase in volumes is expected, nor does it set a floor on expected volume growth. Shareholders should note that container volumes cannot provide a forecast of likely revenue unless freight rates can be predicted, and revenue cannot provide a forecast of profit unless costs can be predicted.

Having moved from what was a particularly weak business environment in early 2002 into a much stronger position this year, the Company 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 whilst we continue our focus upon our customers, both existing and potential persisting in our drive to improve our services yet further.

LETTER FROM THE BOARD

INFORMATION ON FORTWIN AND SIXPENCE

Fortwin and Sixpence currently own an aggregate of 46,957,088 Shares, representing approximately 9.08% of the existing issued share capital of the Company. After Completion, Fortwin and Sixpence will have no shareholding interest in the Company. Fortwin is an investment holding company wholly-owned by Cheung Kong (Holdings) Limited. Sixpence is also an investment holding company and owned by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited in the proportion of 50:50.

The principal activities of Cheung Kong (Holdings) Limited are investment holding and project management, and its subsidiaries are active in the field of property development and investment, property and project management, hotel and serviced suite operation and investment in securities.

Hutchison Whampoa Limited is principally engaged in ports and related services, telecommunications and e-commerce, property and hotels, finance and investments.

Each of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited are listed on the Stock Exchange.

RELATIONSHIP BETWEEN THE COMPANY, FORTWIN AND SIXPENCE

The Company and its subsidiaries are engaged in international containerised transportation, logistics services and container terminal services. In the ordinary course of its business, the Company uses terminal facilities owned by Hutchison Whampoa Limited or its subsidiaries in Hong Kong, Yantian and Shanghai. The annual purchases of such services for the year ended 31st December, 2002 amounted to US\$27,680,000, representing approximately 1% of the Company's consolidated annual turnover of US\$2,457,000,000.

The Company also has a minority stake of approximately 8% in a property in Beijing (Beijing Oriental Plaza) in which Cheung Kong (with a 33.38% stake) and Hutchison Whampoa Limited (with a 17.97% stake), together with Bank of China Group Investment Limited and China Life Insurance Company, are also investors.

In its announcement dated 7th August, 2003, the Company stated that Fortwin and Sixpence and their controlling shareholders, substantial shareholders, directors and chief executive or any of their subsidiaries or any of their respective associates are independent of and are presumed not to be acting in concert with the directors, the chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. However, since the date of the announcement the Company has clarified that there is a minority interest in a company which is indirectly associated with Fortwin and Sixpence. Accordingly, the Controlling Shareholders are presumed to be acting in concert with Fortwin and Sixpence for the purposes of the Share Repurchase Code.

LETTER FROM THE BOARD

As a result of, inter alia, this presumption, the Executive has determined that the Controlling Shareholders are not Disinterested Shareholders for the purposes of paragraph 2(a) of the Share Repurchase Code and are therefore not eligible to vote in relation to the resolution to be proposed at the SGM in respect of the Share Repurchase.

REASONS FOR THE SHARE REPURCHASE

Fortwin and Sixpence approached the Company on the 4th August, 2003 and indicated that they were considering the disposal of their entire shareholdings in the Company.

The Board considers that the Share Repurchase provides the Company with an excellent opportunity to:

- (i) utilise surplus cash to enhance earnings per Share and the rate of return on capital;
- (ii) repurchase a significant block of Shares, at a discount of 4.4% to the prevailing market price of HK\$10.25 per Share as at the day prior to the signing of the Repurchase Agreements; and
- (iii) maintain an orderly and stable market for the Shares, and avoid the potential negative effect on the Share price if Fortwin and Sixpence were to dispose of their shareholding in the market.

The funds required for the Share Repurchase, amounting to approximately HK\$460,179,462, will be financed out of the Company's existing cash reserves. The Board believes that the financing of the Share Repurchase will not have any material adverse impact on the financial position of the Company.

In view of the above, the Board believes that the Share Repurchase is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EFFECTS OF THE SHARE REPURCHASE

(1) Effect on the shareholding structure of the Company

Following Completion, the Repurchase Shares will be cancelled and the number of Shares in issue will be reduced from 517,141,632 to 470,184,544. The shareholding structure of the Company prior to and upon Completion of the Share Repurchase (assuming no sales or purchases by the Controlling Shareholders during this period) is set out below:

Shareholders	Number of Shares prior to the Share Repurchase	% of the Shares in issue prior to the Share Repurchase	Number of Shares after the Share Repurchase	% of the Shares in issue after the Share Repurchase
Controlling Shareholders Fortwin Investment Limited and Sixpence Holdings Limited	378,994,456	73.29%	378,994,456	80.61%
T.R. Chang	46,957,088	9.08%	nil	nil
Nicholas D. Sims	506,390	0.10%	506,390	0.11%
Other Shareholders	46,000	0.01%	46,000	0.01%
	<u>90,637,698</u>	<u>17.52%</u>	<u>90,637,698</u>	<u>19.27%</u>
Total	<u>517,141,632</u>	<u>100%</u>	<u>470,184,544</u>	<u>100%</u>

As set out in the table above, the interest of the Controlling Shareholders in the Company's share capital will increase from approximately 73.29% to approximately 80.61% of the Shares in issue as a result of the Share Repurchase. Accordingly, there will be no change of control of the Company as a result of the Share Repurchase.

The Company is obliged in accordance with its Listing Agreement with the Stock Exchange to ensure that at all times at least 25 per cent. of the Company's Shares are held by the public.

The Company intends to continue to meet this requirement. The Company has therefore obtained a written undertaking from the Controlling Shareholders that they will take appropriate steps to ensure that at least 25 per cent. of the Company's Shares are held by the public immediately upon Completion.

If, upon Completion, less than 25 per cent. of the Company's Shares are held by the public, the Stock Exchange will consider the Company to be in breach of Rule 8.08 of the Listing Rules, and may take appropriate action against the Company and its Directors.

LETTER FROM THE BOARD

(2) Financial effects

(i) Earnings

The table below sets out, for illustrative purposes only, the pro forma effects of the Share Repurchase on the Group's audited consolidated earnings per Share for the year ended 31st December, 2002 and unaudited consolidated earnings per Share for the six months ended 30th June, 2003. The pro forma calculations assume, inter alia, that (i) the Share Repurchase had been completed on 1st January, 2002; (ii) dividends per Share remained unchanged; and (iii) the interest foregone on the proceeds of the Share Repurchase and the interest income on the reduced dividends were estimated at 1.68% per annum for the year ended 31st December, 2002 and 1.2% per annum for the six months ended 30th June, 2003 (please refer to Note 1 below):

	Year ended 31st December, 2002		Six months ended 30th June, 2003	
	Prior to the Share Repurchase (Audited)	Upon Completion of the Share Repurchase (Pro forma)	Prior to the Share Repurchase (Unaudited)	Upon Completion of the Share Repurchase (Pro forma)
Number of Shares in issue at end of period	517,141,632	470,184,544	517,141,632	470,184,544
Weighted average number of Shares in issue	517,141,632	470,184,544	517,141,632	470,184,544
Total Group earnings (<i>US\$ million</i>)	51.7	51.7	79.5	79.5
Less: interest foregone on the proceeds of the Share Repurchase ⁽¹⁾ (<i>US\$ million</i>)	—	(1.0)	—	(0.4)
Add: interest income ⁽¹⁾ on reduced dividends (<i>US\$ million</i>)	—	0	—	0
Adjusted Group earnings (<i>US\$ million</i>)	51.7	50.7	79.5	79.1
Earnings per Share ⁽²⁾ (<i>US\$</i>)	0.1	0.108	0.154	0.168
Earnings enhancement		8%		9.1%

Notes:

(1) Average yields from fixed-income securities, money market instruments and term deposits were approximately 1.68% per annum for the year ended 31st December, 2002 and approximately 1.2% per annum for the six months ended 30th June, 2003.

(2) Earnings per Share are computed on the basis of the weighted average number of Shares in issue.

On a pro forma basis, the Share Repurchase would have resulted in an enhancement in consolidated earnings per Share of approximately 8% for the year ended 31st December, 2002 and approximately 9.1% for the six months ended 30th June, 2003.

LETTER FROM THE BOARD

Net asset value (“NAV”)

The NAV per Share set out below is based on the latest published audited consolidated accounts of the Company as at 31st December, 2002 and the unaudited consolidated accounts for the six months ended 30th June, 2003 and assumes that Completion took place on 30th June, 2003.

	<i>US\$ million</i>
Unaudited consolidated NAV as at 30th June, 2003	934.0
Less: interim dividend	<u>(19.9)</u>
Unaudited adjusted NAV as at 30th June, 2003	<u><u>914.1</u></u>

NAV per Share (based on 517,141,632 Shares in issue before repurchase) (<i>US\$</i>)	1.768
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	<i>US\$ million</i>
Unaudited consolidated NAV as at 30th June, 2003	934.0
Less: (i) amount of Share Repurchase	(59.0)
(ii) related expenses	(1.0)
Less: interim dividend	<u>(18.1)</u>
Unaudited adjusted NAV as at 30th June, 2003	<u><u>855.9</u></u>

NAV per Share (based on 470,184,544 Shares in issue after repurchase) (<i>US\$</i>)	1.820
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This represents an increase in the pro forma consolidated NAV per Share by approximately 2.94% as at 30th June, 2003.

Dividends

Over the years the Company has maintained a policy of proposing a dividend at a level which reflects the performance of the Group for the period in question but balanced by the capital needs of the Company in the light of both the then prevailing and predicted future business conditions.

The Company paid total dividends of HK19.5 cents per Share for the year ended 31st December, 2002 and HK19.5 cents per Share for the year ended 31st December, 2001.

LETTER FROM THE BOARD

On 20th August, 2003, the Directors declared an interim dividend of US3.85 cents (HK30 cents) per Share payable on 26th September, 2003 to Shareholders registered as at 11th September, 2003. Pursuant to the Repurchase Agreements, Fortwin and Sixpence have agreed with the Company that any dividends, if declared or paid after 7th August, 2003, shall be for the account of the Company. Accordingly:

- (i) if Completion takes place prior to the interim dividend being paid, then as the Repurchase Shares will have been cancelled by the time of the payment of the interim dividend Fortwin and Sixpence will not receive the interim dividend;
- (ii) if the interim dividend is paid on or before Completion, the Company will pay the interim dividend in respect of the Repurchase Shares to each of Fortwin and Sixpence. On Completion Fortwin and Sixpence will pay to the Company an amount equal to the full amount of the interim dividend paid in respect of the Repurchase Shares. However, if following the payment of the interim dividend the Share Repurchase is not approved by at least three-fourths of the votes cast on a poll by Disinterested Shareholders or for any other reason Completion does not take place (other than as a result of breach of the Share Repurchase Agreements by Fortwin and Sixpence), Fortwin and Sixpence shall each be entitled to retain the interim dividend paid by the Company in respect of the Repurchase Shares.

The Directors believe that the Share Repurchase will not materially affect the Company's ability to pay dividends, and barring unforeseen circumstances, the Directors do not anticipate any change to the Company's current dividend policy.

Working capital

The total consideration and the total estimated expenses in respect of the Share Repurchase will be approximately HK\$460,179,462 and approximately HK\$7.8 million, respectively. The Directors estimate that, given the cash position of the Group of approximately US\$412.4 million as at 31st December, 2002, the Group will have approximately US\$352.4 million cash after Completion, which the Directors consider sufficient for its working capital requirements.

Liability

The Share Repurchase will be funded by the internal resources only and therefore it will not adversely affect the level of indebtedness of the Group. Cazenove has confirmed in its letter dated the date of this circular, to the Independent Director, that based on the information provided by the Directors, it is satisfied that the Company has sufficient resources to satisfy the Share Repurchase.

LETTER FROM THE BOARD

SHARE REPURCHASE CODE IMPLICATIONS

Pursuant to Rule 2 of the Share Repurchase Code, the Share Repurchase must be approved by the Executive. Such approval is conditional upon the approval by at least three-fourths of the votes cast on a poll by Disinterested Shareholders present in person or by proxy at the SGM. In accordance with the Share Repurchase Code, Fortwin, Sixpence and their concert parties are required to abstain from voting in respect of the Share Repurchase. The Executive has determined that the Controlling Shareholders are not Disinterested Shareholders for the purposes of the resolution to be proposed at the SGM in respect of the Share Repurchase and are not eligible to vote.

REPURCHASE MANDATE

On 2nd May, 2003, a general mandate was given to the Directors to exercise all the powers of the Company to repurchase its own Shares up to 10% of the issued and fully paid-up share capital of the Company as at the date of passing of resolution authorising such general mandate. The Directors intend to use this mandate to make the repurchase as contemplated under the Repurchase Agreements. Therefore, an ordinary resolution will be proposed at the SGM to approve the grant of a new repurchase mandate. The number of Shares to be repurchased under the new mandate shall be based on the number of Shares in issue immediately following completion of the Share Repurchase under the Repurchase Agreements.

An explanatory statement to provide Shareholders with all the information reasonably necessary for them to make an informed decision in relation to this proposed resolution as required by the Listing Rules concerning the regulation of repurchases by companies of their own securities on the Stock Exchange is set out in Appendix II to this circular.

PROPOSED AMENDMENTS TO THE BYE-LAWS

At present, the Company's Bye-Laws permit any corporation which is a member of the Company to appoint one representative to attend and vote at any shareholders' meeting or any meeting of the Company or any meeting of any class of shareholders of the Company as if they were an individual member of the Company. Pursuant to the Listing Rules, Hong Kong Securities Clearing Company Limited and/or its nominees must be permitted to appoint multiple corporate representatives to attend and vote at any shareholders' meeting or any meeting of any class of shareholders of the Company as if they were individual members of the Company.

The second special resolution as set out in the Notice of SGM will be proposed for the purpose of effecting the necessary changes to the Bye-Laws to enable the Company to comply with this requirement. The Board recommends Shareholders to vote in favour of the second special resolution to be proposed to approve the changes to the Bye-Laws.

LETTER FROM THE BOARD

SGM

Set out on pages 68 to 70 of this circular is a notice convening the SGM to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 22nd September, 2003 at 11:00 a.m. for Shareholders to consider and if thought fit, to approve the following resolutions:

- (i) a special resolution to approve the Share Repurchase (which must be approved by at least three-fourths of the votes cast on a poll by Disinterested Shareholders at the SGM);
- (ii) an ordinary resolution to approve (subject to Completion of the Share Repurchase) a general and unconditional mandate to be given to the Directors to exercise the powers of the Company to repurchase Shares, at any time until the next general meeting of the Company or such earlier period as stated in the ordinary resolution, up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company immediately following Completion of the Share Repurchase; and
- (iii) a special resolution to approve the amendments to the Company's Bye-Laws as set out in item 3 of the Notice of SGM.

ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed. Whether or not you intend to be present at the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the principal office of the Company at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the SGM or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending the SGM or any adjournments thereof and voting in person should you wish to do so. In the event that you attend the SGM, the form of proxy lodged with the principal office of the Company in Hong Kong will be deemed to have been revoked.

INDEPENDENT DIRECTOR

Messrs. C.C. Tung, Tsann-Rong Chang, Roger King, Robert H. Suan and Nicholas D. Sims are all executive Directors receiving a salary from the Company and are therefore considered not eligible to advise Disinterested Shareholders on the Share Repurchase. Other than Mr. C.C. Tung, who conducted the negotiations with Sixpence and Fortwin in respect of the Share Repurchase, none of the Directors were involved in any negotiations in relation to the Share Repurchase.

Mr. Simon Murray, who is a non-executive Director, is a director of each of Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited and is therefore considered not eligible to advise Disinterested Shareholders on the Share Repurchase.

Dr. Victor K. Fung, who was not involved in any negotiations in respect of the Share Repurchase and who is a non-executive Director without any executive employment relationship with the Company, has been appointed the Independent Director to advise Disinterested Shareholders as to

LETTER FROM THE BOARD

whether they should approve or disapprove the relevant resolution to be proposed at the SGM in relation to the Share Repurchase. Dr. Fung has confirmed that he does not have any interests which would affect his independence. Cazenove has been appointed the independent financial adviser to advise the Independent Director in this regard.

RECOMMENDATION

As stated in the letter to the Disinterested Shareholders, the Independent Director, based on the advice given by Cazenove, is of the view that the Share Repurchase is fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Director recommends Disinterested Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Repurchase.

FURTHER INFORMATION

Disinterested Shareholders are advised to read carefully the letter from the Independent Director on page 15 of this circular setting out his recommendation on the Share Repurchase and the letter from Cazenove on pages 16 to 39 of this circular setting out its advice to the Independent Director as to the fairness and reasonableness of the Share Repurchase.

Your attention is also drawn to the other information contained in this letter and the information contained in the appendices to this circular.

Yours faithfully,
C.C. Tung
Chairman



Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

29th August, 2003

To the Shareholders

Dear Sir or Madam,

**PROPOSED OFF-MARKET REPURCHASE OF SHARES
FROM FORTWIN INVESTMENT LIMITED
AND SIXPENCE HOLDINGS LIMITED**

I have been appointed the Independent Director to advise Disinterested Shareholders in connection with the Share Repurchase, details of which are set out in the section headed “Letter from the Board” on pages 1 to 14 of the circular of the Company dated 29th August, 2003 (the “Circular”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular.

I wish to draw to your attention the information set out in the letter from the Board, which provides details of the background and reasons for the Share Repurchase. I would also like to draw to your attention the letter from Cazenove, which is set out on pages 16 to 39 of the Circular, containing its opinion on the Share Repurchase and its recommendation to me.

Having considered the terms of the Repurchase Agreements, the principal factors and the reasons for the Share Repurchase, I concur with Cazenove’s advice that the terms of the Share Repurchase are fair and reasonable so far as the Company and Disinterested Shareholders are concerned.

I therefore recommend Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Share Repurchase.

Yours faithfully,
Dr. Victor K. Fung
Independent Director

LETTER FROM CAZENOVE

The following is the full text of the letter from Cazenove setting out its advice to the Independent Director in relation to the Share Repurchase:

CAZENOVE

Cazenove Asia Limited

29 August 2003

The Independent Director
Orient Overseas (International) Limited
33rd Floor, Harbour Centre,
25 Harbour Road,
Hong Kong

Dear Sir,

PROPOSED OFF-MARKET REPURCHASE OF SHARES FROM FORTWIN INVESTMENT LIMITED AND SIXPENCE HOLDINGS LIMITED

We refer to our engagement as an independent financial adviser to advise the Independent Director in relation to the Share Repurchase. This letter has been prepared for inclusion in the circular dated 29 August 2003 (the “Circular”) issued to the Shareholders and capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 7 August 2003, the Board announced that on that day the Company had entered into two sale and purchase agreements with Fortwin (a wholly-owned subsidiary of Cheung Kong (Holdings) Limited) and Sixpence (a company owned by Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited in the proportion of 50:50), pursuant to which the Company agreed to purchase from Fortwin and Sixpence an aggregate of 46,957,088 Shares at HK\$9.80 per Share. Such a share repurchase constitutes an off-market share repurchase and, as such, pursuant to Rule 2 of the Share Repurchase Code, is subject to the approval of the Executive. The approval of the Executive is conditional upon approval by at least three-quarters of votes cast on a poll by Disinterested Shareholders at the SGM. In accordance with the Share Repurchase Code, Fortwin, Sixpence and their respective concert parties are required to abstain from voting in respect of the Share Repurchase at the SGM. As referred to in the letter from the Board in the Circular, the Executive has determined that the Controlling Shareholders are not Disinterested Shareholders for the purposes of the resolution to be proposed at the SGM in respect of the Share Repurchase and are not eligible to vote.

Messrs. C.C. Tung, Tsann-Rong Chang, Roger King, Robert H. Suan and Nicholas D. Sims are all executive Directors receiving a salary from the Company. Other than Mr. C.C. Tung, who conducted the negotiations with Sixpence and Fortwin in respect of the Share Repurchase, none of the other Directors were involved in any negotiations in relation to the Share Repurchase. Mr. Simon Murray, who is a non-executive Director, is a director of both Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited. In light of the above, only Dr. Victor K Fung, whom the Company

LETTER FROM CAZENOVE

has advised us was not involved in any negotiations in respect of the Share Repurchase and who is a non-executive Director without any executive employment relationship with the Company, has been appointed the Independent Director to advise Disinterested Shareholders as to whether they should approve or disapprove the relevant resolution to be proposed at the SGM in relation to the Share Repurchase.

In formulating our opinion with regard to the Share Repurchase, we have relied on the information supplied, representations made and opinions expressed by the Company and/or the Directors, for which they are solely responsible and we have assumed that all such information and representations and those contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be so at the date of this letter. We have also assumed that all such statements of belief, opinion and intention of the Directors and/or the Company and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have been advised by the Company and the Directors that there are no material facts the omission of which would make any statement or opinion contained in the Circular, including this letter, untrue or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view regarding the Share Repurchase and to justify reliance on the accuracy of the information provided to us and that contained in the Circular so as to provide a reasonable basis for our advice. We have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information and representations provided, or the reasonableness of the opinions expressed, to us by the Company and/or the Directors. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Company and/or the Directors, nor have we conducted any independent in-depth investigation into the business and affairs or future prospects of the Group. Accordingly, we do not warrant the accuracy or completeness of any such information.

This letter is for the information of the Independent Director solely in connection with his consideration of the Share Repurchase and, except for its inclusion in the Circular and for references thereto in the letter from the Independent Director set out in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent. In particular, this letter does not constitute a recommendation to any Shareholder as to how such Shareholder should vote on the Share Repurchase.

Cazenove is a deemed licensed corporation under the SFO. Cazenove and its affiliates, whose ordinary businesses involve the trading of and dealing in securities, may be involved in the trading of, dealing in, and holding of the securities of the Company for client accounts.

BACKGROUND TO THE SHARE REPURCHASE

The Directors advised that in around April 2003, Fortwin and Sixpence approached the Company in relation to their proposed disposal of their entire shareholding in the Company. Although the Company had explored possible methods for such a disposal, it later decided that such methods were

LETTER FROM CAZENOVE

not feasible and therefore the parties did not come to any conclusion as to the possible disposal at that time. Fortwin and Sixpence began selling Shares in the market in late May 2003. We understand that, between May and July 2003, Fortwin and Sixpence sold an aggregate of 4,234,000 Shares in the open market.

Following the sale of those Shares, Fortwin and Sixpence still retained an aggregate shareholding of 46,957,088 Shares, representing approximately 9.08% of the existing issued share capital of the Company. We understand that, in early August 2003, Fortwin and Sixpence again approached the Company to discuss the disposal of their entire shareholding in the Company and, following arm's length negotiations, the parties entered into the Repurchase Agreements on 7 August 2003.

Details of the Share Repurchase and the Repurchase Agreements are set out in the letter from the Board in the Circular. The principal terms of the Repurchase Agreements are summarised below.

Pursuant to the Repurchase Agreements, Fortwin and Sixpence respectively agreed to sell and the Company agreed to acquire from Fortwin and Sixpence an aggregate of 46,957,088 Shares held by Fortwin and Sixpence for a total cash consideration of HK\$460,179,462, which is equivalent to HK\$9.80 per Share. The Repurchase Shares are to be repurchased free from all claims, liens, encumbrances, options, rights of pre-emption, defects and equities of any kind whatsoever and together with all rights attached, accrued or accruing thereto as at Completion. On 20 August 2003, the Directors declared an interim dividend of US\$3.85 cents (HK30 cents at the exchange rate of US\$1:HK\$7.8) per Share payable on 26 September 2003 to Shareholders registered as at 11 September 2003. Pursuant to the Repurchase Agreements, Fortwin and Sixpence have agreed with the Company that any dividends, if declared or paid after 7 August 2003, shall be for the account of the Company. Accordingly:

- 1) if Completion takes place prior to the interim dividend being paid, then as the Repurchase Shares will have been cancelled by the time of the payment of the interim dividend, Fortwin and Sixpence will not receive the interim dividend;
- 2) if the interim dividend is paid on or before Completion, the Company will pay the interim dividend in respect of the Repurchase Shares to each of Fortwin and Sixpence. On Completion, Fortwin and Sixpence will pay to the Company an amount equal to the full amount of the interim dividend paid in respect of the Repurchase Shares. However, if following the payment of the interim dividend, the Share Repurchase is not approved by at least three-quarters of the votes cast on a poll by Disinterested Shareholders or for any other reason Completion does not take place (other than as a result of breach of the Repurchase Agreements by Fortwin and Sixpence), Fortwin and Sixpence shall each be entitled to retain the interim dividend paid by the Company in respect of the Repurchase Shares.

Completion of the Share Repurchase is expected to take place three Business Days after the fulfilment of all the conditions of the Repurchase Agreements. Following Completion, the Repurchase Shares will be cancelled and the number of Shares in issue will be reduced from 517,141,632 to 470,184,544. We understand from the Company that, following Completion, Fortwin, Sixpence and their respective concert parties will have no shareholding interest in the Company.

LETTER FROM CAZENOVE

PRINCIPAL FACTORS CONSIDERED

In arriving at our recommendation in respect of the Share Repurchase, we have taken into consideration, *inter alia*, the following principal factors:

1. Reasons for the Share Repurchase

The reasons for the Share Repurchase are set out in the letter from the Board in the Circular. As disclosed in the letter from the Board, the Board considers that the Share Repurchase provides the Company with an excellent opportunity to:

- utilise surplus cash to enhance earnings per Share and the rate of return on capital;
- repurchase a significant block of Shares at a discount of 4.4% to the closing price of HK\$10.25 per Share as quoted on the Stock Exchange on 6 August 2003, being the last day of trading in Shares on the Stock Exchange prior to the signing of the Repurchase Agreements; and
- maintain an orderly and stable market for the Shares, and avoid the potential negative effect on the Share price if Fortwin and Sixpence were to dispose of their shareholding in the market.

As discussed in the paragraph headed “Background to the Share Repurchase” above, the Directors have advised us that Fortwin and Sixpence approached the Company in early August 2003 and indicated that they intended to dispose of their entire shareholding in the Company of an aggregate of 46,957,088 Shares, which led to the parties entering into the Repurchase Agreements.

In assessing the reasonableness of the reasons for the Share Repurchase set out in the letter from the Board in the Circular, summarized above, we have considered the following factors:

(a) *The Company has been exploring the possibility of repurchasing Shares from the market*

The Directors have advised us that they have for some time considered that the Shares had been trading at a discount to net asset value and, in their view, had been undervalued when compared to the price to book value of comparable companies. The Directors therefore considered that it would be in the interest of the Company and the Shareholders as a whole to repurchase Shares on the Stock Exchange, which would enhance the Company’s net asset value per Share and earnings per Share.

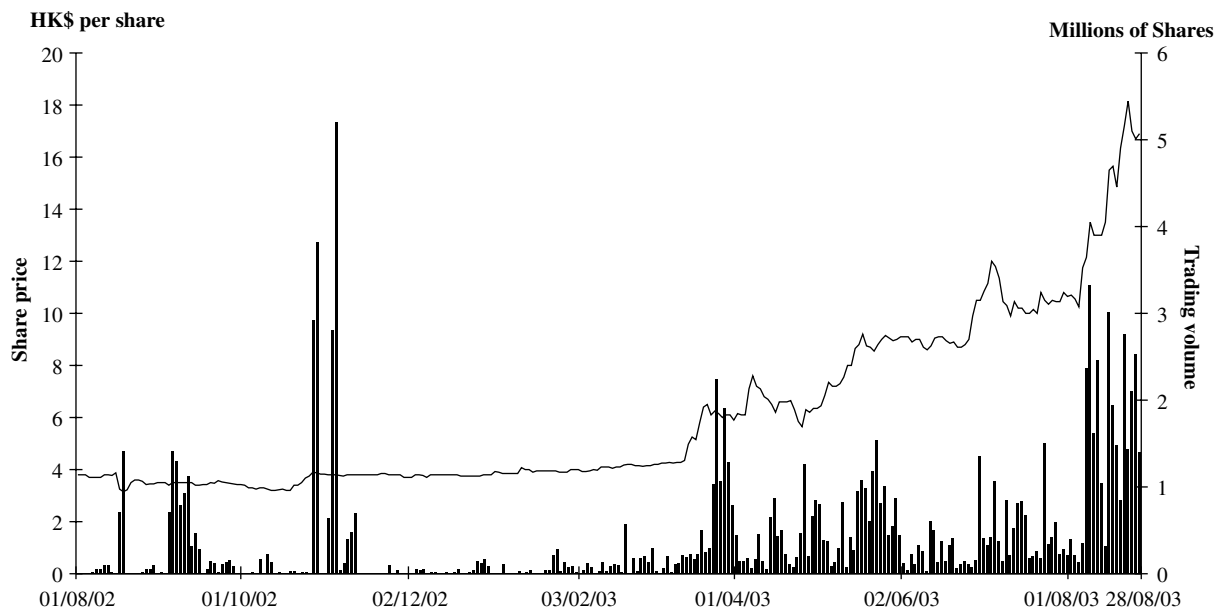
We note that, to this effect, on 5 May 2003, the Board announced that the Company had applied for, and the Stock Exchange had granted, a waiver pursuant to Rule 10.06(2)(g) of the Listing Rules from the restriction on the Company, in any one calendar month, from purchasing Shares on the Stock Exchange of not more than 25% of the total number of Shares traded on the Stock Exchange in the preceding calendar month. However, the Directors advised that, in view of the relatively low liquidity of the Shares (details of which are set out in paragraph (b) below), the Company did not proceed with any purchase of Shares on-market.

LETTER FROM CAZENOVE

(b) *Liquidity of the Shares during the period from 1 August 2002 up to the Latest Practicable Date*

The following chart illustrates the daily trading volume of the Shares on the Stock Exchange during the period from 1 August 2002 up to the Latest Practicable Date:

Daily trading volume of the Shares on the Stock Exchange during the period from 1 August 2002 up to the Latest Practicable Date



Source: Bloomberg

As shown in the above chart, the daily trading volume of the Shares on the Stock Exchange during the period from 1 August 2002 up to the Latest Practicable Date has shown the following broad trends:

- from August 2002 to February 2003, the average monthly trading volume on the Stock Exchange was about 4,435,514 Shares, representing approximately 0.86% and 2.49% of the Company's total issued share capital and public float (please refer to the table below) respectively. Zero trades were recorded on 42 days during the period. In October 2002, the trading volume increased substantially before returning to the previous level of trading. The Directors have advised us that this increase was mainly due to the acquisition of Shares by an investment fund through block trade arrangements during that month. Nevertheless, taking into account the sudden surge in the trading volume in October 2002, which significantly lifted the average trading volume of the Shares, we consider that the overall level of liquidity of the Shares was relatively low during the period under review; and
- from March 2003 onwards, the monthly trading volume of the Shares began to increase. During the period, the average monthly trading volume of the Shares on the Stock Exchange was approximately 13,295,538 Shares, representing approximately

LETTER FROM CAZENOVE

2.57% and 8.75% of the Company's issued share capital and public float respectively. We also note that in May 2003, the Controlling Shareholders acquired 40,051,246 Shares from one of the then substantial Shareholders. Given that the transaction was off-market, the relevant transaction volume has not been included in the above volume chart, which shows on-market trading volumes. However, notwithstanding the exclusion of the trading volume attributable to this off-market transaction, we still see an improved liquidity of the Shares during the period under consideration. We consider that this recent increase in liquidity in the Shares generally corresponds with the increase in the Share price since the publication in March 2003 of the Company's annual results for the year ended 31 December 2002.

The following table illustrates the number of Shares traded on the Stock Exchange in each calendar month during the period from 1 August 2002 up to the Latest Practicable Date, the proportion of the total issued share capital and the Shares held in public hands (including Fortwin and Sixpence) which such trading volumes represent, and the number of Shares disposed of by Fortwin and Sixpence:

Monthly trading volume of the Shares on the Stock Exchange during the period from 1 August 2002 to the Latest Practicable Date

	Monthly volume	Fraction of total number of issued Shares	Fraction of public float (including Fortwin and Sixpence)	Fortwin's and Sixpence's volume of disposal of the Shares	Fortwin's and Sixpence's volume of disposal (as a fraction of public float)	Average volumes of the Comparables (as a fraction of total issued share capital) (note 1)
Aug-03 (note 2)	30,198,318	5.84%	21.95%	—	—	21.04%
Jul-03	10,638,918	2.06%	7.73%	3,186,000	2.32%	21.84%
Jun-03	5,863,785	1.13%	4.26%	108,000	0.08%	22.06%
May-03	12,631,690	2.44%	7.10%	940,000	0.68%	21.73%
Apr-03	8,783,720	1.70%	4.94%	—	—	22.01%
Mar-03	11,656,798	2.25%	6.56%	—	—	28.22%
Feb-03	2,357,345	0.46%	1.32%	—	—	19.20%
Jan-03	1,375,518	0.27%	0.77%	—	—	23.01%
Dec-02	779,438	0.15%	0.44%	—	—	18.59%
Nov-02	331,193	0.06%	0.19%	—	—	9.12%
Oct-02	17,213,687	3.33%	9.69%	—	—	9.81%
Sep-02	1,380,000	0.27%	0.78%	—	—	8.33%
Aug-02	7,611,417	1.47%	4.28%	—	—	7.39%
Total:	<u>110,821,827</u>			<u>4,234,000</u>		
Average	8,524,756	1.65%	5.38%			17.87%

Notes:

- (1) Please refer to the paragraph headed "P/E ratio" below for details of the selected industry comparables.
- (2) Trading volume from 1 August 2003 up to the Latest Practicable Date.

Source: Bloomberg

LETTER FROM CAZENOVE

In the above table, we also compare the monthly trading volume as a percentage of total number of issued shares for the Company with that for selected industry comparables (i.e the Comparables as defined in the paragraph headed “Price to earnings ratio” below). We note that with the exception of August 2003, the monthly trading volume of the Shares on the Stock Exchange has been consistently lower than the average trading volume of the Comparables. The table illustrates that whilst the monthly average trading volume of the Shares has increased since March 2003, liquidity during the period under consideration has remained at between approximately 0.06% and 5.84% of the Company’s total issued share capital, with an average of approximately 1.65%, compared to a range of approximately 7.39% to 28.22% with an average of approximately 17.87% for the Comparables. In light of the relatively thin trading volume of the Shares in the period under consideration, we consider that:

1. the disposal by Fortwin and Sixpence of their entire shareholding in the Company would be likely to exert downward pressure on the market price of the Shares should such a quantity of Shares, representing approximately 5.5 times the average monthly trading volume of the Shares on the Stock Exchange during the period from 1 August 2002 to the Latest Practicable Date, be disposed of within a short period of time;
2. if the Company sought to acquire the same number of Shares under the Share Repurchase i.e. 46,957,088 Shares in the market by way of an on-market repurchase from third parties, and assuming that the acquisition represents 75% of the monthly trading volume on the Stock Exchange, it would in theory take approximately 7 to 8 months to complete based on the average monthly trading volume of Shares on the Stock Exchange of approximately 8,524,756 Shares per month over the period under review. Even based on the increased average monthly trading volume of approximately 9,914,982 Shares per month for the five month period from March to July 2003, it could, theoretically, take at least six months to complete the purchase; and
3. it is likely that an on-market repurchase of such number of Shares may lead to an increase in the Share price such that, based on the prevailing market price, it might cost the Company more than the aggregate consideration for the Repurchase Shares at the Repurchase Price to purchase the same number of Shares from the market.

(c) *The Directors’ intention to enhance earnings per Share, net asset value per Share and the rate of return on Shareholders’ funds*

As detailed in the paragraph headed “Financial effects of the Share Repurchase” below, the Share Repurchase could enhance the earnings per Share and net asset value per Share as well as return on Shareholders’ funds. On this basis, we concur with the Directors’ view that the Share Repurchase represents a better opportunity for the Company to achieve the Directors’ aim of enhancing Shareholders’ value than other methods that may be available to Fortwin and Sixpence for disposing of their entire shareholding in the Company. In particular, we concur with the Directors’ view that a disposal by Fortwin and Sixpence of their entire shareholding in the market

LETTER FROM CAZENOVE

would not achieve the Directors' aim of enhancing Shareholders' value. While an on-market repurchase would, to a certain extent, achieve that aim, for the reasons set out in the paragraph (b) above, it might cost the Company more to purchase the same number of Shares in the market than the aggregate consideration payable for the Repurchase Shares at the Repurchase Price.

Based on the above factors, we concur with the Directors' view that their reasons for the Share Repurchase, set out in the letter from the Board in the Circular, are reasonable.

2. Repurchase Price

The Repurchase Price is HK\$9.80 per Share. Based on an aggregate of 46,957,088 Shares to be purchased by the Company pursuant to the Repurchase Agreements, the total consideration for the Repurchase Shares is HK\$460,179,462. The Directors have confirmed that the Repurchase Price was determined after arm's length negotiations between the Company on the one hand and Fortwin and Sixpence on the other. We also note that pursuant to the Repurchase Agreements, Fortwin and Sixpence have agreed with the Company that any dividends, if declared or paid after 7 August 2003, shall be for the account of the Company.

(a) *Prevailing market price*

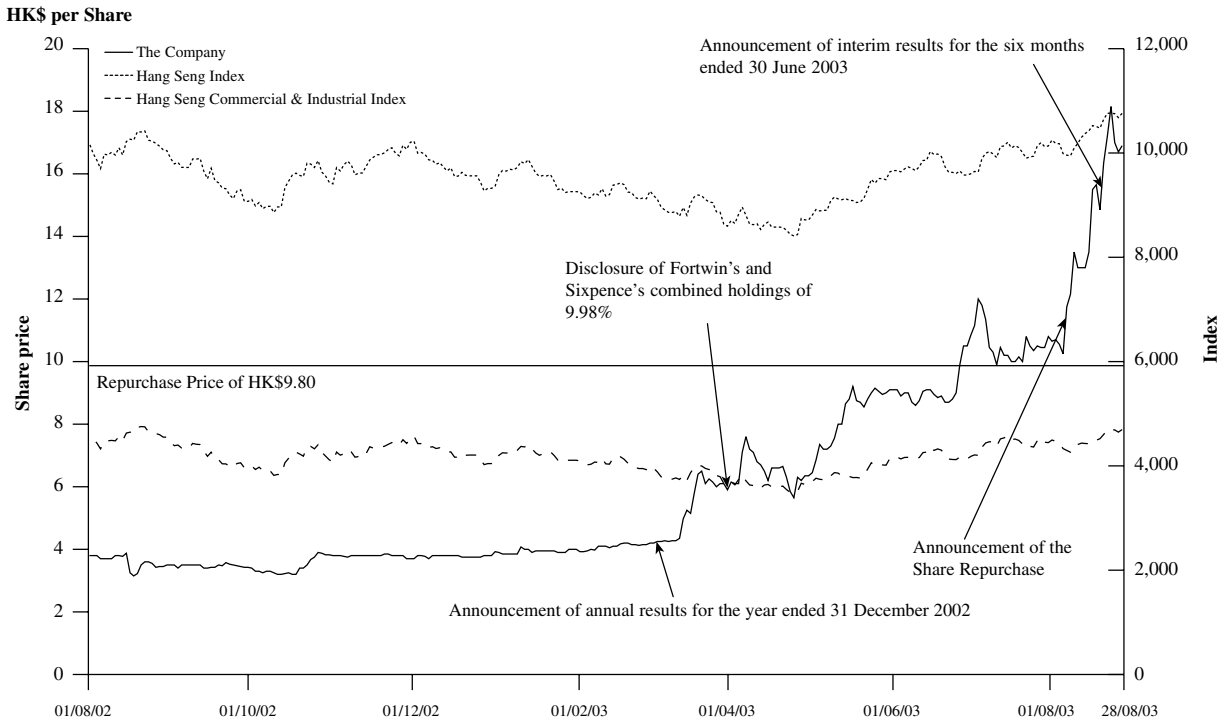
The Repurchase Price represents a premium over/discount to the Share price during the 12 months preceding the Latest Practicable Date as follows:

- (i) a discount of approximately 4.4% to the closing price of the Shares of HK\$10.25 as quoted on the Stock Exchange on 6 August 2003, being the last day of trading in Shares on the Stock Exchange before signing of the Repurchase Agreements;
- (ii) a discount of approximately 16.6% to the closing price of the Shares of HK\$11.75 as quoted on the Stock Exchange on 7 August 2003, being the date of the announcement of the Share Repurchase;
- (iii) a discount of approximately 42.0% to the closing price of the Shares of HK\$16.90 as quoted on the Stock Exchange as of the Latest Practicable Date;
- (iv) a discount of approximately 6.8% to the 10-day average closing price of the Shares of approximately HK\$10.52 as quoted on the Stock Exchange up to and including 6 August 2003;
- (v) a premium of approximately 2.8% over the 3-month daily average closing price of the Shares of approximately HK\$9.53 as quoted on the Stock Exchange up to and including 6 August 2003; and
- (vi) a premium of approximately 75.6% over the 12-month daily average closing price of the Shares of approximately HK\$5.58, as quoted on the Stock Exchange up to and including 6 August 2003.

LETTER FROM CAZENOVE

The following graph illustrates the Repurchase Price as compared to the daily closing price of the Shares as quoted on the Stock Exchange for the period from 1 August 2002 up to the Latest Practicable Date, and as a reference, also includes the performance of the Hang Seng Index and the Hang Seng Commercial & Industrial Index during the period to illustrate the price performance of the Shares as compared to the general performance of the market:

Daily closing price of the Shares on the Stock Exchange during the period from 1 August 2002 up to the Latest Practicable Date



Source: Bloomberg

The above graph shows that during the period from August 2002 to February 2003, the closing price of the Shares on the Stock Exchange ranged between HK\$3.15 and HK\$4.20 per Share. From March 2003, the price of the Shares began to increase. From the first trading date in March 2003 to the Latest Practicable Date, the Share price has increased by approximately 302.4% to reach HK\$16.90 per Share.

We have discussed the trends of the market price of the Shares with the Directors:

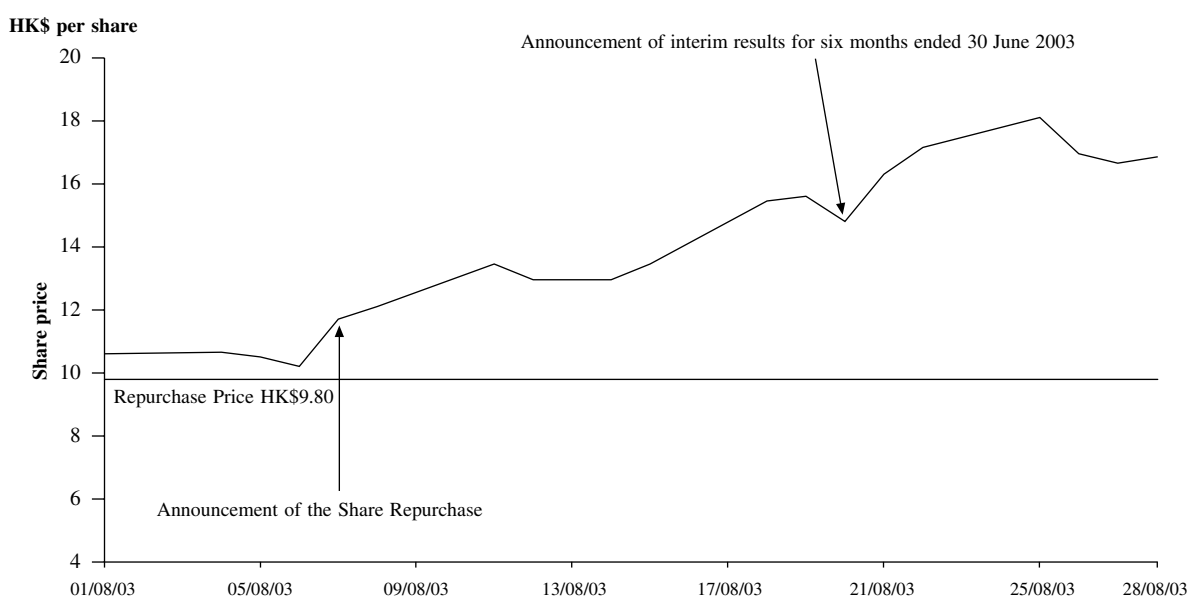
- The Directors consider that during the period prior to March 2003, the Shares traded at a discount to the net asset value per Share and to the price to book value of comparable companies (please refer to paragraph (c) below). They consider that the poor business environment in the Company's core business of containerisation transportation and the prevailing market conditions throughout much of 2002, discussed in the interim results of the Company for the six months ended 30 June 2002, led to the industry as a whole experiencing considerable difficulties that year and resulted in a reduced market price for the Shares.

LETTER FROM CAZENOVE

- The Directors also consider that the announcement in March 2003 of the Company's results for the year ended 31 December 2002, which represented a significant improvement against the results for the first half of 2002, improved interest in the Shares in the market and this resulted in the increased price of the Shares and their out-performance of the Hang Seng Index and the Hang Seng Commercial & Industrial Index since March 2003.

The graph below shows the Share price performance from 1 August 2003 up to the Latest Practicable Date:

Daily closing price of the Shares on the Stock Exchange during the period from 1 August 2003 up to the Latest Practicable Date



Source: Bloomberg

- From the date of the announcement of the Share Repurchase up to 20 August 2003, the date of the announcement of the Company's interim results for the 6 months ended 30 June 2003, the market price of the Shares rose by approximately 26.4% from HK\$11.75 to close at HK\$14.85. We believe that such improvement reflects, among other things, the general favourable reaction of the market towards the Share Repurchase and market speculation as to the possible privatisation of the Company as a result of the Share Repurchase.
- From 20 August 2003 to the Latest Practicable Date, the price of the Shares further improved by approximately 13.8% to close at HK\$16.90. We believe that this is indicative of the substantially improved operating performance of the Company as presented in the interim results for the six months ended 30 June 2003. We have enquired with the Directors, who have advised that they are not aware of any other reason for the recent increase in the market price of the Shares.

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Based on the above analysis, in our opinion, the Repurchase Price reasonably reflects the recent Share price trends. In particular, since the announcement of the Share Repurchase, the Shares have consistently traded at a price exceeding the Repurchase Price.

(b) *Price to earnings ratio (“P/E ratio”)*

- (i) Comparison of P/E ratios represented by the Repurchase Price and the prevailing market price of the Shares

According to the annual report of the Company for the year ended 31 December 2002, the audited consolidated profits after tax and minority interests of the Company were approximately US\$51.74 million (HK\$403.57 million). On that basis, the earnings per Share for the year ended 31 December 2002 based on 517,141,632 Shares in issue was US\$0.10 (HK\$0.780 based on an exchange rate of US\$1:HK\$7.80). The Repurchase Price represents a multiple of approximately 12.6 times the earnings per Share, which is approximately 16.6% and 41.9% discount to the P/E multiple of the Shares of approximately 15.1 times and approximately 21.7 times as at the date of the Repurchase Agreements and the Latest Practicable Date respectively.

- (ii) Comparison of P/E ratios of the Company and that represented by the Repurchase Price with comparable companies

We have also reviewed the P/E ratios of 8 comparable companies listed on various stock exchanges throughout the world (the “Comparables”). In selecting the Comparables, we have used the following criteria:

- Business model — we selected companies: i) with a significant portion of their revenue being derived from containerised shipping; and ii) which are principally focused on inter-continental routes rather than intra-continental. We believe that companies meeting these two criteria are likely to have a similar revenue model to the Group;
- Scale — based on industry data, we selected containerised shipping companies with a capacity of 150,000 TEU and above, which we consider are comparable with that of the Group (approximately 185,000 TEU). We believe that container line companies with a similar capacity will be subject to similar market forces; and
- Listing status — listed companies were selected, as relevant information about the market performance of these companies is more readily available. Although the Comparables are listed on different stock exchanges, we consider that given the global nature of the Group’s core business, it could reasonably be assumed that such companies are subject to similar external economic factors,

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In selecting the Comparables, we first considered shipping companies listed on the Stock Exchange, but found that none of those companies satisfied all of our selection criteria above. We therefore expanded our review to include international companies, by referring to an international periodical specialised in reporting the global containerised shipping market, which we understand is a reference source frequently used by the industry and securities research analysts. We noted from that source that the Company was ranked 11th in terms of fleet capacity, and we therefore first selected the top 16 companies (with a capacity above 150,000 TEU) from a list of more than 450 major container lines worldwide compiled by that periodical as our starting point. We finally selected the Comparables from that list based on the above criteria. We therefore consider that the Comparables, which meet the above criteria, represent the most suitable comparables for the purposes of our analysis.

The following table sets out details of the market capitalisation and two major valuation parameters, namely price to book value and price to earnings ratios of the Comparables as at the Latest Practicable Date:

	Exchange where listed	Market capitalisation (US\$)(note 1)	Price to book value (note 1)	P/E ratio (note 1)	Gross gearing ratio (note 2) (%)
CP Ships Ltd	Toronto	1,851	1.5	30.4	48.7
Neptune Orient Lines Ltd	Singapore	1,225	2.1	—	479.2
Yang Ming Marine Transport Corp	Taipei	1,551	2.1	45.2	109.3
Mitsui O.S.K. Lines Ltd	Tokyo	4,126	3.1	57.8	158.4
Kawasaki Kisen Kaisha, Ltd	Tokyo	1,992	3.6	35.8	192.6
Nippon Yusen Kabushiki Kaisha	Tokyo	4,986	2.3	46.3	163.2
Hanjin Shipping Co. Ltd.	Seoul	791	1.4	13.5	395.8
Evergreen Marine Corp	Taipei	<u>1,487</u>	<u>1.4</u>	<u>47.4</u>	<u>168.1</u>
Average		2,251	2.2	39.5	214.4
The Company	Hong Kong	1,120	1.3	21.7	104.0

Notes:

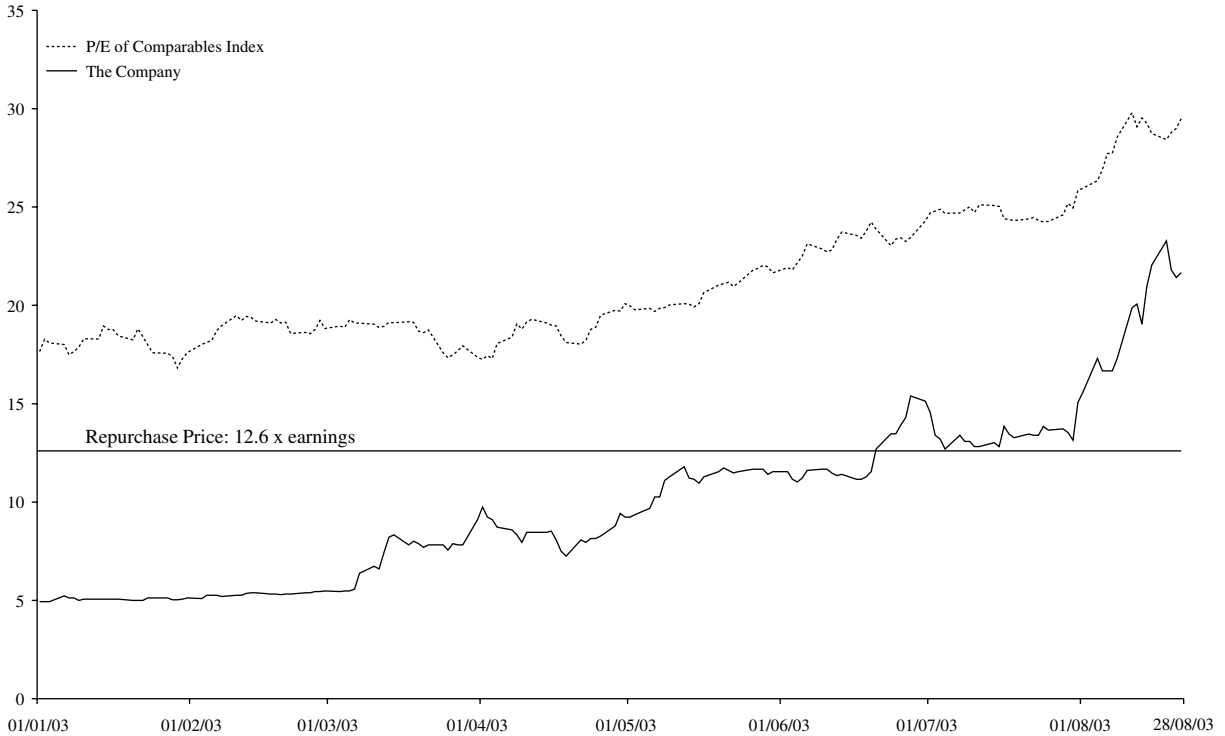
1. Based on the closing price of the respective shares in the Comparables as at the Latest Practicable Date and earnings and book value from the latest published audited accounts of the respective companies.
2. Taken from the latest published accounts of the respective companies.

Source: Bloomberg

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The chart below shows the P/E ratio of the Company and that represented by the Repurchase Price as compared to the weighted (in terms of market capitalisation) average P/E ratio of the Comparables for the period from 1 January 2003 up to the Latest Practicable Date:

P/E ratio of the Company and that represented by the Repurchase Price against the weighted average P/E ratio of industry comparables over the period from 1 January 2003 up to the Latest Practicable Date



Source: Bloomberg

The Directors consider that the recent surge in the P/E ratio of the Company represents a convergence in the valuation of the Shares with those of the Comparables on a weighted average basis. In addition, we note that the P/E ratio represented by the Repurchase Price of approximately 12.6 times is at a discount of approximately 48.8% and approximately 57.3% to the weighted average P/E ratio of the Comparables as at the date of the Repurchase Agreements and the Latest Practicable Date respectively.

(c) *Price to book value*

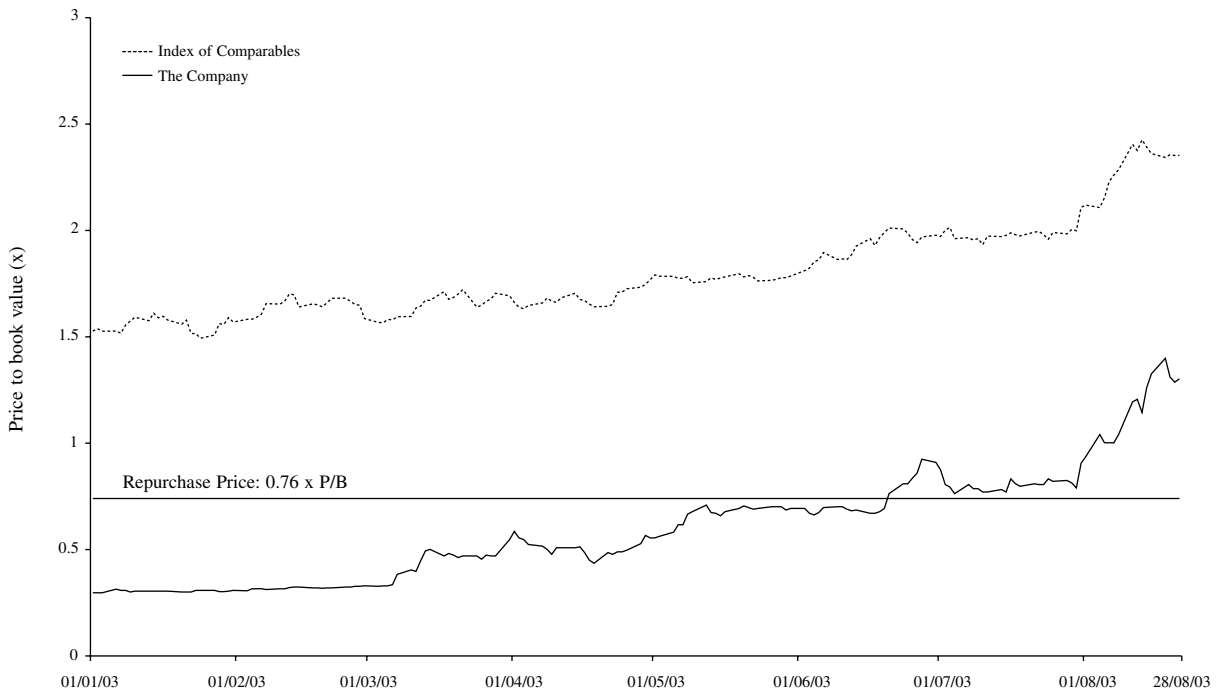
Based on the latest audited consolidated accounts of the Company as at 31 December 2002, the net book value of the Company was approximately US\$0.86 billion (HK\$6.71 billion) (equivalent to approximately US\$1.66 per Share (HK\$12.95 per Share, based on an exchange rate of US\$1: HK\$7.80)). Based on this value, the Repurchase Price represents a discount of approximately 24.3% to the net book value per Share, or approximately 0.76 times net book value.

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Based on the interim report for the six months ended 30 June 2003 which will be issued by the Company on 8 September 2003, the net book value of the Company as at 30 June 2003 was approximately US\$0.93 billion (HK\$7.25 billion). Based on the interim dividend of an aggregate of approximately HK\$155.3 million (including any dividends payable in respect of the Repurchase Shares) declared on 20 August 2003, the adjusted net book value of the Company would be approximately HK\$7.13 billion and based on 517,141,632 Shares in issue as at 30 June 2003, the net book value per Share would be approximately HK\$13.8. Based on this value, the Repurchase Price represents a discount of approximately 29.0% to the net book value per Share.

The chart below shows the price to book value of the Company and that represented by the Repurchase Price as compared to the weighted (in terms of market capitalisation) average price to book value of the Comparables for the period from 1 January 2003 up to the Latest Practicable Date based on the latest published accounts of the Comparables:

Price to book value of the Company based on the latest published audited accounts, and that represented by the Repurchase Price against the weighted average price to book value of the Comparables over the period from 1 January 2003 up to the Latest Practicable Date



Source: Bloomberg

Similar to the P/E ratio discussed in the paragraph headed “Price to earnings ratio” above, the above chart suggests that the price to book value of the Company is generally increasing towards the weighted average price to book value of the Comparables. In addition, we note that the price to book value represented by the Repurchase Price is approximately 61.6% and approximately 67.7% lower than the weighted average price to book value of the Comparables as at the date of the Share Repurchase Agreements and the Latest Practicable Date respectively.

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(d) *Comparison with recent off-market share repurchase transactions*

To the best of our knowledge, the following table sets out details of all of the off-market share repurchase transactions which were first announced since the beginning of 1999:

	Date of announcement of the share repurchase transaction	Prevailing market price of the share on the date of announcement (HK\$)	Repurchase price (HK\$)	(Discount)/ premium
Transactions used as comparables				
1.	CLP Holdings Limited	27 August 1999	36.10	34.80 (3.6)%
2.	Hong Kong Aircraft Engineering Company Limited	15 September 2000	12.20	15.25 25.0%
3.	Shangri-La Asia Limited	11 December 2001	6.35	6.85 7.9%
4.	Yip's Chemical Holdings Limited	23 September 2002	0.90	0.88 (2.2)%
			Average:	6.8%
Transactions excluded from our analysis				
5.	Cheong Ming Investments Limited (formerly Sega.com Asia Limited)	10 February 2000	0.465	0.79 69.9%
6.	AV Concept Holdings Limited	9 December 2000	0.65	3.27 403.1%
7.	Pegasus International Holdings Limited (<i>Note</i>)	1 June 2001	N/A	N/A N/A
8.	Hang Fung Gold Technology Limited	16 December 2002	0.092	0.077 (16.3)%
			Average:	152.2%
			Total Average:	69.1%
	Company	7 August 2003	11.75	9.80 (16.6)%

Note: the off-market share repurchase carried out by Pegasus International Holdings Limited involved the repurchase of convertible non-voting preference shares

Source: respective announcements of the companies

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For the purpose of our analysis, we have excluded the off-market share repurchase carried out by Pegasus International Holdings Limited which involved the repurchase of convertible non-voting preference shares rather than listed ordinary shares. In addition, we have excluded the off-market share repurchases carried out by Cheong Ming Investments Limited (formerly Sega.com Asia Limited), AV Concept Holdings Limited and Hang Fung Gold Technology Limited from our analysis as, in each case, the consideration for the relevant share repurchase included shares in associated companies, rather than cash. We believe that where shares are repurchased for cash consideration only, the pricing would be less likely to be affected by other factors. As such, we selected transactions numbered 1 to 4, which involved the repurchase of ordinary shares for only cash consideration, as our comparables for the purpose of our analysis.

As shown in the above table, the repurchase prices for the selected comparable off-market share repurchase transactions represent a range of 3.6% discount to 25% premium, with an average of approximately 6.8% premium, to the prevailing market price at the date of the announcement of the relevant repurchase transaction. The discount of approximately 16.6% to the closing price of the Shares of HK\$11.75 on 7 August 2003 and the discount of approximately 4.4% to the closing price of the Shares of HK\$10.25 on 6 August 2003 represented by the Repurchase Price is, in each case, the highest discount among the selected comparables.

3. Recent financial performance of the Group

(a) Analysis of the financial performance of the Group for the two years ended 31 December 2002 and the six months ended 30 June 2003

The Company is principally engaged in the transportation of containers across international shipping routes and related activities. The Company's revenues are primarily derived from the operations of its wholly owned subsidiary, trading under the "OOCL" name. The Company is also involved in the operation of container terminals and property investment and development in New York and Shanghai.

Set out in Appendix I to the Circular is a summary of the audited financial statements of the Company for the two years ended 31 December 2002 and the unaudited financial statements for the six months ended 30 June 2003.

Financial performance over the two years ended 31 December 2002

During the year ended 31 December 2002, the audited consolidated turnover was approximately US\$2,457,952,000, representing an increase of approximately 3.3% from approximately US\$2,378,950,000 recorded for the year ended 31 December 2001. Revenues from containers and logistics services contributed approximately 90.2% of turnover for 2002, as compared to approximately 89.7% for the preceding year. The Directors have advised that in early 2002 business sentiment was poor as a result of the then forecast of weaker demand growth with a fast growing rate of new tonnage being deployed. This generally resulted in lower freight rates. The unit revenue fell by approximately 9% to US\$891 per TEU for the year ended 31 December 2002, compared to US\$984 per TEU for the year ended 31 December 2001. The forecast of weaker demand growth turned out to be incorrect and in fact the overall traffic for

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2002 increased by approximately 13% over the previous year. Operations from container terminals and property investments contributed approximately 8.8% and approximately 1.0% respectively to the Company's total turnover for 2002 as against approximately 9.3% and approximately 1.0% respectively for 2001.

Net profit for the year ended 31 December 2002 was approximately US\$51,738,000 representing a fall of approximately 15.6% from the year before. We understand that such fall in net profits can be attributed to the weak first quarter of 2002. The international transportation and logistics and container terminals together contributed approximately 85.6% of earnings before interest and tax for the year ended 31 December 2002, representing a fall from approximately 104.2% (the Group made a loss before taxation of approximately US\$711,000 on its property business) of the Company's total earnings for the year ended 31 December 2001.

Unaudited interim results for the six months ended 30 June 2003

The unaudited consolidated turnover for the six months ended 30 June 2003 was approximately US\$1,440,528,000, representing an increase of approximately 26.9% as compared to approximately US\$1,135,039,000 for the same period in 2002. International transportation and logistics and container terminals together contributed approximately 90.9% of consolidated turnover during the period under review. We have been advised by the management of the Company that the increase in turnover in the first six months of 2003 was largely attributable to the recovery in freight rates and an increase in liftings as against the first half of 2002.

Profit attributable to Shareholders for the six month period ended 30 June 2003 was approximately US\$79,494,000 (equivalent to approximately US15.4 cents per Share), representing a substantial increase as against the figure of approximately US\$1,028,000 (equivalent to approximately US0.2 cents per Share) for the same period in 2002.

(b) Funding of the Share Repurchase

The total consideration required for the Share Repurchase amounts to approximately HK\$460,179,462. In addition, the estimated expenses in respect of the Share Repurchase amount to approximately HK\$7,800,000. We are advised by the Directors that the total consideration and expenses required for the Share Repurchase will be financed out of the Company's existing cash reserves. We note from the Directors that for the year ending 31 December 2003 and the year ending 31 December 2004, the Group expects to incur net capital expenditure of approximately US\$422 million and US\$424 million respectively. During the same period, the expected debt repayment will be approximately US\$211.8 million and US\$214.3 million respectively. We understand from our discussions with the Company's management that the Group has sufficient recurring income and borrowing capacity to service its anticipated capital expenditures and debt servicing requirements. We note from the letter from the Board set out in the Circular that (i) the Directors estimate that, given the cash position of the Group of approximately US\$412.4 million as at 31 December 2002, the Group will have approximately US\$352.4 million cash after Completion, which the Directors consider sufficient for its working capital requirements; and (ii) the Directors believe that the financing of the Share Repurchase will not have any material adverse impact on the financial position of the Company.

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Based on the above, we are satisfied that the Company has sufficient financial resources available to fund the Share Repurchase.

4. Financial effects of the Share Repurchase

(a) Effect on earnings per Share

The following table illustrates the pro forma earnings per Share before and after Completion:

	Year ended 31 December 2002		Six Months ended 30 June 2003	
	Before the Share Repurchase	Upon Completion	Before the Share Repurchase	Upon Completion
Total number of Shares in issue	517,141,632	470,184,544	517,141,632	470,184,544
Net earnings (US\$)	51,738,000	51,738,000	79,494,000	79,494,000
Less: interest foregone on the proceeds of the Share Repurchase (US\$) (note)		(1,007,956)		(359,984)
Add: interest income on reduced dividend (US\$) (note)		<u>7,424</u>		<u>1,775</u>
Adjusted net earnings (US\$)		50,737,468		79,135,791
Earnings per Share (US\$)	0.100	0.108	0.154	0.168
Earnings per Share enhancement		<u>8.0%</u>		<u>9.1%</u>

Note: Average yields from fixed income securities, money market instruments and term deposits were approximately 1.68% per annum for the year ended 31 December 2002 and approximately 1.2% per annum for the six months ended 30 June 2003.

Source: The Company's annual report 2002 and interim results for the six months ended 30 June 2003

As shown in the above table, on a pro forma basis, the Share Repurchase would have resulted in an enhancement in consolidated earnings per Share of approximately 8.0% for the year ended 31 December 2002 and approximately 9.1% for the six months ended 30 June 2003.

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(b) *Return on Shareholders' funds*

The following table shows an analysis of the pro forma return on Shareholders' funds before and after Completion:

	Year ended 31 December 2002		Six Months ended 30 June 2003	
	Before the Share Repurchase	Upon Completion	Before the Share Repurchase	Upon Completion
Net earnings (US\$) (note 1)	51,738,000	50,737,468	79,494,000	79,135,791
Shareholders' funds at the beginning of the period (US\$)	812,924,000	812,924,000	860,443,000	860,443,000
Adjustments for Share Repurchase (US\$)	—	(59,997,367)	—	(59,997,367)
Net interest foregone on the proceeds of the Share Repurchase (US\$) (note 2)	—	(1,000,532)	—	(1,000,532)
Reduction in dividends paid (US\$)	—	704,356	—	1,173,927
Adjusted balance at beginning of period (US\$)	812,924,000	752,630,458	860,443,000	800,619,029
Balance at the end of the period (US\$)	860,443,000	860,443,000	933,998,000	933,998,000
			<i>(note 3)</i>	<i>(note 3)</i>
Adjustments for Share Repurchase (US\$)	—	(59,997,367)	—	(59,997,367)
Net interest foregone on the proceeds of the Share Repurchase (US\$) (note 2)	—	(1,000,532)	—	(358,209)
Reduction in dividends paid (US\$)	—	1,173,927	—	1,807,848
Adjusted balance at end of period (US\$)	860,443,000	800,619,029	933,998,000	875,450,272
Adjusted average balance (US\$)	836,683,500	776,624,743	897,220,500	838,034,650
Return on Shareholders' funds	<u>6.18%</u>	<u>6.53%</u>	<u>8.86%</u>	<u>9.44%</u>

Notes:

- Please refer to paragraph (a) above for the calculation of adjusted net earnings.
- Average yields from fixed income securities, money market instruments and term deposits were approximately 1.68% per annum for the year ended 31 December 2002 and approximately 1.2% per annum for the six months ended 30 June 2003.
- Based on the interim report for the six months ended 30 June 2003 which will be issued by the Company on 8 September 2003.

Source: The Company's annual report 2002 and interim results for the six months ended 30 June 2003

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Based on the above, on a pro forma basis, for the year ended 31 December 2002, the Share Repurchase would have resulted in an enhancement in the return on Shareholders' funds from approximately 6.18% to approximately 6.53% and, for the six months ended 30 June 2003, would have resulted in an enhancement from approximately 8.86% to approximately 9.44%.

(c) *Per Share net asset value ("NAV")*

The per Share NAV set out below is based on the interim report for the six months ended 30 June 2003 which will be issued by the Company on 8 September 2003:

	Before Share Repurchase	Upon Completion
The number of Shares in issue	517,141,632	470,184,544
Unaudited adjusted NAV as at 30 June 2003 (US\$)	933,998,000	933,998,000
Less: dividend (US\$)	(19,909,953)	(18,102,105) <i>(note)</i>
Less: Share Repurchase cost and estimated related expenses (US\$)	n.a.	(59,997,367)
Adjusted NAV (US\$)	914,088,047	855,898,528
Adjusted NAV per Share (US\$)	1.768	1.820
% increase of NAV		2.94%

Note: Excluding the dividend attributable to the the Repurchase Shares.

Source: The Company's annual report 2002 and interim report for the six months ended 30 June 2003 which will be issued by the Company on 8 September 2003

Based on the above, the Share Repurchase has the effect of increasing the pro forma consolidated per Share NAV by approximately 2.94% as at 30 June 2003.

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(d) *Gearing*

The following table shows an analysis of the impact of the Share Repurchase on the gearing of the Company on a pro forma basis:

	As at 31 December 2002	Effects of the Share Repurchase	Upon Completion
Current portion of long term liabilities (US\$)	168,835,000		168,835,000
Bank overdrafts and short term loans (US\$)	44,014,000		44,014,000
Long term liabilities (US\$)	<u>682,759,000</u>		<u>682,759,000</u>
Total debt (US\$) (A)	895,608,000	—	895,608,000
Cash and cash equivalents (US\$)	<u>412,446,000</u>	(59,997,367)	<u>352,448,633</u>
Net debt (US\$) (B)	483,162,000		543,159,367
Shareholders' funds (US\$) (C)	860,443,000	(59,997,367)	800,445,633
Gross gearing (= (A)/(C))			
(= total debt/Shareholders' funds)	104%		112%
Net gearing (= (B)/(C))			
(= net debt/Shareholders' funds)	56%		68%

Source: *The Company's annual report 2002*

Based on the above, for the year ended 31 December 2002, the Share Repurchase would have the effect of increasing the pro forma gross gearing of the Company from approximately 104% to approximately 112%. The Directors have advised us that given that the gearing ratio of the Company is lower than the average gearing ratio of the Comparables, they are of the view that the Share Repurchase would not materially adversely affect the Group's borrowing capacity. In this regard, we note that the average gross gearing ratio of the Comparables is approximately 214.4% as compared to the gross gearing ratio of approximately 112% of the Company upon Completion.

(e) *Dividends*

As disclosed in the letter from the Board set out in the Circular, the Company has a policy of proposing dividends at a level which reflects the performance of the Group for the period in question but balanced by the capital needs of the Company in the light of both the then prevailing and predicted future business conditions.

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The Company paid total dividends of HK19.5 cents per Share for the year ended 31 December 2002 and HK19.5 cents per Share for the year ended 31 December 2001. On 20 August 2003, the Directors declared an interim dividend of US3.85 cents (HK30 cents at the exchange rate of US\$1:HK\$7.8) per Share payable on 26 September 2003 to Shareholders registered as at 11 September 2003. Pursuant to the Repurchase Agreements, Fortwin and Sixpence agreed that any dividends, if declared or paid after 7 August 2003, shall be for the account of the Company. Accordingly:

- 1) if Completion takes place prior to the interim dividend being paid, then as the Repurchase Shares will have been cancelled by the time of the payment of the interim dividend, Fortwin and Sixpence will not receive the interim dividend;
- 2) if the interim dividend is paid on or before Completion, the Company will pay the interim dividend in respect of the Repurchase Shares to each of Fortwin and Sixpence. On Completion, Fortwin and Sixpence will pay to the Company an amount equal to the full amount of the interim dividend paid in respect of the Repurchase Shares. However, if following the payment of the interim dividend, the Share Repurchase is not approved by at least three-quarters of the votes cast on a poll by Disinterested Shareholders or for any other reason Completion does not take place (other than as a result of breach of the Repurchase Agreements by Fortwin and Sixpence), Fortwin and Sixpence shall be entitled to retain the interim dividend paid by the Company in respect of the Repurchase Shares.

We note from the letter from the Board set out in the Circular that the Directors believe that the Share Repurchase will not materially affect the Company's ability to pay dividends, and that, barring unforeseen circumstances, the Directors do not anticipate any change to the Company's current dividend policy.

5. Effect of the Share Repurchase on the shareholding structure and listing status

Following Completion, the Repurchase Shares will be cancelled and the number of Shares in issue will be reduced from 517,141,632 to 470,184,544. The following table sets out the shareholding structure of the Company before and after Completion (assuming no sales or purchases by the Controlling Shareholders during this period):

Shareholders	Number of Shares prior to the Share Repurchase	% of the Shares in issue prior to the Share Repurchase	Number of Shares after the Share Repurchase	% of the Shares in issue after the Share Repurchase
Controlling Shareholders Fortwin Investment Limited and Sixpence Holdings Limited	378,994,456	73.29%	378,994,456	80.61%
T.R. Chang	46,957,088	9.08%	nil	nil
Nicholas D. Sims	506,390	0.10%	506,390	0.11%
Other Shareholders	46,000	0.01%	46,000	0.01%
	<u>90,637,698</u>	<u>17.52%</u>	<u>90,637,698</u>	<u>19.27%</u>
Total	<u>517,141,632</u>	<u>100.00%</u>	<u>470,184,544</u>	<u>100.00%</u>

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As shown in the above table, the interest of the Controlling Shareholders in the Company's share capital will increase from approximately 73.29% to approximately 80.61% of the Shares in issue as a result of the Share Repurchase. Given that the Controlling Shareholders already hold over 50% of the issued share capital of the Company prior to the Share Repurchase, there will be no change of control of the Company as a result of the Share Repurchase.

The Company is obliged in accordance with its Listing Agreement with the Stock Exchange to ensure that at all times at least 25% of the Company's Shares are held by the public. If upon Completion, less than 25% of the Company's Shares are held by the public, the Stock Exchange will consider the Company to be in breach of Rule 8.08 of the Listing Rules, and may take appropriate action against the Company and its Directors. We note that the Controlling Shareholders have provided written undertakings to the Company to the effect that they will take appropriate steps to ensure that at least 25% of the Company's Shares are held by the public immediately upon Completion. We understand that the Company is discussing with the Controlling Shareholders possible methods by which the Company and/or the Controlling Shareholders may restore the public float of the Company to at least 25% of the issued share capital of the Company after Completion. The Directors have confirmed to us that they will use all reasonable endeavours to ensure that any such arrangement will be done in an orderly manner to prevent any material adverse impact on the market price of the Shares. Disinterested Shareholders should be aware that there is no assurance that any such arrangement will not have an adverse impact on the Share price.

The Directors have advised us that it is their intention to maintain the listing status of the Company and there will be no material change in the management and operation of the Company immediately after Completion.

RECOMMENDATION

Having taken into account the information supplied and representations made and opinions expressed to us and the above principal factors and reasons, in particular:

- the Share Repurchase offers the Company an opportunity to purchase a significant block of Shares at a discount to the market price and avoid the potential negative effect on the Share price if Fortwin and Sixpence were to dispose of their entire shareholding in the market within a short period of time;
- the Repurchase Price reasonably reflects the recent Share price trends and represents a discount of approximately 4.4%, 16.6% and 42.0% to the closing price of the Shares of HK\$10.25, HK\$11.75 and HK\$16.90 as quoted on the Stock Exchange on the date immediately prior to the date of the Repurchase Agreements, the date of the Repurchase Agreements and the Latest Practicable Date, respectively;
- the P/E ratio and the price to book value represented by the Repurchase Price are at a discount to those of the Comparables;
- for the six months ended 30 June 2003, the Share Repurchase would have enhanced (i) the earnings per Share by approximately 9.1%; (ii) return on Shareholders' funds from approximately 8.86% to approximately 9.44%; and (iii) NAV per Share by approximately 2.94%;

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- there will be no material change in the management and operation of the Company immediately after Completion,

we are of the opinion that the terms of the Share Repurchase are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Director to recommend Disinterested Shareholders to vote in favour of the special resolution to be proposed at the SGM to approve the Share Repurchase.

Yours faithfully,
For and on behalf of
Cazenove Asia Limited
Karman Hsu
Managing Director and
Head of Corporate Finance

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after Completion are as follows:

<i>Authorised</i>		<i>US\$</i>
900,000,000	Shares	90,000,000
65,000,000	convertible redeemable preferred shares of US\$1 each	65,000,000
<u>50,000,000</u>	redeemable preferred shares of US\$1 each	<u>50,000,000</u>
		<u><u>205,000,000</u></u>
<i>Issued and to be cancelled</i>		
517,141,632	Shares in issue as at the Latest Practicable Date	51,714,163
<u>46,957,088</u>	Shares to be cancelled after Completion	<u>4,695,709</u>
<u><u>470,184,544</u></u>	Shares	<u><u>47,018,454</u></u>

On the Latest Practicable Date, a total of 517,141,632 Shares were in issue.

All the Shares in issue are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital.

There are no options, warrants or conversion rights in issue affecting the Shares.

The Company has not undertaken any re-organisation of its Share capital during the two financial years immediately preceding the announcement of the Share Repurchase.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December

	2002	2001	2000
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	2,457,952	2,378,950	2,395,160
Operating costs	<u>(2,038,912)</u>	<u>(1,913,528)</u>	<u>(1,914,394)</u>
Gross profit	419,040	465,422	480,766
Other operating income	2,822	9,641	13,526
Other operating expenses	(331,016)	(347,672)	(327,893)
Revaluation deficit of investment property	<u>—</u>	<u>(20,000)</u>	<u>—</u>
Operating profit before financing	90,846	107,391	166,399
Net financing charges	(30,634)	(45,614)	(48,246)
Share of profits less losses of jointly controlled entities	<u>2,690</u>	<u>9,312</u>	<u>13,311</u>
Profit before taxation	62,902	71,089	131,464
Taxation	<u>(10,954)</u>	<u>(9,280)</u>	<u>(18,987)</u>
Profit after taxation	51,948	61,809	112,477
Minority interests	<u>(210)</u>	<u>(522)</u>	<u>(614)</u>
Profit attributable to shareholders	51,738	61,287	111,863
Dividends	<u>(7,757)</u>	<u>(20,685)</u>	<u>(20,685)</u>
Profit after dividends	<u><u>43,981</u></u>	<u><u>40,602</u></u>	<u><u>91,178</u></u>
	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Earnings per ordinary share	<u><u>10.0</u></u>	<u><u>11.8</u></u>	<u><u>21.6</u></u>
Dividends per ordinary share	<u><u>1.5</u></u>	<u><u>4.0</u></u>	<u><u>4.0</u></u>
Final — 1999			3.0
Interim — 2000			1.0
Final — 2000		3.0	
Interim — 2001		1.0	
Final — 2001	1.5		
Interim — 2002	nil		

Final dividend of 2002 US 2.5 cents were paid in 2003.

CONSOLIDATED BALANCE SHEET*As at 31st December, 2002*

	2002	2001
	<i>US\$'000</i>	<i>US\$'000</i>
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	<u>33,243</u>	<u>54,887</u>
Non-current assets	1,539,561	1,607,355
Properties under development and for sale	64,552	17,868
Debtors and prepayments	194,361	174,591
Current portion of investments in finance leases	—	527
Portfolio investments	54,276	42,935
Bank balances and deposits	<u>336,590</u>	<u>307,008</u>
Current assets	<u>649,779</u>	<u>542,929</u>
Creditors and accruals	383,550	356,261
Current portion of long-term liabilities	168,835	133,178
Bank overdrafts and short-term loans	44,014	42,895
Current taxation	<u>3,870</u>	<u>4,311</u>
Current liabilities	<u>600,269</u>	<u>536,645</u>
Net current assets	49,510	6,284
Long-term liabilities	(682,759)	(760,386)
Other non-current liabilities	<u>(37,881)</u>	<u>(35,682)</u>
	<u>868,431</u>	<u>817,571</u>
Capital employed		
Share capital	51,714	51,714
Reserves	<u>808,729</u>	<u>761,210</u>
Shareholders' funds	860,443	812,924
Minority interests	<u>7,988</u>	<u>4,647</u>
	<u>868,431</u>	<u>817,571</u>

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 2002*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2002

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June, 2003

	2003	2002
	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	1,440,528	1,135,039
Operating costs	<u>(1,179,547)</u>	<u>(983,692)</u>
Gross profit	260,981	151,347
Other operating income	6,470	1,223
Other operating expenses	<u>(177,211)</u>	<u>(137,412)</u>
Operating profit before financing	90,240	15,158
Net financing charges	(9,685)	(16,386)
Share of profits less losses of jointly controlled entities	<u>8,138</u>	<u>5,348</u>
Profit before taxation	88,693	4,120
Taxation	<u>(9,155)</u>	<u>(2,979)</u>
Profit after taxation	79,538	1,141
Minority interests	<u>(44)</u>	<u>(113)</u>
Profit attributable to shareholders	<u><u>79,494</u></u>	<u><u>1,028</u></u>
Dividends	(19,910)	—
Profit after dividends	59,584	1,028
	<i>US cents</i>	<i>US cents</i>
Earnings per ordinary share	<u><u>15.4</u></u>	<u><u>0.2</u></u>

Interim dividend of US3.85 cents per Share declared on 20th August, 2003.

Based on the interim report to be posted to Shareholders on 8th September, 2003, the net asset value of the Group as at 30th June, 2003 was US\$933,998,000.

PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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 Group made up to 31st December. Subsidiaries are companies in which the Group has the power to exercise control governing their financial and operating policies.

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.

(d) Property, plant and equipment

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

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

The investment property, being a commercial building, is held for long-term yields and is not occupied by the Group. The investment property is carried at fair value, representing open market value determined annually based on Directors' or independent valuation. A deficit in

valuation is charged to the profit and loss account; an increase is first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter is credited to the assets revaluation reserve. Upon disposal of the investment property, any revaluation surplus is transferred to the profit and loss account.

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

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

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

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

(e) Investments

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

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

Portfolio investments comprising mainly marketable securities, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price and are

readily convertible into cash, are included in the balance sheet under current assets and are carried at their realisable values. Income from portfolio investments, together with surplus or deficit, including exchange differences, arising from the sale or revaluation is included in the profit and loss account under net financing charges.

(f) Investments in finance leases

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

(g) Leased assets

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

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

(h) Vessel repairs and surveys

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

(i) Computer software development costs

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

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

(j) Deferred expenditure

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

(k) Properties held for sale

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

(l) Provisions

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

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

(m) Cash and cash equivalents

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

(n) Deferred taxation

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

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

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

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

(o) Employee benefits

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

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

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

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

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

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

(p) Revenue recognition

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

(q) Borrowing costs

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

(r) Financial instruments

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

(s) Foreign currencies

The accounts are expressed in US dollars.

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

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

OUTSTANDING LIABILITIES

As at 30th June, 2003

	30th June, 2003 <i>US\$'000</i>	31st December, 2002 <i>US\$'000</i>
Bank overdraft:		
Secured	619	—
Unsecured	33	16
Short-term loans:		
Secured	1,718	35,998
Unsecured	<u>8,000</u>	<u>8,000</u>
Bank overdraft and short-term loans	10,370	44,014
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	<u>207,838</u>	<u>50,121</u>
Total indebtedness	<u><u>962,042</u></u>	<u><u>895,608</u></u>

In addition, the Group had the following contingent liabilities as at 30th June, 2003.

- (a) The Group has an approximately 8% equity interest in Hui Xian Holdings Limited (“Hui Xian”), which is the holding company for the Beijing Oriental Plaza in Beijing. Hui Xian has arranged bank loan facilities amounting to approximately US\$538 million in respect of which the Group has provided a proportionate guarantee. As at 30th June, 2003, approximately US\$384 million of the loan facilities had been utilised. Therefore, as at 30th June, 2003 our proportionate share of guarantee for the loan facilities and for the amount utilised were US\$43.1 million and US\$30.7 million respectively.
- (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. The Group’s share of such contingent liabilities is US\$7.2 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.

Other than set out above, the Group does not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you to make an informed decision whether to vote for or against the ordinary resolution to be proposed at the SGM to approve the grant of the repurchase mandate to the Directors.

1. LISTING RULES

The Listing Rules permit companies listed on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions. Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Bye-laws of the company and the laws of the jurisdiction in which the company is incorporated.

2. SHARE CAPITAL

The repurchase mandate relates to the granting of a general mandate to the Directors to repurchase on the Stock Exchange shares representing up to 10 per cent. of the Shares in issue immediately following Completion of the Share Repurchase.

As at the Latest Practicable Date, the issued share capital of the Company comprised 517,141,632 ordinary shares of US\$0.10 each. Upon completion of the Share Repurchase, the issued share capital of the Company will be reduced to 470,184,544 ordinary Shares.

Subject to the passing of the proposed resolution for the grant of the repurchase mandate to the Directors and on the basis that no Shares are allotted, issued or repurchased by the Company prior to the SGM, the Company will be allowed under the repurchase mandate to repurchase a maximum of 47,018,454 Shares.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase securities on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

It is envisaged that the funds required for any repurchase would be derived from the funds of the Company, legally permitted to be utilised in this connection, including capital paid up on the Shares to be repurchased, funds of the Company otherwise available for dividend or distribution or out of the proceeds of a new issue of Shares made for purposes of the repurchase, and any premium payable on repurchase shall be provided out of funds of the Company otherwise available for dividend or distribution or sums standing to the share premium account of the Company.

5. IMPACT ON WORKING CAPITAL

The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the most recently published audited financial statements contained in the annual report for the year ended 31st December, 2002) in the event that the repurchase mandate were exercised in full at any time during the proposed repurchase period.

6. DIRECTORS' INTENTION TO SELL SHARES TO THE COMPANY

None of the Directors, or to the best of their knowledge having made all reasonable enquiries, their associates have any present intention to sell any Shares to the Company or its subsidiaries under the repurchase mandate if such repurchase mandate is approved by the Shareholders.

7. EXERCISE OF POWER IN ACCORDANCE WITH LAW

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

8. CONSEQUENCES OF REPURCHASE UNDER THE TAKEOVER CODE

If on the exercise of the power to repurchase Shares pursuant to the Securities Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of shareholders interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer under the Takeover Code. As at the Latest Practicable Date, Wharncliff, Springfield, Monterrey and Gala Way beneficially owned 49.91, 10.71, 4.92 and 7.74 per cent. respectively of the issued ordinary share capital of the Company. The Directors confirm to the best of their knowledge having made all reasonable enquiries that, if the repurchase mandate were exercised in full at any time during the proposed repurchase period, it would not cause the Controlling Shareholders or other Shareholder(s), to make a mandatory offer under the Takeover Code.

9. SHARE PURCHASES MADE BY THE COMPANY

Other than the proposed Share Repurchase pursuant to the Repurchase Agreements, the Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

10. CONNECTED PERSONS

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the repurchase mandate is approved by the Shareholders.

11. ORDINARY SHARE PRICES

The highest and lowest prices at which the Shares of the Company have traded on the Stock Exchange during each of the previous twelve months were as follows:

	Ordinary Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2002		
August	3.900	3.000
September	3.575	3.375
October	3.900	3.200
November	3.850	3.700
December	3.850	3.700
2003		
January	4.100	3.800
February	4.300	3.925
March	6.650	4.175
April	7.650	5.400
May	9.400	6.200
June	10.750	8.500
July	12.000	9.900

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Share Repurchase Code for the purposes of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to Sixpence, Fortwin, their respective directors, associates, and shareholdings in the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, the opinions expressed herein have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading.

The information contained in this circular regarding Fortwin and Sixpence and their directors, associates and shareholdings in the Company has been supplied by the directors of Fortwin and Sixpence or has been extracted from or based on publicly available information or information supplied by Fortwin and Sixpence. The Directors jointly and severally accept responsibility for such information on the basis that all reasonable enquiries have been made and care taken to ensure that it has been correctly and fairly extracted from publicly available information or such other information supplied by Fortwin and Sixpence.

The issue of this circular has been approved by the Board.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the issued share capital of the Company consisted only of the Shares, and the interests and short positions of the Directors 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 SFO) as recorded in the Company's register kept under section 352 of the SFO were as shown in columns (1) to (4) below. Columns (5) and (6) show, respectively, the percentage which such shareholdings represent of the issued share capital of the Company as at the Latest Practicable Date and upon Completion:

Name	(1)	(2)	(3)	(4)	(5)	(6)
	Direct Interests	Other Interests Beneficial	Voting	Total Number of Shares Interested (in Long Position)	% of the total issued Shares as at the Latest Practicable Date	% of the total issued Shares upon Completion
C.C. Tung	—	80,835,548	298,158,908	378,994,456	73.29%	80.61%
		<i>(Note 1) (Notes 2 & 3)</i>				
Roger King	—	80,835,548	—	80,835,548	15.63%	17.19%
		<i>(Note 1)</i>				
T.R. Chang	506,390	—	—	506,390	0.098%	0.108%
Nicholas D. Sims	46,000	—	—	46,000	0.009%	0.01%

Notes:

1. C.C. Tung and Roger King have an interest in a trust which, through Springfield, holds 80,835,548 Shares. Of such Shares, Springfield has an indirect interest in 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.
2. 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, 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 and Gala Way are wholly-owned subsidiaries of Winfield Investment Limited.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors of the Company (or any persons acting in concert with the Directors) had any interest or short position in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director 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.

T.R. Chang and Nicholas D. Sims have indicated that they will vote in favour of the relevant resolution in relation to the Share Repurchase at the SGM.

During the six months prior to the date of announcement of the Share Repurchase and up to the Latest Practicable Date, the Directors have dealt in Shares details of which are set out below.

Director	Transaction Date	No. of Shares Beneficially Acquired	Price per Share
C.C. Tung/Roger King	11th February, 2003	280,000 (<i>Note 1</i>)	HK\$4.045
C.C. Tung/Roger King	13th February, 2003	100,000 (<i>Note 1</i>)	HK\$4.100
C.C. Tung/Roger King	12th May, 2003	40,051,246 (<i>Note 2</i>)	HK\$6.005

Notes:

1. These Shares were acquired by Wharnclyff. See also Note 2 above.
2. These Shares were acquired by Gala Way. See also Notes 2 and 3 above.

Save as disclosed in this circular, during the six months prior to the date of announcement of the Share Repurchase and up to Latest Practicable Date none of the Directors (or any persons acting in concert with the Directors) had dealt for value in the Shares.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 who were interested in (including short positions) 5% or more of the issued share capital of the Company were as shown in column (1) below. Columns (2) and (3) show, respectively, the percentage which such shareholdings represent of the issued share capital as at the Latest Practicable Date and upon Completion:

Name	Nature of Interest	(1) Number of Shares Interested (in Long Position)	(2) % of the total issued Shares as at the Latest Practicable Date	(3) % of the total issued Shares upon Completion
Bermuda Trust Company Limited	Trustee	378,994,456 <i>(Note 1)</i>	73.29%	80.61%
Shirley S.P. Peng	Founder of a discretionary trust	298,158,908 <i>(Note 2)</i>	57.65%	63.41%
Winfield Investment Limited	Indirect	298,158,908 <i>(Notes 2 & 3)</i>	57.65%	63.41%
Tung Holdings (Trustee) Inc.	Voting	298,158,908 <i>(Note 4)</i>	57.65%	63.41%
Wharnclyff Limited	Direct	258,107,662 <i>(Notes 2 & 5)</i>	49.91%	54.89%
C.H. Tung	Indirect	80,856,401 <i>(Note 6)</i>	15.63%	17.20%
Springfield Corporation	Direct and Indirect	80,835,548 <i>(Note 6)</i>	15.63%	17.19%
Archduke Corporation	Beneficiary of a trust	80,835,548 <i>(Note 7)</i>	15.63%	17.19%
Phoenix Corporation	Beneficiary of a trust	80,835,548 <i>(Note 7)</i>	15.63%	17.19%
Gala Way Company Inc.	Direct	40,051,246 <i>(Notes 2 & 5)</i>	7.74%	8.52%
Monterrey Limited	Direct	25,425,972 <i>(Note 8)</i>	4.92%	5.41%

Name	Nature of Interest	(1)	(2)	(3)
		Number of Shares Interested (in Long Position)	% of the total issued Shares as at the Latest Practicable Date	% of the total issued Shares upon Completion
Li Ka-shing	Settlor and founder of discretionary trusts	46,957,088 (Note 9)	9.08%	0
Li Ka-Shing Unity Trustcorp Limited	Trustee	46,957,088 (Note 10)	9.08%	0
Li Ka-Shing Unity Trustee Corporation Limited	Trustee	46,957,088 (Note 11)	9.08%	0
Li Ka-Shing Unity Trustee Company Limited	Trustee	46,957,088 (Note 12)	9.08%	0
Cheung Kong (Holdings) Limited	Indirect	46,957,088 (Note 13)	9.08%	0
Hutchison Whampoa Limited	Indirect	31,035,088 (Note 14)	6.00%	0
Hutchison International Limited	Indirect	31,035,088 (Note 15)	6.00%	0
Sixpence Holdings Limited	Direct	31,035,088	6.00%	0
Fortwin Investment Limited	Direct	15,922,000	3.08%	0

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.
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.
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 46,957,088 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 46,957,088 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 46,957,088 Shares under the SFO.
13. CKH holds 50% of the issued share capital of Sixpence and is accordingly taken to have an interest in 31,035,088 Shares in which Sixpence is interested under the SFO.

CKH indirectly holds 100% of the issued share capital of Fortwin which holds 15,922,000 Shares and is accordingly taken to have an interest in 15,922,000 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 31,035,088 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 31,035,088 Shares in which Sixpence is interested under the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, 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 share capital (including short positions) representing 5% or more of the issued share capital of the Company.

Save as disclosed in this circular, the Directors are not aware of any person, other than the persons set out above, who had, directly or indirectly, an interest in the issued share capital (including short positions) representing 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

4. DEALINGS OF THE SUBSTANTIAL SHAREHOLDERS, FORTWIN AND SIXPENCE

During the 6 months prior to the date of announcement of the Share Repurchase and up to the Latest Practicable Date, the dealings in the Shares conducted by the substantial shareholders set out above and Fortwin and Sixpence were as follows:

Shareholder	Transaction Date	No. of Shares Acquired	Price per Share
Wharnclyff	11th February, 2003	280,000	HK\$4.045
Wharnclyff	13th February, 2003	100,000	HK\$4.100
Gala Way	12th May, 2003	40,051,246	HK\$6.005

Fortwin Investment Limited

Transaction Date	No. of Shares disposed of	Price Per Share
21st May, 2003	20,000	HK\$8.690
21st May, 2003	76,000	HK\$8.650
22nd May, 2003	54,000	HK\$8.583
22nd May, 2003	414,000	HK\$8.453
28th May, 2003	64,000	HK\$9.156
2nd June, 2003	50,000	HK\$9.150
6th June, 2003	20,000	HK\$9.050
16th June, 2003	12,000	HK\$9.100
17th June, 2003	20,000	HK\$9.250
18th June, 2003	6,000	HK\$9.200
9th July, 2003	294,000	HK\$10.890
10th July, 2003	144,000	HK\$10.363
11th July, 2003	158,000	HK\$10.250
14th July, 2003	298,000	HK\$10.502
15th July, 2003	500,000	HK\$10.392
16th July, 2003	468,000	HK\$10.317
17th July, 2003	122,000	HK\$10.125
18th July, 2003	160,000	HK\$10.000
21st July, 2003	46,000	HK\$10.200
22nd July, 2003	70,000	HK\$10.000
23rd July, 2003	654,000	HK\$10.315
24th July, 2003	36,000	HK\$10.506
25th July, 2003	36,000	HK\$10.456
28th July, 2003	150,000	HK\$10.450
29th July, 2003	50,000	HK\$10.400

Sixpence Holdings Limited

Transaction Date	No. of Shares disposed of	Price Per Share
21st May, 2003	40,000	HK\$8.693
21st May, 2003	152,000	HK\$8.653
22nd May, 2003	120,000	HK\$8.650

Save as disclosed in this circular, the Directors are not aware of any other dealings for value in the Shares conducted by the Substantial Shareholders, Fortwin and Sixpence during the period beginning 6 months prior to the date of announcement of the Share Repurchase and ending with the Latest Practicable Date.

5. MARKET PRICES

- (A) The table below sets out the highest and lowest closing prices of the Shares on the Stock Exchange, with the relevant dates, for each month during the six month period immediately preceding the date of announcement of the Share Repurchase on 7th August, 2003:

	Closing price	
	Highest HK\$	Lowest HK\$
2003		
February	4.200	3.925
March	6.500	4.200
April	7.600	5.650
May	9.200	6.450
June	10.500	8.600
July	12.000	9.900
1st August to 6th August	10.700	10.250
7th August up to the Latest Practicable Date	18.150	11.750

- (B) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last Business Day of each of the six calendar months immediately preceding the date of the announcement of the Share Repurchase on 7th August, 2003 on which trading in the Shares took place and on the Latest Practicable Date:

	Closing price <i>HK\$</i>
2003	
28th February, 2003	4.150
31st March, 2003	6.100
30th April, 2003	6.350
30th May, 2003	9.000
30th June, 2003	10.500
31st July, 2003	10.800
6th August, 2003, being the last business day immediately preceding the date of the announcement of the Share Repurchase	10.250
Latest Practicable Date	16.900

6. PREVIOUS SHARE REPURCHASES AND SHARE ISSUES

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the twelve months preceding the Latest Practicable Date. During the two-year period prior to 7th August, 2003, the Company has not issued any Shares.

7. MATERIAL CHANGES

Save as disclosed in the annual report of the Group for the year ended 31st December, 2002 and the interim results announcement dated 20th August, 2003 for the six months ended 30th June, 2003, the Directors are not aware of any material changes in the financial or trading position of the Group since 31st December, 2002 (the date to which the latest published audited consolidated accounts of the Group were made up).

8. SERVICE CONTRACTS

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.

9. MATERIAL CONTRACTS

Save for the Repurchase Agreements, neither the Company nor any of its subsidiaries have entered into any material contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the announcement of the Share Repurchase.

10. CONSENTS

Cazenove has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter and the references to its name, in the form and context in which it appears.

11. QUALIFICATION

The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Cazenove Asia Limited	a deemed licensed corporation under the SFO

12. LITIGATION

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

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

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

Save as set out above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claim of material importance and, so far as the Directors are aware, no litigation or arbitration or claim of material importance is pending or threatened by or against the Company or any of its subsidiaries.

13. MISCELLANEOUS

- (A) The secretary of the Company is Ms. Lammy Lee.
- (B) The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (C) The Company's principal registrar, Butterfield Fund Services (Bermuda) Limited, is situated at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (D) The Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited is situated at 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (E) The English text of this circular and proxy form shall prevail over the Chinese text.
- (F) Save for any shareholdings which are held by Cazenove on behalf of its clients, Cazenove has no shareholding in any member of the Group and has no right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for any dealings on behalf of its clients, Cazenove has not dealt for value in the Shares during the period beginning 6 months prior to 7th August, 2003 and ending with the Latest Practicable Date.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on weekdays (Saturday and public holidays excepted) at the principal office of the Company in Hong Kong, 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong up to and including the date of the SGM (and any adjournment thereof) and will also be available at the SGM:

- (A) the Memorandum of Association and Bye-laws of the Company;
- (B) the Repurchase Agreements;
- (C) letter from the Independent Director, the text of which is set out on page 15;
- (D) the letter from Cazenove dated 29th August, 2003, the text of which is set out on pages 16 to 39 of this circular;
- (E) written consent from Cazenove Asia Limited referred to in paragraph 10 of this Appendix;
- (F) the annual reports of the Company for the year ended 31st December, 2001 and 31st December, 2002;
- (G) the service contract referred to in paragraph 8 of this Appendix;
- (H) the interim results announcement of the Company for the 6 months ended 30th June, 2003 dated 20th August, 2003; and
- (I) following despatch to Shareholders on 8th September, 2003, the interim report of the Company for the six months ended 30th June, 2003.



Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN THAT a Special General Meeting of the Company will be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 22nd September, 2003 at 11:00 a.m. for the purpose of:

1. considering and, if thought fit, passing, with or without amendments, the following resolution as a special resolution, and the voting on which will be by poll:

“THAT the share sale and purchase agreements (“Repurchase Agreements”) dated 7th August, 2003, copies of which have been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification and the details of which are set out in the circular of the Company dated 29th August, 2003, in respect of the repurchase (“Share Repurchase”) by the Company from Fortwin Investment Limited and Sixpence Holdings Limited of an aggregate of 46,957,088 shares of US\$0.10 each in the share capital of the Company at the total purchase price of HK\$460,179,462 and the transactions contemplated under the Repurchase Agreements, be and they are (subject to the Share Repurchase being approved by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director) hereby approved, confirmed, and ratified and any director of the Company (“Director”) be and is hereby authorised to take such action, do such things and execute such further documents or deeds as the Director may, in his opinion, deem necessary or desirable for the purpose of implementing or giving effect to any of the matters relating to, or incidental to, the Repurchase Agreements or the Share Repurchase.”

2. considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to completion of the Share Repurchase, a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (defined below) all the powers of the Company to purchase shares of all classes in the capital of the Company, securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities, provided however that the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to the respective

NOTICE OF SPECIAL GENERAL MEETING

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 immediately following completion of the Share Repurchase; and

(b) for the purposes of this resolution:

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

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Bermuda law or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

3. Considering and, if thought fit, passing, with or without amendments, the following resolution as a special resolution:

“**THAT** the Bye-Laws of the Company be amended in the following respects:

(a) The following new section 84A be added:

“84A. Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.”

NOTICE OF SPECIAL GENERAL MEETING

- (b) The following definition of clearing house be added after the definition of “clear days” under section 1:

“clearing house” — “a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”

By order of the Board
Lammy Lee
Secretary

Hong Kong, 29th August, 2003

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf in accordance with the Bye-laws of the Company. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney must be deposited at the principal office of the Company at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
3. A proxy form for use at the meeting is enclosed herewith.
4. The Share Repurchase amounts to an off-market share repurchase pursuant to the Hong Kong Code on Share Repurchases.