

# Report of the Directors

The Directors present their report together with the audited accounts of Orient Overseas (International) Limited (the "Company") for the year ended 31st December 2002.

## Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and jointly controlled entities are shown on pages 102 to 113.

## Group Results

The consolidated results of the Company and its subsidiaries (the "Group") and jointly controlled entities are shown on page 54.

## Dividends

The Directors have recommended a dividend in respect of the ordinary shares for the year ended 31st December 2002 of US2.5 cents (HK19.5 cents) per ordinary share to be paid on 16th May 2003 to the shareholders of the Company whose names appear on the register of members of the Company on 2nd May 2003. Shareholders who wish to receive the dividend in US Dollars should complete the US Dollars Election Form which accompanies this Annual Report and return it to the Branch Registrar on or before 9th May 2003.

## Directors

The Directors of the Company are shown on pages 39 to 41.

In accordance with the Bye-laws of the Company, Messrs Chang Tsann Rong and Nicholas David Sims, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Nicholas D Sims has a service contract with the Company which expires on 21st October 2004. There are no other service contracts between any of the Directors of the Company and the Company or any of its subsidiaries.

## Directors' and Chief Executive's Rights to Acquire Shares and Debt Securities

As at 31st December 2002, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had been granted any right to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or Chief Executive (or any of their spouses or children under 18 years of age) during the year.

## Directors' Interest

### 1. Significant Contracts

The Group continues to share the rental of offices at Harbour Centre, Hong Kong and at Shin Osaki Kangyo Building, Shinagawa-ku, Tokyo, Japan on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and Island Navigation Corporation ("INC") respectively, both owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL and INC for the year ended 31st December 2002 was approximately US\$578,000.

Except for the above (other than contracts amongst Group companies), no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

## Report of the Directors

### 2. Shares

As at 31st December 2002, Directors and their associates had the following interests in the ordinary shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance:

	Personal Interests	Family Interests	Other Interests		Total
			Beneficial	Voting Trustee	
C C Tung	—	—	80,835,548 (Note 1)	257,727,662 (Notes 2 & 3)	338,563,210
Roger King	—	—	80,835,548 (Note 1)	—	80,835,548
T R Chang	506,390	—	—	—	506,390
Nicholas D Sims	46,000	—	—	—	46,000

**Note 1:** C C Tung and Roger King have an interest in the Tung Trust which, through Springfield Corporation ("Springfield"), beneficially owns 55,409,576 ordinary shares and, through Monterrey Limited ("Monterrey"), beneficially owns 25,425,972 ordinary shares.

**Note 2:** Wharnclyff Limited ("Wharnclyff"), a company owned by a discretionary trust established by the Tung family, beneficially holds 257,727,662 ordinary shares of the Company and the voting rights in respect of such holdings are held by C C Tung through Tung Holdings (Trustee) Inc.

**Note 3:** Wharnclyff, Springfield and Monterrey together are referred to as the controlling shareholders.

## Substantial Shareholders

### 1. Shares

As at 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed the following interests being 10 per cent. or more of the Company's issued ordinary shares:

Name	Beneficially held	%
Wharnclyff Limited	257,727,662	49.84
Springfield Corporation	55,409,576	10.71

### 2. Disclosure

As at 31st December 2002, the Group had the following bank borrowings requiring the controlling shareholders of the Company to retain sufficient voting power in the Company to pass ordinary resolutions during the tenure of the respective loans.

#### Aggregate outstanding loan

amount as at 31st December 2002

Tenure

US\$216,250,000

12 years from April 1997

US\$23,541,666.67

12 years and 7 months from February 1998

## Connected Transactions

During the year, the Group companies entered into the following transactions on normal commercial terms, and in the ordinary and usual course of the Group's activities:

- 1) OOCL (Taiwan) Co, Ltd ("OTWL"), the Group's Taiwan subsidiary, has been in full operation since 1st July 2000, acting as the general agent for the carrier of the Group (the "Carrier") in Taiwan. In order to provide a stable customer familiar environment, OTWL's former sub-agent CMT International Inc. ("CMT", previously known as Chinese Maritime Transport Limited), has continued to provide office services, administrative and other supporting functions to OTWL. The aggregate amount of fees paid to CMT for these services during the year were approximately US\$483,000.
- 2) OTWL has replaced CMT in contracts for certain chassis, trucks, tractors and equipment with a company associated with Mr John Peng in Taiwan. The aggregate amount paid by the Group during the year was approximately US\$13,662,000.
- 3) There was no slot chartering on the vessels operated by CMT during the year.
- 4) There was no staff secondment between CMT and the Group during the year.
- 5) No containers were purchased by the Group from Associated Industries China, Inc. ("AIC") during the year.
- 6) Companies associated with Mr John Peng have provided the Group with services for equipment freight station depot and storage, IT support and maintenance for cranes and crew manning services in Taiwan. The aggregate amount paid by the Group during the year was approximately US\$2,572,000.

Mr John Peng is the controlling shareholder of CMT, AIC and the companies associated with Mr Peng. He is a brother-in-law of Mr C C Tung, the Chairman and Chief Executive Officer of the Company. Mr Peng's wife is the sister of the wife of Mr Roger King, who is also a Director of the Company. The above transactions therefore constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors of the Company, Mr Simon Murray and Dr Victor K Fung, have reviewed the above transactions and confirm that such transactions have complied with the conditions set by The Stock Exchange of Hong Kong Limited in 1997 in granting the waiver to the Company from the requirement of disclosure by press notice and circular to shareholders on each occasion they arise and that they were conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and also within the annual limit of 6% of the consolidated net tangible assets of the Company for the year ended 31st December 2002 and the transactions were fair and reasonable so far as the shareholders of the Company were concerned. PricewaterhouseCoopers, the Auditors, have also reviewed the transactions as disclosed above.

## Purchase, Sale or Redemption of Shares

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

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

## Report of the Directors

### Company's Compliance with Code of Best Practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report except that the non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

### Property, Plant and Equipment

Particulars of the movements in Property, Plant and Equipment are set out in note 12 to the accounts.

### Donations

Donations made by the Group during the year amount to US\$68,000.

### Annual General Meeting

The notice of Annual General Meeting is shown on pages 47 and 48. A circular which accompanies this Annual Report gives details of the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities (the "Shares") and the general mandate to authorise the repurchase of Shares (all as set out in the Notice of Annual General Meeting).

### Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**C C Tung**

*Chairman*

Hong Kong, 14th March 2003