Contents

Statement to Shareholders from the Chairman and Chief Executive Officer

The trading environment during the first half of 2004 has remained strong showing further improvements when compared with the preceding trading period. These beneficial market conditions have resulted in Orient Overseas (International) Limited and its subsidiaries (the "Group") attaining a profit before tax of US$283.3 million for the first six months of this year. After tax and minority interests a profit attributable to shareholders of US$268.4 million was recorded. At the interim stage this level of profitability constitutes a significant achievement for the Group when compared with the US$79.5 million profit attributable to shareholders recorded for the first half of 2003 and is a record level for the Group. The earnings per ordinary share of US48.4 cents compare with the earnings per ordinary share of US14 cents for the first half of 2003 when restated to account for the bonus issue made earlier this year.

DIVIDEND

The Board of Directors is pleased to announce for 2004 an interim dividend of US12 cents (HK94 cents) per ordinary share. The dividend will be paid on 17th September 2004 to those ordinary shareholders whose names appear on the register on 6th September 2004. Business forecasts for the second six months of 2004 remain equally as positive and the Board of Directors will consider a further dividend for the full year as performance and future business prospects dictate.

INTERNATIONAL CONTAINER TRANSPORT

The core international container transport business of the Group, trading under the "OOCL" name, has continued to benefit from buoyant market conditions and the sustained improvements in the trading environment over the past eighteen months. The combination of the processes of containerisation, globalisation and outsourcing of production and assembly together with strengthening global economic growth has resulted in container volumes increasing at unprecedented rates and in excess of the rate at which new tonnage has been deployed.

The US, as the world's largest economy, has almost certainly entered a cycle of sustained and sustainable recovery and its demand for ever more and better value consumer goods continues unabated. China, of course, has been the main direct recipient of this demand but, in turn, the consequent Chinese demand for raw materials and semi-finished products has had its own knock-on effect upon other regional economies. These factors have also had their effects upon the Japanese economy which, for perhaps the first time in many years, shows signs of an improving domestic sector and an overall return to a growth cycle, significant to the shipping industry in view of its tonne-mile effects. The Eurozone economies are only now showing signs of recovery but nonetheless, volume growth on the Asia to Europe routes has remained impressively robust.

We are confident therefore of our performance for the remainder of 2004, and the closer that we get the more certain we become that 2005 will see little fundamental change.

TERMINAL OPERATIONS

During the first half of 2004 our terminal operations have again enjoyed mixed fortunes although all have derived benefits from the continuing general increase in the number of container movements. Total throughput increased by 4.2% to a total of 580,807 lifts. Global Terminal in New Jersey continues to suffer from inadequate business volumes. It is however, in the process of re-establishing its customer base and an improvement in throughput is expected during the second half of 2004. At Deltaport and Vanterm in Vancouver, throughput numbers have risen 3% compared with the same period last year and average revenues per box increased slightly due mostly to the weakening US$. Howland Hook Terminal on Staten Island, New York, has continued to improve its underlying performance after many years of significant under achievement. After concluding negotiations during the first half of last year in relation to a restructured operating lease resulting in a one-off credit to profit of approximately US$14.3 million, it has this year concluded negotiations and received a government grant of US$10.4 million. On a recurrent basis this terminal has now attained sustained profitability levels.

PROPERTY INVESTMENT AND DEVELOPMENT

The Group's wholly owned and majority owned property investment and development businesses have continued to perform well in the first half of the year and once again have achieved results ahead of budget. Wall Street Plaza in New York continues to perform well and ahead of budget with its vacancy rate falling and standing at just 1.5%. The downtown Manhattan commercial property market is recovering slowly and the overall vacancy rate for Class "A" office space currently stands at 13.8%.

In Shanghai, the residential housing market has retained its strength during the first half of the year and the sales price of our Century Metropolis units remained firm. Our Changle Lu project in the Luwan district of Shanghai is progressing as planned and we continue to monitor the market closely and endeavour to position our portfolio against any volatility in the marketplace. Our current projects remain soundly positioned and we remain committed to building a long-term development and investment real estate business in Shanghai and beyond. In this respect a number of further projects are under evaluation and are at various stages of negotiation.

The performance of Beijing Oriental Plaza and its prospects are expected to show further improvements as higher occupancy levels at increased rates under renewed leases begin to have their effects.

OUTLOOK

At this time last year the outlook remained somewhat uncertain with doubt being cast on the sustainability of the US economy and on the general state of health of the global economy as a whole. However, the strong growth in container volumes continued into the second half of 2003 and through into the first half of 2004. At the time of writing there are few if any signs of this growth abating. The unrelenting processes of containerisation and globalisation continue and the levels of global consumer demand for goods sourced from China and the Far East remain stronger than have been forecast and, in turn, China's demand for raw materials and semi-finished goods will remain strong for the foreseeable future. Despite the large orderbook for new container ships, which it must always be remembered presently covers almost a four year period rather than the historical two years, the rate by which container volumes are growing continues its tendency to exceed forecasts. We do however, expect temporary freight rate fluctuations as a result of the bunching of new building delivery dates across the industry sector as a whole. The delivery schedule for new tonnage is not an even one and the consequent step increases in available tonnage may serve to push spot freight rates slightly lower. Barring these short term variations however, and any unforeseen political disruption the long term outlook for the industry remains positive.

I always hesitate to make predictions but, at present, there are no signs of any change to the fundamental supply and demand balance. The unprecedented length of the shipyard orderbook, which fixes the supply of new tonnage capacity into what is now possibly 2008, and the demand side strength in container volume growth give us confidence as we move towards and into 2005. However, the current steady increase in demand and volume growth is already placing considerable strain upon the land based infrastructure. In the USA and Europe especially, terminal operations are finding it difficult to cope with this volume growth and congestion, delay and increased costs are the result. This is exacerbated by road and rail deficiencies to the extent that without further significant investment in this shore based infrastructure, which must begin now, the pressure upon the whole supply chain will only continue to increase.

I cannot finish without sounding a note of caution arising from the recent record levels reached by oil prices. Whilst these may well be influenced by shorter term concerns over security issues and potential disruption to Russian sourced supplies, it is the presently high global demand for oil which has been fundamentally the driver behind these record prices. There is debate as to whether OPEC members, and Saudi Arabia in particular, can or cannot raise production to meet this demand but, if sustained and without corresponding increases in production, it can only be detrimental to overall levels of economic growth and with the potential to significantly slow the growth in container volumes from the levels to which we have lately become accustomed.

C C Tung
Chairman and Chief Executive Officer

Hong Kong, 6th August 2004

Management Discussion and Analysis

ANALYSIS OF RESULTS

For the first six months of 2004 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders of US$268.4 million. This compares with a profit attributable to shareholders of US$79.5 million for the corresponding period of 2003. This substantial further improvement in overall performance has been due almost entirely to the continued strong performance of Orient Overseas Container Line ("OOCL"), the Group's core international container transport business. This in turn, has been the result of both the continuing strength in the growth of container volumes and a solid level of freight rates resulting from the sustained favourable balance between the rates of growth of container volumes carried and the introduction of new tonnage into service.

Group turnover for the six months ended 30th June 2004 was US$1,889 million, an increase of US$449 million as compared with the corresponding period of 2003. Profit before tax for the first half of 2004 was US$283.3 million compared with US$88.7 million for the same period last year.

	CURRENT QUARTER			YEAR-TO-DATE		
	Q2 2004	Q2 2003	*change*	**1H 2004**	1H 2003	*change*
LIFTINGS *(TEU'S)* :						
Trans-Pacific	**251,238**	215,619	*+ 16.5%*	**479,681**	409,356	*+ 17.2%*
Asia / Europe	**134,633**	94,222	*+ 42.9%*	**253,027**	186,755	*+ 35.5%*
Transatlantic	**79,464**	72,079	*+ 10.2%*	**151,442**	134,139	*+ 12.9%*
Intra-Asia / Australasia	**358,140**	282,724	*+ 26.7%*	**665,273**	515,016	*+ 29.2%*
TOTAL ALL SERVICES	**823,475**	664,644	*+ 23.9%*	**1,549,423**	1,245,266	*+ 24.4%*
TOTAL REVENUES *(US$000'S)* :						
Trans-Pacific	**385,325**	312,023	*+ 23.5%*	**720,490**	561,058	*+ 28.4%*
Asia / Europe	**182,828**	123,642	*+ 47.9%*	**338,072**	231,502	*+ 46.0%*
Transatlantic	**100,398**	88,982	*+ 12.8%*	**191,647**	157,744	*+ 21.5%*
Intra-Asia / Australasia	**206,494**	146,266	*+ 41.2%*	**377,643**	269,921	*+ 39.9%*
TOTAL ALL SERVICES	**875,045**	670,913	*+ 30.4%*	**1,627,852**	1,220,225	*+ 33.4%*

ORIENT OVERSEAS CONTAINER LINE

OOCL's total liftings increased by 24.4% for the first half of 2004 as compared with the same period last year. This rate of increase is higher than the 15.1% recorded for the first half of 2003, and, coupled with this year's overall increase in average revenues per TEU, has resulted in a 33.4% rise in total revenues recorded by the core container business to US$1,627 million. Average rates per TEU have continued their recovery and recorded a 7.2% increase as compared with the same period last year. The deployment during the first half of this year of four of our total series of twelve 8,063 TEU "SX" Class newbuildings resulted in a 21.1% increase in loadable capacity. However, and despite this significant increase in fleet size, the strength in volume growth has been such that overall load factors improved as compared with the first half of 2003.

Compared with the corresponding period last year, liftings increased by 17.2% on our Trans-Pacific services, by 35.5% on our Asia to Europe services and by 12.9% on our Transatlantic services. For our Intra-Asia and Australasia services the increase was 29.2%.

In the pursuit of improved operational efficiency, the continued tight control over costs together with the ongoing investment in IT capabilities have also resulted in benefits. Business and administration costs have continued to fall as a percentage of revenues as they have on a per TEU basis and container volumes handled per staff member have risen by nearly 16% when compared with the same period last year. In total, an overall reduction in fixed costs has been achieved of 7.7% on a per TEU basis whereas variable costs on the same basis fell by 1.2%.

Our two container terminals in the Port of Vancouver and the two in the Port of New York and New Jersey in total recorded a 4.3% increase in throughput for the first six months of 2004. Together with a 5.5% increase in revenues per unit, profit before tax on a recurrent basis increased to US$9.1 million from the US$5.7 million recorded for the same period last year. Deltaport and Vanterm in Vancouver achieved a total throughput of 372,261, in terms of containers actually lifted, representing a 3% increase over the comparable figure for 2003. Global Terminal in New Jersey remains in the process of attempting to rebuild its customer base. Only modest success has been achieved thus far and the business remains operating at significantly below full capacity although achieving an approximately break even result. New business secured from the second half of this year onwards, however, will result in a substantial improvement in underlying performance. Our terminal on Staten Island, New York, to operate in the future under the new name of New York Container Terminal Inc., has enjoyed another successful first half in terms of its bottom line performance achieving a pre-tax profit of US$2.3 million on a recurrent basis. It was also in receipt of an Economic Development Council grant of US$10.4 million in connection with its terminal business. This one-off credit results in a profit before tax of US$20 million for these terminal operations as a whole for the first half of 2004.

Wall Street Plaza, our investment property in the city of New York, has produced a result ahead of budget for the period aided by lower than forecast operating and interest costs. It has been successful in reducing its vacancy rate down to just 1.5%, against 2.8% at this stage last year, which compares very favourably with the 13.8% for Downtown Manhattan Class "A" buildings as a whole. Our property development projects in Shanghai have recorded profits ahead of budget as a result of a strong sales performance both in terms of price and the speed of sales. Handover procedures of Phase 2A of Century Metropolis began during the first quarter of 2004 and we expect that these will be completed during the remainder of this year. Sales of Phase 2B units, totalling 59,000 sq.m., also started during the first half of 2004 and are continuing at a level better than that forecast. We expect handover of Phase 2B to take place during 2005. The Changle Lu Project, which totals 135,000 sq.m. in the Luwan District of Shanghai, is progressing in both planning and resettlement. We forecast that excavation will commence in 2005. During the first half of 2004, we successfully completed the purchase of a site in Hua Qiao township, Kunshan, Jiangsu Province, about 45 minutes from central Shanghai. The project will be primarily a residential one with a total floor area of approximately 200,000 sq.m. We expect to begin excavations in 2005. Discussions with the relevant authorities continue on other projects in the area and we continue to seek further real estate development and investment opportunities with the objectives of developing our expertise further and reinforcing our brandname and track record in and around the Greater Shanghai area.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2004, the Group had cash, bond and portfolio investment balances of US$916.3 million and a total indebtedness of US$1,287 million. The net debt to equity ratio stood at just 0.25: 1, down from the 0.38:1 as at the end of 2003. Various options are under assessment with regard to this balance of liquidity.

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

VESSELS

During the first half of 2004 the Group took delivery of four "SX Class" 8,063 TEU newbuildings, the *OOCL Rotterdam, OOCL Hamburg, OOCL Qingdao* and the *OOCL Ningbo*. As at 30th June 2004 the Group remains committed to six other "SX Class" vessels of 8,063 TEU, two for delivery in each of 2005, 2006 and 2007. It also remains committed to eight 5,888 TEU vessels under long-term charter arrangements from Japanese owners the delivery of which will take place from late 2005 into early 2007. These new vessels in total, serve to satisfy the projected capacity needs of our international container transport business for the foreseeable future. Nevertheless, the size and composition of the fleet is kept under constant review. Adequate resources have been reserved to ensure that the delivery of these vessels does not impose any undue financial burden upon the Group as a whole.

OTHER SIGNIFICANT INVESTMENTS

The Group continues to hold an 8% interest in the "Beijing Oriental Plaza" project in Beijing. The project is now complete. As at 30th June 2004, the Group's total investment in this project amounted to US$93.6 million and no further investment will be required.

CURRENCY EXPOSURE AND RELATED HEDGES

The Group's principal income is mainly comprised of freight revenues, receipts from terminal operations and rental income from the investment properties all of which is denominated in US dollars. Over 63% of cost items is also US dollar based. Certain costs, such as terminal charges, transportation charges and administrative expenses for regional offices, were expended in domestic currencies. The Group's policy is to hedge the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

Over 95% of the Group's total liabilities are denominated in US dollars. The non-US dollar denominated liabilities were backed by an equivalent value of assets denominated in the respective local currency. Consequently, the risk of currency fluctuations affecting the Group's debt profile is effectively mitigated.

EMPLOYEE INFORMATION

As at 30th June 2004, the Group worldwide employed a total staff of approximately 5,397. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary bonuses, education assistance and medical & dental schemes. The Group also provides in-house training programmes and external training sponsorships.

Other Information

DIVIDEND

The Directors are pleased to announce an interim dividend of US12 cents (HK94 cents) per ordinary share in view of the six months performance. The dividend will be paid on 17th September 2004 to the ordinary shareholders whose names appear in the register on 6th September 2004. For shareholders who wish to receive the dividend in US dollars, the election form, which accompanies this Interim Report, should be completed and returned to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 10th September 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 3rd September 2004 to 6th September 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, not later than 4:00 p.m. on 2nd September 2004.

DIRECTORS' INTERESTS

As at 30th June 2004, the issued share capital of the Company (the "Issued Capital") consisted of ordinary shares (the "Shares") and the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the Company's register kept under Section 352 of the SFO were as follows:

		Other Interests		Total Number of Shares Interested (in Long	
Name	**Direct Interests**	**Beneficial**	**Voting**	**Position)**	**%**
C C Tung	—	88,919,102 *(Note 1)*	296,777,798 *(Notes 2&3)*	385,696,900	67.79%
Roger King	—	88,919,102 *(Note 1)*	—	88,919,102	15.62%
T R Chang	557,029	—	—	557,029	0.09%
Nicholas D Sims	50,600	—	—	50,600	0.01%
Philip Y W Chow	66,000	—	—	66,000	0.01%

Notes:

1. Mr C C Tung and Mr Roger King have an interest in a trust which, through Springfield Corporation ("Springfield"), holds 88,919,102 Shares. Of such Shares, Springfield has an indirect interest in 27,968,569 Shares in which Monterrey Limited ("Monterrey"), a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 60,950,533 Shares.

2. Wharncliff Limited ("Wharncliff"), a company owned by a discretionary trust established by Mrs Shirley S P Peng, a sister of Mr C C Tung and sister-in-law of Mr Roger King, holds 252,721,428 Shares and the voting rights in respect of such holdings are held by Mr C C Tung through Tung Holdings (Trustee) Inc. Gala Way Company Inc. ("Gala Way"), a company owned by the discretionary trust established by Mrs Shirley S P Peng, holds 44,056,370 Shares and the voting rights in respect of such holdings are held by Mr C C Tung through Tung Holdings (Trustee) Inc.

3. Wharncliff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.

Save as disclosed above, as at 30th June 2004, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares and underlying Shares of the Company or any of its associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or the Chief Executive is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Appendix 10 - Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

1. SHARES

As at 30th June 2004, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO and so far as is known to the Directors, the following persons (other than a Director or Chief Executive of the Company) were interested in the Issued Capital (including short positions) representing 5% or more of the Issued Capital:

Name	Nature of Interest	Number of Shares Interested (in Long Position)	%
Bermuda Trust Company Limited	Trustee	385,696,900 *(Note 1)*	67.79%
Shirley S P Peng	Founder of a discretionary trust	296,777,798 *(Note 2)*	52.16%
Fortune Crest Inc.	Indirect	296,777,798 *(Note 2)*	52.16%
Winfield Investment Limited	Indirect	296,777,798 *(Notes 2&3)*	52.16%
Tung Holdings (Trustee) Inc.	Voting	296,777,798 *(Note 4)*	52.16%
Wharncliff Limited	Direct	252,721,428 *(Notes 2&5)*	44.42%
C H Tung	Indirect	88,942,040 *(Note 6)*	15.63%
Springfield Corporation	Direct and Indirect	88,919,102 *(Note 6)*	15.62%
Archduke Corporation	Beneficiary of a trust	88,919,102 *(Note 7)*	15.62%
Phoenix Corporation	Beneficiary of a trust	88,919,102 *(Note 7)*	15.62%
Archmore Limited	Beneficiary of a trust	88,919,102 *(Note 8)*	15.62%
Edgemont Investment Limited	Indirect	88,919,102 *(Note 9)*	15.62%
Javier Associates Limited	Indirect	88,919,102 *(Note 10)*	15.62%

Name	Nature of Interest	Number of Shares Interested (in Long Position)	%
Gala Way Company Inc.	Direct	44,056,370 *(Notes 2&5)*	7.74%
Monterrey Limited	Direct	27,968,569 *(Note 11)*	4.91%

Notes:

1. Bermuda Trust Company Limited has an indirect interest in the same Shares in which Fortune Crest Inc. ("Fortune Crest") and Springfield, wholly-owned subsidiaries of Bermuda Trust Company Limited, have an interest.

2. Mrs Shirley S P Peng, a sister of Mr C C Tung and sister-in-law of Mr Roger King, established the discretionary trust which, through Winfield Investment Limited ("Winfield"), a wholly-owned subsidiary of Fortune Crest, holds 296,777,798 Shares, 252,721,428 of which are owned by Wharncliff, a wholly-owned subsidiary of Winfield, and 44,056,370 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 Wharncliff and Gala Way, wholly-owned subsidiaries of Winfield, have an interest.

4. Tung Holdings (Trustee) Inc. is a company wholly-owned by Mr C C Tung.

5. Wharncliff and Gala Way are wholly-owned subsidiaries of Winfield.

6. Mr C H Tung, a brother of Mr C C Tung and brother-in-law of Mr Roger King, has an interest in the trust which, through Springfield, holds 88,919,102 Shares. Of such Shares, Springfield has an indirect interest in the same 27,968,569 Shares in which Monterrey, a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 60,950,533 Shares. Mrs Betty Tung, the spouse of Mr C H Tung, owns 22,938 Shares.

7. Archduke Corporation and Phoenix Corporation, companies which are wholly-owned by Mr C C Tung, have an interest in the trust which, through Springfield, holds 88,919,102 Shares.

8. Archmore Limited, a company which is wholly-owned by Edgemont Investment Limited ("Edgemont"), has an interest in the trust which, through Springfield, holds 88,919,102 Shares.

9. Edgemont has an indirect interest in the same Shares in which Archmore Limited, a wholly-owned subsidiary of Edgemont, has an interest.

10. Javier Associates Limited ("Javier"), a company which is wholly-owned by Mr C C Tung, has an indirect interest in the same Shares in which Edgemont, a wholly-owned subsidiary of Javier, has an interest.

11. Monterrey is a wholly-owned subsidiary of Springfield.

Save as disclosed herein, as at 30th June 2004, no other person was recorded in the Company's register kept pursuant to Section 336 of the SFO as having an interest in the Issued Capital (including short positions) representing 5% or more of the Issued Capital.

Save as disclosed herein, the Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforementioned, who had, directly or indirectly, an interest in the Issued Capital (including short positions) representing 5% or more of the Issued Capital as at 30th June 2004.

2. DISCLOSURE

As at 30th June 2004, the Group had the following bank borrowings requiring the controlling shareholders of the Company to retain sufficient voting power in the Company to pass ordinary resolutions during the tenure of the respective loans.

Aggregate outstanding loan amount as at 30th June 2004	**Tenure**
US$182,750,000	12 years from April 1997
US$19,341,666.66	12 years and 7 months from February 1998

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

As at 30th June 2004, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had been granted any rights to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or Chief Executive (or any of their spouses or children under 18 years of age) during the six-month period ended 30th June 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six-month period ended 30th June 2004.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

During the accounting period covered by this Interim Report, the number of issued ordinary shares of the Company was increased from 470,184,544 shares to 568,902,998 shares following the completion of (i) the placing of 47,000,000 new ordinary shares of US$0.10 each ("Placing Shares") at an issue price of HK$25.75 per share for cash in February 2004; and (ii) the allotment and issue of new ordinary shares of the Company on the basis of one (1) new share of US$0.10 for every ten (10) issued ordinary shares ("Bonus Shares") in May 2004. The Placing Shares and the Bonus Shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

The board lot size of the issued ordinary shares of the Company for trading on the Stock Exchange was changed from 2,000 shares to 1,000 shares with effect from 15th April 2004.

CORPORATE GOVERNANCE

Compliance With the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not, in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules, during the accounting period covered by this Interim Report except that the Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws.

Audit Committee

The Company has set up an Audit Committee with written terms of reference, comprising three Independent Non-executive Directors of the Company, namely Dr Victor Fung (Chairman), Mr Simon Murray and Prof Richard Wong. The Audit Committee meets not less than twice a year to review and supervise the Company's financial reporting process and internal controls. A meeting of the Audit Committee was held on 2nd August 2004 to review the Group's interim results for the period ended 30th June 2004 before they were presented to the Board of Directors for approval.

Adoption of Code of Conduct regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code of Appendix 10 of the Listing Rules. The Directors have complied with such code of conduct throughout the accounting period covered by this Interim Report.

Review Report of the Auditors

To the Board of Directors of
Orient Overseas (International) Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the financial information set out on pages 18 to 30.

Respective responsibilities of Directors and Auditors

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

It is our responsibility to form an independent conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

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

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial information for the six months ended 30th June 2004.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6th August 2004

Financial Statements

Consolidated Profit and Loss Account

For The Six Months Ended 30th June 2004

US$'000	Note	2004	2003
Turnover	2	**1,889,292**	1,440,528
Operating costs		**(1,391,364)**	(1,179,547)
Gross profit		**497,928**	260,981
Other operating income		**5,268**	6,470
Other operating expenses		**(210,680)**	(177,211)
Operating profit before financing	3	**292,516**	90,240
Net financing charges	5	**(11,084)**	(9,685)
Share of profits less losses of jointly controlled entities		**1,879**	8,138
Profit before taxation		**283,311**	88,693
Taxation	6	**(14,782)**	(9,155)
Profit after taxation		**268,529**	79,538
Minority interests		**(83)**	(44)
Profit attributable to shareholders		**268,446**	79,494
		US cents	US cents
Earnings per ordinary share	7	**48.4**	14.0

Consolidated Balance Sheet

As At 30th June 2004

US$'000	Note	**30th June 2004**	31st December 2003
Property, plant and equipment	14	**1,891,098**	1,579,798
Jointly controlled entities		**24,786**	24,298
Long-term investments		**97,749**	99,218
Intangible assets	14	**30,439**	29,817
Other non-current assets		**35,170**	36,907
Non-current assets		**2,079,242**	1,770,038
Properties under development and for sale		**84,005**	78,224
Debtors and prepayments	9	**277,716**	246,644
Portfolio investments		**117,921**	108,165
Bank balances and deposits		**777,367**	551,839
Current assets		**1,257,009**	984,872
Creditors and accruals	10	**522,694**	486,244
Current portion of long-term liabilities	11	**197,128**	218,527
Bank overdrafts and short-term loans		**12,366**	38,958
Current taxation		**4,865**	3,159
Current liabilities		**737,053**	746,888
Net current assets		**519,956**	237,984
Long-term liabilities	11	**(1,077,487)**	(840,677)
Other non-current liabilities		**(49,046)**	(48,741)
		1,472,665	1,118,604
Capital employed			
Share capital	12	**56,890**	47,018
Reserves	13	**1,408,033**	1,063,736
Shareholders' funds		**1,464,923**	1,110,754
Minority interests		**7,742**	7,850
		1,472,665	1,118,604

Consolidated Cash Flow Statement

For The Six Months Ended 30th June 2004

US$'000	2004	2003
Cash flows from operating activities		
Cash generated from operations	**347,177**	145,038
Interest paid	**(8,747)**	(7,762)
Interest element of finance lease rental payments	**(8,527)**	(7,188)
Dividend on preference shares	**(6,512)**	(6,303)
Financing charges paid	**(1,128)**	(1,065)
Overseas tax paid	**(12,433)**	(4,774)
Net cash from operating activities	**309,830**	117,946
Cash flows from investing activities		
Sale of property, plant and equipment	**4,242**	57,266
Sale of long-term investments	**4,568**	531
Sale of a jointly controlled entity	**1,765**	—
Purchase of property, plant and equipment	**(147,486)**	(50,346)
Purchase of long-term investments	**(23)**	(59)
Purchase of a jointly controlled entity	**(98)**	—
Decrease/(increase) in amounts due by jointly controlled entities	**280**	(1,565)
(Increase)/decrease in bank deposits maturing more than three months from the date of placement	**(1,134)**	6,043
Purchase of intangible assets	**(5,653)**	(9,331)
Interest received	**12,276**	8,990
Long-term investment income	**19**	—
Portfolio investment income	**1,223**	2,723
Dividend received from jointly controlled entities	**91**	—
Net cash (used in)/from investing activities	**(129,930)**	14,252
Cash flows from financing activities		
New long-term loans	**154,571**	49,284
Repayment of long-term loans	**(134,267)**	(99,305)
Capital element of finance lease rental payments	**(26,592)**	(18,474)
Decrease in short-term loans repayable more than three months from the date of advance	**(12,212)**	(3,878)
Issue of shares	**152,945**	—
Dividends paid to shareholders	**(66,231)**	(12,929)
Dividends paid to minority interests	**(191)**	(249)
Net cash from/(used in) financing activities	**68,023**	(85,551)
Net increase in cash and cash equivalents	**247,923**	46,647
Cash and cash equivalents at beginning of period	**644,818**	355,498
Changes in exchange rates	**837**	(4,958)
Cash and cash equivalents at end of period	**893,578**	397,187
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	**776,327**	336,687
Portfolio investments	**117,921**	61,152
Overdrafts and bank loans repayable within three months from the date of advance	**(670)**	(652)
	893,578	397,187

Consolidated Statement of Changes in Equity

For The Six Months Ended 30th June 2004

US$'000	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Asset revaluation reserve	Retained profit	Total
At 31st December 2003	47,018	35,073	4,696	88,547	9,948	925,472	1,110,754
Changes in exchange rates	—	—	—	—	—	(991)	(991)
Issue of new shares	4,700	148,245	—	—	—	—	152,945
Bonus issue	5,172	(5,172)	—	—	—	—	—
Profit for the period	—	—	—	—	—	268,446	268,446
Dividend (note 8)	—	—	—	—	—	(66,231)	(66,231)
At 30th June 2004	56,890	178,146	4,696	88,547	9,948	1,126,696	1,464,923
At 31st December 2002	51,714	35,073	—	148,286	9,948	615,422	860,443
Changes in exchange rates	—	—	—	—	—	6,990	6,990
Profit for the period	—	—	—	—	—	79,494	79,494
Dividend (note 8)	—	—	—	—	—	(12,929)	(12,929)
At 30th June 2003	51,714	35,073	—	148,286	9,948	688,977	933,998

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, and in conformity with Hong Kong Financial Reporting Standards.

The accounting policies adopted for the preparation of these accounts are consistent with those described in the 2003 Annual Accounts.

2. Turnover

US$'000	2004	2003
Container transport and logistics		
Asia	**1,219,351**	882,321
North America	**275,167**	226,402
Europe	**222,766**	179,613
Australia	**28,914**	20,940
	1,746,198	1,309,276
Container terminals		
North America	**131,416**	121,707
Property investment and development		
North America	**10,748**	9,545
Asia	**930**	—
	1,889,292	1,440,528

The principal activities of the Group are container transport, container terminals, property investment and development.

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

Freight revenues from container transport are analysed based on the outbound cargoes of each geographical territory.

3. Operating Profit Before Financing

US$'000	2004	2003
Container transport and logistics	**271,486**	66,965
Container terminals	**21,936**	22,869
Property investment and development	**5,013**	3,850
Others	**99**	966
	298,534	94,650
Corporate services	**(6,018)**	(4,410)
	292,516	90,240

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

4. Operating Profit

US$'000	2004	2003
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	**10,748**	9,545
Profit on disposal of long-term investments	**2,959**	—
Profit on disposal of a jointly controlled entity	**770**	—
Profit on disposal of property, plant and equipment	**1,333**	564
Reduction in terminal lease rental payments	—	14,254
and after charging:		
Depreciation		
Owned assets	**43,613**	30,675
Leased assets	**24,883**	21,816
Operating lease rental expense		
Vessels and equipment	**172,757**	177,313
Land and buildings	**13,816**	12,500
Amortisation of intangible assets	**5,027**	6,916

5. Net Financing Charges

US$'000	**2004**	2003
Interest expense	**(17,226)**	(16,300)
Amount capitalised under assets	**1,004**	1,391
Interest income	**8,272**	7,076
Net interest expense	**(7,950)**	(7,833)
Dividend on preference shares		
(note 26 to the 2003 Annual Accounts)	**(3,229)**	(3,510)
Financing charges	**(1,128)**	(1,065)
Portfolio investment income	**1,223**	2,723
	(11,084)	(9,685)

6. Taxation

US$'000	**2004**	2003
Current (overseas)		
Company and subsidiaries	**(12,282)**	(3,794)
Jointly controlled entities	**(122)**	(1,773)
	(12,404)	(5,567)
Deferred		
Company and subsidiaries	**(2,378)**	(3,588)
	(14,782)	(9,155)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the period. These rates range from 10% to 53% and the rate applicable for Hong Kong profits tax is 17.5% (2003: 17.5%).

7. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US$268.4 million (2003: US$79.5 million) and the weighted average of 554.7 million ordinary shares (2003: 568.9 million ordinary shares after adjusting for the bonus issue) in issue during the period.

8. Dividend

US$'000	**2004**	2003
Final dividend in respect of 2003 of US11.64 cents (2002: US2.27 cents) after adjusting for the bonus issue per ordinary share	**66,231**	12,929

The Board of Directors declares an interim dividend of US12.00 cents per ordinary share for 2004 (2003: US3.50 cents after adjusting for the bonus issue).

9. Debtors and Prepayments

US$'000	**30th June 2004**	31st December 2003
Trade debtors	**157,277**	115,650
Other debtors	**21,228**	26,901
Prepayments	**48,699**	48,611
Utility and other deposits	**18,390**	29,126
Bunker	**28,166**	24,257
Tax recoverable	**3,956**	2,099
	277,716	246,644

As described in note 20 to the 2003 Annual Accounts, the Group has assigned and sold certain trade receivables to Rhino and TAPCO (as defined) respectively. Trade debtors of the Group includes the following trade receivables:

US$'000	**30th June 2004**	31st December 2003
Gross trade receivables assigned to Rhino	**193,227**	164,067
Less non-returnable proceeds received from TAPCO	**(99,500)**	(99,500)
	93,727	64,567

9. **Debtors and Prepayments** (continued)

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade debtors, including those assigned to Rhino but net of provisions for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows:

US$'000	**30th June 2004**	31st December 2003
Below one month	**235,754**	194,084
Two to three months	**18,214**	19,575
Four to six months	**2,560**	1,162
Over six months	**249**	329
	256,777	215,150

10. **Creditors and Accruals**

US$'000	**30th June 2004**	31st December 2003
Trade creditors	**146,731**	141,199
Other creditors	**26,721**	30,877
Accrued operating expenses	**299,887**	278,095
Deferred revenue	**49,355**	36,073
	522,694	486,244

10. Creditors and Accruals (continued)

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

US$'000	30th June 2004	31st December 2003
Below one month	**105,141**	82,741
Two to three months	**35,250**	52,559
Four to six months	**3,361**	2,402
Over six months	**2,979**	3,497
	146,731	141,199

11. Long-term Liabilities

US$'000	30th June 2004	31st December 2003
Bank loans		
Secured	**641,956**	594,334
Unsecured	**28,214**	51,405
Other loans wholly repayable within five years		
Secured	**11,406**	15,541
Unsecured	**2,432**	2,580
Finance lease obligations		
Wholly payable within five years	**157,534**	190,317
Not wholly payable within five years	**433,073**	205,027
	1,274,615	1,059,204
Current portion included in current liabilities	**(197,128)**	(218,527)
	1,077,487	840,677

12. Share Capital

US$'000	**30th June 2004**	31st December 2003
Authorised:		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000
Issued and fully paid:		
568,902,998 (2003: 470,184,544) ordinary shares of US$0.10 each	**56,890**	47,018

The Company allotted and issued 47,000,000 new ordinary shares of US$0.10 each under a placing agreement dated 13th February 2004 at an issue price of HK$25.75 per share for cash to be used for working capital and general corporate purposes of the Company.

By an ordinary resolution passed on 27th April 2004, the issued share capital was increased by way of a bonus issue by applying US$5,171,845 charging to the share premium account in payment in full at par of 51,718,454 shares of US$0.10 each on the basis of one new share for every ten shares held on 27th April 2004.

All the new shares rank pari passu with the existing shares.

13. Reserves

US$'000	**30th June 2004**	31st December 2003
Share premium	**178,146**	35,073
Capital redemption reserve	**4,696**	4,696
Contributed surplus	**88,547**	88,547
Asset revaluation reserve	**9,948**	9,948
Retained profit	**1,126,696**	925,472
	1,408,033	1,063,736

14. Capital Expenditure

US$'000	Intangible assets	Property, plant and equipment	Total
At 31st December 2003	29,817	1,579,798	1,609,615
Changes in exchange rates	(4)	(3,831)	(3,835)
Additions	5,653	386,536	392,189
Disposals	—	(2,909)	(2,909)
Depreciation and amortisation	(5,027)	(68,496)	(73,523)
At 30th June 2004	30,439	1,891,098	1,921,537
At 31st December 2002	27,541	1,342,438	1,369,979
Changes in exchange rates	288	13,334	13,622
Additions	9,331	218,918	228,249
Disposals	—	(56,702)	(56,702)
Depreciation and amortisation	(6,916)	(52,491)	(59,407)
At 30th June 2003	30,244	1,465,497	1,495,741

15. Commitments

(a) Capital commitments

US$'000	**30th June 2004**	31st December 2003
Contracted but not provided for	**586,689**	653,597
Authorised but not contracted for	**278,529**	214,770
	865,218	868,367

The contracted commitments as at 30th June 2004 include the balance of the purchase cost of six 8,063 TEU container vessels (2003: ten 8,063 TEU container vessels) to be delivered between 2005 to 2007.

15. Commitments (continued)

(b) Operating lease commitments

The future aggregate minimum lease rental expense under non-cancellable operating leases are payable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2004			
2004/05	258,497	40,396	298,893
2005/06	222,284	33,245	255,529
2006/07	168,294	30,662	198,956
2007/08	161,500	30,216	191,716
2008/09	155,530	29,295	184,825
2009/10 onwards	921,231	376,673	1,297,904
	1,887,336	540,487	2,427,823
As at 31st December 2003			
2004	219,425	41,487	260,912
2005	174,986	36,280	211,266
2006	165,582	31,653	197,235
2007	159,902	31,062	190,964
2008	161,857	30,060	191,917
2009 onwards	995,849	413,386	1,409,235
	1,877,601	583,928	2,461,529

16. Contingent Liabilities

Guarantees in respect of loan facilities given for:

	Facilities		Utilised	
US$'000	**30th June 2004**	31st December 2003	**30th June 2004**	31st December 2003
Hui Xian (as defined in note 15 to the 2003 Annual Accounts)	**22,000**	22,000	**22,000**	22,000