People, Environment and Community

We understand that the people who make up our organisation, the environment around us and the communities in which we live are fundamental to our success and we take pride in our reputation as a caring and responsible global citizen.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	**2000**	1999	Variance
Operating results by activity:			
International transportation, logistics & terminals:			
International transportation & logistics	**152,664**	108,146	44,518
Container terminals	**24,159**	21,782	2,377
	176,823	129,928	46,895
Property investment & development	**18,285**	(5,316)	23,601
Portfolio investments & others	**(7,411)**	1,336	(8,747)
	187,697	125,948	61,749
Interest income	**14,028**	11,733	2,295
Interest expense	**(63,280)**	(51,175)	(12,105)
Financing charges	**(6,981)**	(6,165)	(816)
Profit before taxation	**131,464**	80,341	51,123

INTERNATIONAL TRANSPORTATION, LOGISTICS AND TERMINALS

International Transportation & Logistics

Summary of Operating Results

US$'000	**2000**	1999	Variance
Gross revenue			
Asia	**1,439,745**	1,265,783	173,962
North America	**390,522**	388,053	2,469
Europe	**303,276**	249,645	53,631
Australia	**34,740**	32,781	1,959
	2,168,283	1,936,262	232,021
Cargo costs	**(957,196)**	(927,408)	(29,788)
Vessel and voyage costs	**(458,793)**	(364,677)	(94,116)
Equipment and repositioning costs	**(333,757)**	(300,666)	(33,091)
Gross profit	**418,537**	343,511	75,026
Business and administrative expenses	**(274,365)**	(244,061)	(30,304)
Net non-operating exchange gain	**5,304**	4,825	479
Other operating income, net	**3,278**	5,148	(1,870)
	152,754	109,423	43,331
Share of results of jointly controlled entities	**(90)**	(1,277)	1,187
Operating results	**152,664**	108,146	44,518

The operating results for international transportation & logistics include the operations of Long Beach Container Terminal in California USA and Kaohsiung Terminal in Taiwan which form an integral part of that business.

The international transportation & logistics business, trades under the "OOCL" name and continues to be the principal revenue contributor to the Group and accounted for approximately 90% of the Group's revenue in 2000. Although the percentage for this sector will decrease as property development projects in China mature and income from that sector rises, international transportation & logistics will continue to be the core business of the Group, in which the majority of operating assets will be deployed.

Asia

Asia is the largest revenue generating area for the international transportation & logistics business. Gross revenue categorised under this area is composed of the following:

- Eastbound freight of the Asia/ North America West Coast service;
- Eastbound freight of the Asia/US East Coast service;
- Westbound freight of the Asia/ Northern Europe service;
- Westbound freight of the Asia/ Mediterranean service;
- Southbound freight of the Asia/ Australia and New Zealand service;
- various Intra-Asia services; and
- the operation of Kaohsiung Terminal in Taiwan.

Gross revenue from the Asia area displayed an increase of US$174.0 million to US$1,439.7 million in 2000 due to continued buoyant demand for Asian exports from North America and Europe. Various Intra-Asia services also showed growth in liftings and revenue with rapid increases in capacity.

With the continued strong Asian export trade in 2000, liftings on the Eastbound Asia/North America West Coast service increased by 13% while the Westbound leg of the Asia/Northern Europe service also recorded a 5% increase. Revenues were notably pleasing over the second half of the year as peak season surcharges were implemented. Total liftings in this area increased by 7% in 2000 and gross revenues grew at a greater pace.

Overall load factors as a percentage of the capacity available in 2000 dropped by 4%, reflecting the slow down of trade growth relative to the capacity increase, especially in the Intra-Asia services. Results in this trade will always depend on the economic environment and consumption patterns in North America and Europe.

Kaohsiung Container Terminal in Taiwan forms an integral part of the international transportation & logistics business and its terminal facilities were mainly employed by OOCL and its alliance members.

North America

Gross revenue categorised under the North America area is composed primarily of the following:

- Westbound freight of the Asia/ North America West Coast service;
- Westbound freight of the Asia/ US East Coast service;
- Eastbound freight of the US East Coast/Northern Europe service;
- Eastbound freight of the Canada/ Northern Europe service; and
- the operation of Long Beach Container Terminal in California, USA.

Gross revenue increased marginally by US$2.5 million for this area in 2000. Steady recovery was noted in the Westbound leg of the Asia/North America West Coast service with a growth of 10% in liftings for 2000 and an increase in revenue of the same extent. However, the Eastbound trades to Europe were disappointing with a drop in both liftings and revenues.

Westbound liftings for the Asia/North America West Coast service improved upon the slow, but steady, return of Asian purchasing power while the average rate per TEU was maintained at the 1999 level. Liftings on the Westbound trade of the Asia/US East Coast service via the Panama Canal also demonstrated a similar trend. Liftings on the Eastbound Canada/ Northern Europe and US East Coast/ Northern Europe showed a retreat from 1999 levels amidst a weak Euro currency which dampened the import demand of most European countries. Average revenue per TEU for these two trades dropped by 6% and 2% respectively during the year.

Average revenue per TEU on all outbound cargoes from North America showed a modest decline in 2000 compared with 1999 as a result of the reduction in demand in Europe for products from North America, offset in part by the gradual recovery of Asian imports.

Overall load factors as a percentage of the capacity available in the North America area also dropped by 6% as a result of the set back in export cargo volumes towards the European continent.

Long Beach Container Terminal forms an integral part of the international transportation & logistics business with its terminal facilities mainly employed by OOCL and its alliance partners. The operating results of the terminal were comparable with those of 1999.

Europe

Gross revenue categorised under the Europe area is composed primarily of the following:

- Westbound freight of the US East Coast/Northern Europe service;
- Westbound freight of the Canada/Northern Europe service;
- Eastbound freight of the Asia/ Northern Europe service;
- Eastbound freight of the Asia/ Mediterranean service; and
- Various Intra-European services.

Gross revenue for this area increased by US$53.6 million to US$303.3 million for 2000. The Eastbound leg of the Asia/ Northern Europe service, the largest source of revenue for Europe benefited from the recovery of Asian countries as well as a weak Euro currency to record a 9% growth in liftings and a 13% increase in average revenue per TEU compared with 1999.

The performance of the Westbound sector of the Canada/Northern Europe service also benefited from the exchange edge of Euro based exports and resulted in a 14% growth in liftings. Average revenue per TEU also showed an 18% increase from the 1999 level.

Despite a slow down of the US economy in the second half of the year, revenue from the Westbound US East Coast/Northern Europe service recorded an 11% growth over 1999 level. However, liftings on this trade were 4% off from 1999.

Overall load factors as a percentage of capacity available for cargo outbound from Europe were 6% above that of 1999 which is attributable to the capacity rationalisation effort on the North Atlantic trade lane.

Average revenue per TEU on all outbound cargoes from Europe recorded a 14% increase in 2000 over 1999 due to the high demand for European exports driven by a weak Euro currency and the gradual return of Asian purchasing power.

Australia

Gross revenues from this area are principally those of the Northbound freight from our Asia/Australia and New Zealand service. The Australia service is operated in alliance with ZIM Line, and the New Zealand service is operated under a slot purchase agreement with Pacific International Lines.

Liftings on the Northbound Asia/ Australia and New Zealand service dropped by 5% in 2000 with lower available capacity allocated for the year. However, with the improvement in freight rate levels, revenue recorded a US$2.0 million increase compared with 1999.

Operating Costs

Cargo costs mainly consisted of terminal charge, inland transportation, commission & brokerage, cargo assessment and freight tax which increased in line with the number of containers handled for the year under review. Although liftings for 2000 recorded a 6% growth, total cargo costs only increased by 3% with the weakening Euro during the year resulting in exchange savings.

Vessel costs included the operating costs and depreciation charge for the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the desired service level. In 2000, 45 vessels were either owned or chartered in and operated by OOCL with a carrying capacity of 130,284 TEU as compared with 37 vessels of 104,391 TEU in 1999. In addition, there was an increase in charter hire expenses to cope with the operating capacity increase for the year. As a result, vessel costs increased by 6.3% in 2000.

Voyage costs, largely a function of the number of sailings completed during the year, comprised mainly bunker costs, port charges, canal dues, cargo claims and insurance. Although the number of sailings in 2000 was slightly less than that of 1999, the rise in bunker prices, from an average of US$95 per ton in 1999 to an average of US$153 per ton for 2000, inevitably caused a rise in costs under this category when compared with 1999.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charge for the fleet of container and chassis equipment while repositioning costs mainly arose from relocating empty container equipment from low activity areas to high demand regions. Total equipment and repositioning costs increased by US$33.1 million in 2000 as a direct result of the growth in the container fleet from 180,443 units (297,771 TEU) in 1999 to 189,896 units (313,977 TEU) in 2000 and the imbalance between Asian import and export trades causing tight container equipment supply in Asia.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. In 2000, new territorial offices were set up and additional staff were recruited to cope with the enlarged business activities. The phase-in of the new IRIS-2 system in 2000 also added to the absorption of system development costs for the year. As a whole, business and administrative expenses increased by US$30.3 million.

Share of Results of Jointly Controlled Entities

Investments include a jointly controlled entity, which was formed by members of the former Global Alliance to engage in vessel chartering. Following the reorganisation of that alliance at the end of 1997, vessel chartering activities in this joint venture company were much reduced and resulted in losses in 1999 and 2000. Losses in 2000 were partly offset by profits arising from a container depot joint venture in China.

Operating Results

Operating results were a profit of US$152.7 million for the international transportation & logistics business in 2000 as compared with US$108.1 million for 1999. The favourable operating results continued to be driven by buoyant Asian exports which supported a steady growth in volume and revenue compared with 1999. Although the demand in the US softened in the second half of the year, trade volumes were supported by the steady recovery of the Asian economies and the weak Euro currency over the period.

Container Terminals

Summary of Operating Results

US$'000	**2000**	1999	Variance
Throughput (units)	**938,295**	805,865	132,430
Gross revenue	**209,040**	184,779	24,261
Terminal operating costs	**(156,638)**	(129,308)	(27,330)
Gross profit	**52,402**	55,471	(3,069)
Business and administrative expenses	**(28,243)**	(33,689)	5,446
Operating results	**24,159**	21,782	2,377

Container terminal activities include the Group's wholly or majority owned multi-user terminal operations namely:

TSI Terminal Systems Inc. ("TSI") a wholly owned terminal and management company which operates the Vanterm terminal in Vancouver, Canada and the Deltaport Terminal at Roberts Bank near Vancouver. OOCL and other Grand Alliance members are one of the principal customers of the terminals. Deltaport commenced operation in June 1997 and has since demonstrated impressive gains in throughput and productivity.

Howland Hook Container Terminal, Inc. ("HHCTI") operates a three berth terminal facility at Staten Island, New York, USA. The Group acquired an 80% interest in this company in 1995 and business operation commenced in September 1996. The New World Alliance members are the major customers of the terminal. The Grand Alliance services started calling at the terminal in late 1999 and have since became a major customer.

Global Terminal and Container Services, Inc. ("Global") operates a two berth terminal facility in New Jersey, USA. These facilities are owned and are used by a number of third party carriers. Global Terminal's operating performance in 2000 remained strong. To further improve its service level, Global installed four new quayside cranes in late 1999 and introduced them into its operations in early 2000.

In addition, the Group owns interests in the following terminal and stevedoring businesses:

Vecon SpA ("Vecon") operates a two berth terminal facility in Venice, Italy. OOCL does not use these facilities. The Group owns a beneficial interest of approximately 38% of the issued equity. Performance softened in 2000 after several years of growth.

Empire International Stevedores Ltd handled stevedoring business in Vancouver, Canada. The Group owns a 100% interest in this company. In June 1999, the Group disposed of the stevedoring and grain business of the company for a consideration to be paid over the next three years. The company then ceased operation.