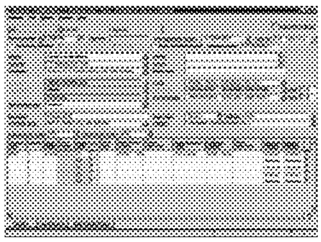
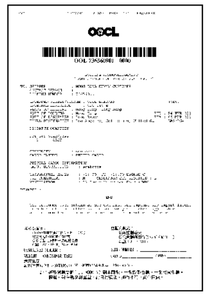
Operations Review





International Transportation, Logistics and Terminals

Trading under the "OOCL" and "Cargo System" brand names, our international transportation, logistics and terminals businesses benefited from a generally favourable trading environment during 2000. With the demand for its products remaining strong, Asia continued its dominance as the driving force in international containerised trade during 2000.

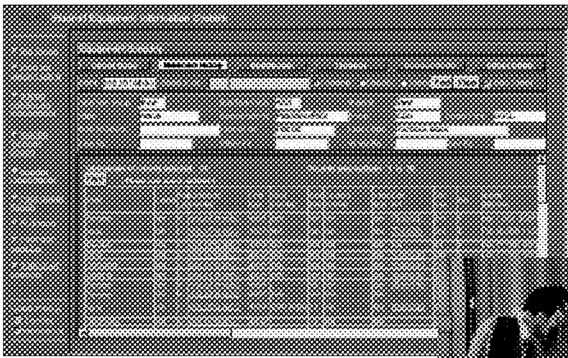
Containerised Transportation

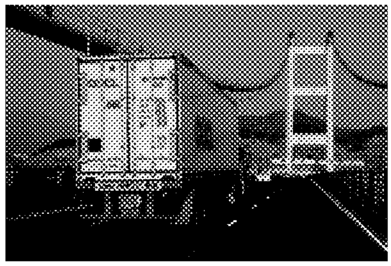
The strong ex-Asia legs of both the Trans-Pacific and Asia/Europe trade routes produced continued growth in both liftings and revenues compared with the year before. The weak Euro also favoured European exports to North America benefiting the sluggish Transatlantic trades.

Operating costs suffered from certain adverse effects. The strong export growth experienced by Asian countries created a significant imbalance in volumes between the inbound and outbound legs, taking its toll on operating profits in the form of higher equipment repositioning costs resulting from the need to move empty containers from low demand regions to high use areas. The significant increase in bunker prices during the year 2000 represented a further and notably adverse movement in costs. Although softening towards the end of 2000, the average price per ton for bunkers during the year was US$153 compared with an average of US$95 for 1999. The implementation of IRIS-2, the Group's new enterprise system, also resulted in costs higher than had been anticipated.

The Group's strategy of co-operation within alliances continued to bear fruit. OOCL's active participation in the Grand Alliance proved beneficial and the year 2000 saw the coalition extend its presence in the North Atlantic market. The inauguration of the Grand Alliance Transatlantic services in July 2000 marked another step towards high quality service on a global basis.

In the second half of 2000, OOCL took delivery of two new 5,700 TEU container vessels and ordered two more vessels for delivery during the first half of 2003, each with a capacity of 7,400 TEU. At the same time, options were secured for a further four vessels of this size with delivery scheduled for the first half of 2004 and 2005. Together with the prior orders for four 2,600 TEU new vessels under long-term charters, as stated in the 2000 Interim Report, OOCL has committed but undelivered capacity of up to 60,000 TEU under construction. These orders were placed with reference to OOCL's projected tonnage requirements over the next





five years. Finance for the ordered vessels has been arranged and their delivery will not place any undue strain upon the Group's liquid resources. Pursuant to the capacity replacement programme and the delivery of the new vessels, two smaller vessels were disposed of during 2000 at a modest gain.

Logistics and IT

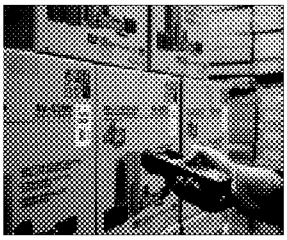
The development and application of Information Technology ("IT") is an achievement in which OOCL takes pride. Although initially a development purely for internal application, these systems are now potentially suitable for third party and international industry application. During 2000, OOCL signed an agreement with a major third party carrier to license its proprietary information system, IRIS-2. As a result, the resources and effort committed to IT development by OOCL have now achieved a standard sufficient to receive endorsement by the container liner industry. A further innovation introduced towards the end of 2000 was CargoSmart, an open system which provides users with a one-stop internet portal for booking, tracking, documentation and schedule enquiry for their cargo shipments. This portal is intended to improve the process efficiencies of both customer and carrier. Since its official launch in October 2000, CargoSmart has received significant attention from both shippers and other carriers as prospective users of the system.

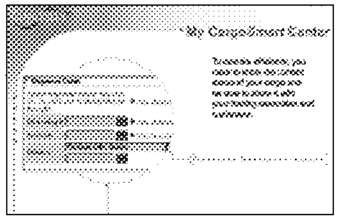
In tandem with the launch of CargoSmart has been the development of OOCL's logistics arm, trading under the name of Cargo System. It provides specialised supply chain management solutions to its client base and has increased its total number of offices to 59 as at the end of 2000, enlarging its customer base to over 200. The further development of Cargo System, especially in mainland China where it is already firmly established, will constitute one of our more important strategies over the coming years.
The further globalisation of trade will firmly establish China as the main source of consumer goods. We will additionally take advantage of the opportunities presented by China's accession to the WTO which will lead ultimately to it becoming a substantial market for imported goods. The ability to provide total solutions to customers' supply chain problems or, through greater expertise and efficiency, to provide improvements in the speed and cost effectiveness of delivery is an ever growing element in the customer relationship. With these capabilities Cargo System is well placed to grow its business significantly and to enhance the Group's overall relationship with customers.

Container Terminals

Benefiting from the buoyant ocean trades on both the Trans-Pacific and Transatlantic routes, our container terminals in North America continued to produce a steady income for the Group during 2000. Global Terminal in New Jersey, USA performed especially well following the installation of four new dockside cranes in late 1999.
TSI Terminal Systems Inc, which operates the Group's two container terminals in Vancouver, also reported record throughput and profits for 2000.

Howland Hook terminal in New York, USA, recorded a slight improvement and achieved a modest profit for the year 2000 with additional volumes coming from a new Transatlantic service introduced by the Grand Alliance.
The terminal is yet to operate at full capacity and there remains room for further improvement.





Property Investment and Development

Property Investment

The Group's property investment strategy continues to focus on the selection of a few sizable and quality investments with the potential for solid and consistent returns.

The Group holds an 8% interest in Beijing Oriental Plaza in Beijing. Phase I of the project was completed during 2000 and the occupancy rate was within expectations. Further phases are due for completion during the next few years. The injection of further capital to any significant extent will be unnecessary as during 2000 the project raised sufficient finance to fund the remainder of its development. This project holds the potential to earn considerable returns as the property markets in Beijing recover assisted in no small way by China's imminent accession to the WTO.

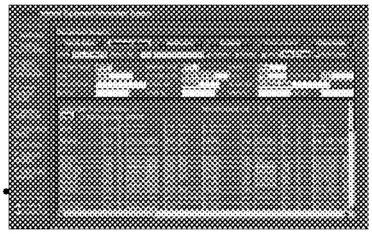
The Group continues to hold an investment property, Wall Street Plaza, in the downtown area of the financial district of New York, USA. As at 31st December 2000, the property enjoyed an occupancy rate of 100% although rental income did not show any notable improvement due to the inclusion of rent-free periods. As at 31st December 2000 the building was valued, on an open market basis, at US$110 million representing no change from that provided by the same valuer at the end of 1999.

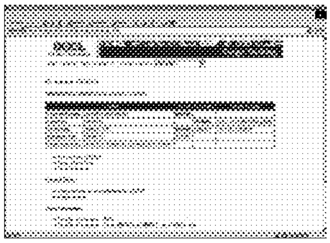
Property Development

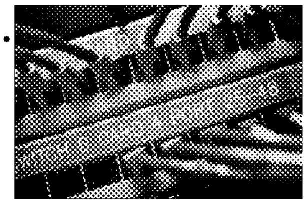
During the 1990s, the Group identified residential property development in the PRC as a target business area. With an increasing disposable income, abolition of the welfare housing system and the establishment of a mortgage financing framework in China, the Group remains confident of this domestic residential market. Our strategy is focused upon domestic residential development projects in selected cities with a higher GDP per capita, superior urban infrastructures, higher overseas Chinese investment and better-established legal and financial frameworks.

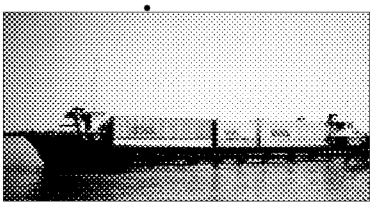
The Group's development business began to produce meaningful returns during 2000. The principal profit contributor was the "Joffre Gardens" development at Nan Chang Lu, Shanghai. By its completion at the year end, the project was more than 85% sold. The sales price achieved was within our projections. The remaining profit from this project will accrue during 2001.

The profit from an earlier completed project, "Orient Garden" in Hangzhou, was largely reported in our 1999 results. The project has been fully completed and the units sold on schedule and to target. The majority of the remaining income has been recorded during the year 2000. The outstanding balance of the income is not significant and will accrue during









2001 as the remaining car park spaces and retail units are sold.

Two other projects, "The Courtyards" at Zhen Ning Lu, Shanghai and "Century Metropolis" at Zi Yang Lu, Shanghai, are progressing as planned. Pre-selling activities during 2000 indicated a very strong demand for quality housing units in prime Shanghai locations. The prospects for these two developments are promising and the Group is exploring a number of other potential opportunities in order to take full advantage of the track record established by and the experience gained from the existing projects. All of these domestic housing projects have been developed in partnership with a Singaporean Corporation.

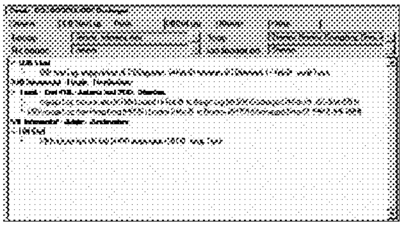
The Group's food and beverage business in Shanghai was wound down during 2000 in preparation for its closure. It was finally sold under an agreement concluded in December 2000.

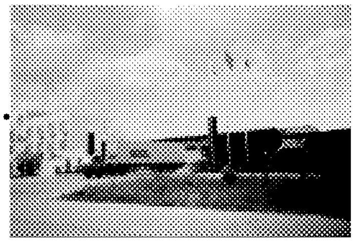
Looking forwards, we will continue to evaluate and invest in property development and investment projects in China, focusing on quality investments with good investment return prospects. We will continue to form partner alliances for such developments. The Group also intends to develop its presence further in Shanghai, Hangzhou and Beijing, and later on in other selected cities in China.

Property Development and Investment

As a property developer and investor, we continue to select choice locations and quality projects with the objective of securing a solid and continuing return. We have established ourselves as a quality residential developer, and will continue to build upon the brand name in Shanghai and beyond.

Annual Report 2000
Orient Overseas (International) Limited
F106.pdf

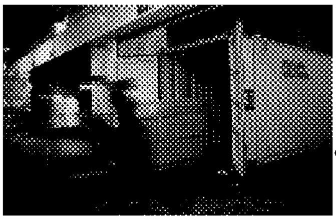


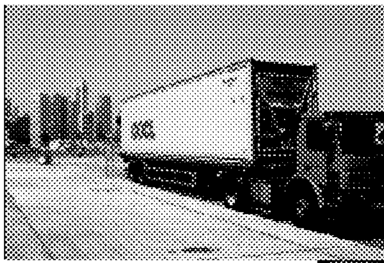


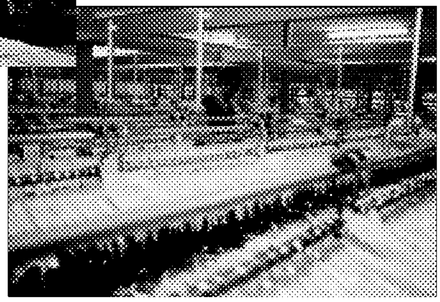
Portfolio and Other Investments

It is our belief that a business such as ours should maintain a high level of liquidity to provide the flexibility to take advantage of situations as they arise. At the end of 2000 the Group held cash, bond and portfolio investments in an amount of US$458 million against a total outstanding debt of US$952 million, producing a net debt to equity ratio of 0.6:1. This ratio rose compared with 1999's 0.4:1, mainly as a result of the increase in indebtedness raised to finance the Group's capital expenditure during the year, notably on the delivery of two new container vessels and new container boxes. In addition, the Hong Kong Society of Accountants issued during the year a revised Statement of Standard Accounting Practice on leases which will become effective in 2001. The Group however decided to apply this revised accounting standard with effect from 1st January 2000. As a result, certain leases entered into during the year that could possibly be accounted for as operating leases have been classified under finance leases in accordance with the revised standard. It does, however, remain the Group's intention to maintain this key net debt to equity ratio at a level below 1:1.

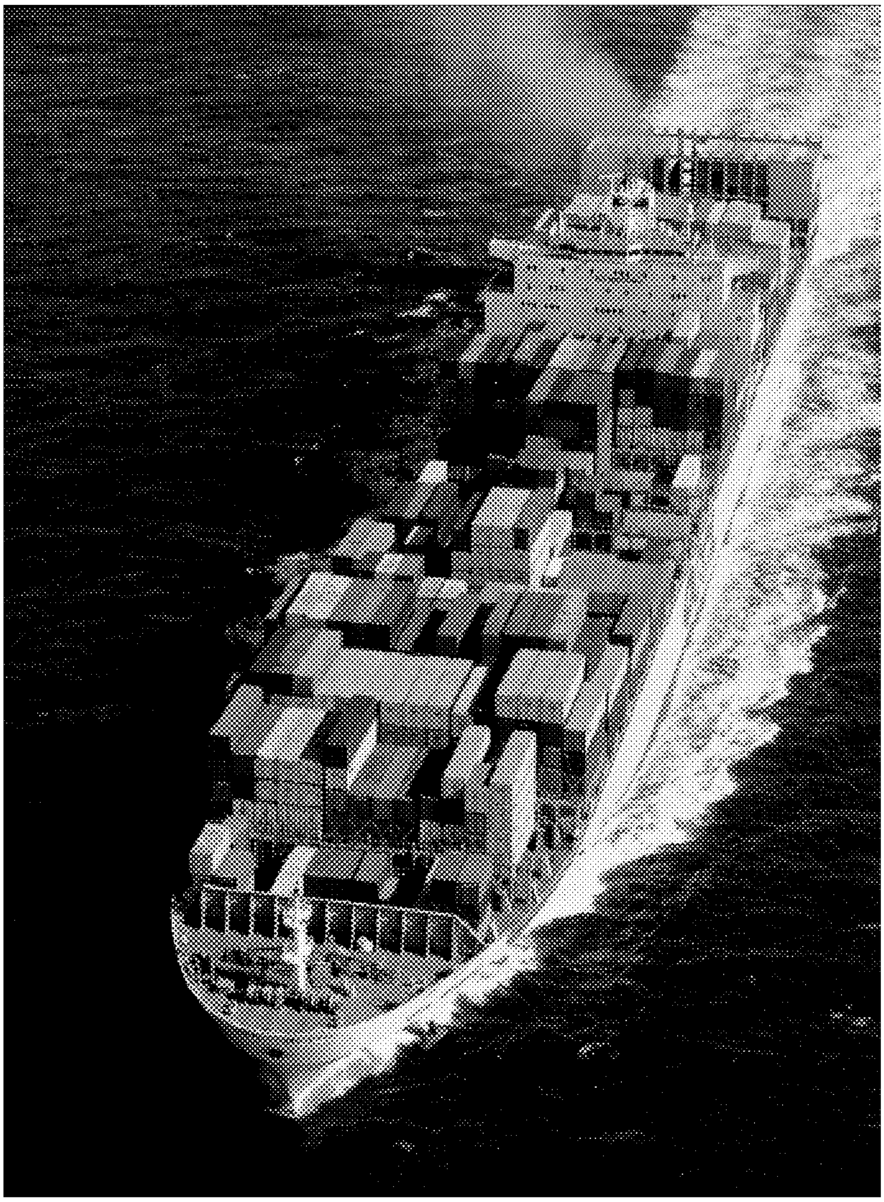
Funds surplus to the Group's immediate operating needs were invested in deposits, bonds and equities under the close control and monitoring of our in-house investment managers. No investments are permitted in financial derivatives or any other instruments that would expose the Group to an obligation in excess of the actual amount invested. During the year, provisions have been made on certain bonds with possible credit losses. Excluding these provisions an average investment return of 5.9 % was achieved for the year, with a total of income generated of US$11.9 million.







Shipping and the Environment



Ocean container shipping is one of the most environmentally friendly means of transportation. By drawing much less on the earth's resources it is far less damaging than transport by air, truck or even railway. A modern containership consumes less than one fifth of the fuel per container per mile than a truck. It has been estimated that a single Western city of one million inhabitants generates more air pollution than the entire world fleet of containerships.

Safety and the protection of the environment are paramount OOIL concerns and objectives. This policy is fully endorsed by management and strict adherence is observed at all times. All Group employees, whether on land or at sea, share the responsibility to maintain the highest safety standards, to ensure free and open communication and to participate actively in the formation and improvement of work procedures and safety rules. Proper training and compliance with both international regulations and the Group's own standards ensure safe practices, sound vessel conditions and emergency and contingency readiness, serving to help prevent human injury, loss of life and damage to property or the environment.