

Statement to Shareholders from the Chairman and Chief Executive Officer

The first half of 2001 has in many ways been mixed but I am pleased to announce that the Orient Overseas (International) Limited Group has recorded a profit after tax and minority interests of US\$49.1 million for the first six months of 2001 a substantial increase of 103% compared with US\$24.2 million for the same period last year. Earnings per ordinary share were US9.5 cents compared with US4.7 cents for the first half of 2000.

DIVIDEND

The Board of directors has, after much deliberation, decided to declare an interim dividend of US1 cent (HK7.8 cents), unchanged from last year, in view of the poorer market conditions forecast for the remainder of the year. The directors will consider a further dividend for the full year, the level of which will depend upon business performance during the second six months.

INTERNATIONAL CONTAINERISED TRANSPORTATION

The strong first half performance is mainly attributable to the continued success of the Group's core business of international containerised transportation trading under the "OOCL" name. The first half of last year experienced a strengthening of global growth in terms of both GDP and international trade volumes. This continued strongly into the second half of the year but as we ended the year and entered 2001 it was becoming increasingly clear that the growth in both world GDP and international trade was weakening even to the extent that the US economy was threatening to enter recession. The fear was that other economies would suffer equally as a result. Volume growth did reduce during the first six months of 2001, which, together with the pressure being exerted by the additional tonnage capacity being deployed, served to exert a downward pressure on freight rates. Importantly however, these factors have been mitigated by the effects of lower bunker costs, lower interest costs and the continued strength of the US Dollar and the weakness of the Euro, Yen and other currencies. Our performance has been further aided by the continuing reduction in our unit costs as a result of the phased delivery and introduction into service of our larger and more fuel efficient newbuilding vessels. We continue to upgrade our fleet in accordance with our tonnage projections and presently have on order six new vessels each with a capacity of approximately 7,700 TEU, due for delivery in 2003 and 2004, and hold options for a further two similar vessels for delivery in 2005. In addition we have one approximately 4,100 TEU vessel on order which will be ice-strengthened for deployment as an upgrade to our fleet deployed on the Group's Europe / Canada services.

TERMINAL OPERATIONS

Our terminal activities have suffered during the first half of 2001, especially in Vancouver and New York, and have experienced a slight downturn in throughput as a result of the slowdown of the US economy. Unfortunately also, we have been obliged to make provisions against the doubtful recovery of receivables due from one former customer together with certain other but unrelated costs. We are hopeful of an improved performance during the second half of the year.

PROPERTY INVESTMENT AND DEVELOPMENT

The Group's property investment and development businesses have continued to perform more or less as expected. Wall Street Plaza in New York was fully let for the period and, aided by lower costs and overheads, has delivered a result better than forecast. We expect it to continue this level of performance during the second half. The leasing activities of Beijing Oriental Plaza in Beijing continued during the first six months of this year as the east office block of 150,000 sq.m. was completed. The prospects for this development have improved and the admission of China to the WTO is expected to act as a fillip to the Beijing property markets. Our development projects in Shanghai continue on schedule. The 70,000 sq.m. Joffre Gardens project received its occupation permit and handover procedures to buyers began in January. In June, The Courtyards, a similar sized residential development, also received its occupation permit. Also during the period, Phase 1 of 63,000 sq.m. of Century Metropolis was topped out and we expect Phase 2 to begin sales during the second half of the year. We expect that this property development business will turn in a full year result close to forecast. We continue to identify further suitable projects and are confident that during the second half of the year we shall conclude the acquisition of further development sites.

OUTLOOK

The slowdown in the US economy, which has now spread to other European economies, the continued economic stagnation in Japan and the consequent economic uncertainties throughout the rest of Asia have all occurred during a period in which the rate of new tonnage being introduced into service is at an all time high. The erosive effect upon freight rates of this imbalance in the simple supply and demand equation has resulted in a steeper than expected fall in freight rates. It is a situation which is likely to continue until such time as the rates of GDP growth in the major economies of the world begin to recover towards former levels and the introduction of new tonnage has subsided from 2003 onwards. As the timing of the former is uncertain, the prosperity of international container transportation remains equally uncertain.

I said at the outset that our experience during this first six months of 2001 had been mixed. On the one hand, our International Containerised Transportation business has performed above expectation whilst, on the other hand, the earlier fears of a slowdown in the growth of the world economy have been substantiated. Our future and sustained success remains dependent upon our longer term plans to achieve, through organic growth, those economies of scale necessary to maintain the process of reducing our unit costs and, at the same time, to continue in our efforts to improve our levels of operational efficiency yet further. As one of the core initiatives in our ongoing search for greater business efficiency we shall continue to develop and extend our IT capabilities. IRIS-2, our back office system, integrates the business processes of all OOCL offices, our customers' shipments and all the necessary management information into one system. It has changed the way OOCL itself operates by

optimising business processes and provides integrated and tailor made logistics solutions to customers at every stage in their supply chain. They benefit from better management and distribution of their products as a result of these seamless connections. New Customer Profile and Service Contract modules have been introduced and released so far during 2001. Launched in October 2000, *CargoSmart*, our neutral and open software platform now hosted by Hewlett Packard, has become the preferred choice of over 500 customers who actively use the portal on a daily basis to manage their logistics needs effectively. Two other independent carriers have now signed on as users of the system, and as potential investors, and we continue to solicit other carriers to join in the process of establishing it as an independent industry portal. *CargoSmart* was designed specifically to enhance customer and carrier efficiency and online it provides those customers with the ability to manage their shipments with multiple carriers and empowers them to share information with other chosen service providers in their supply chain. We look to these improved processes to gain further operational efficiency as well as customer loyalty to alleviate the impact of the anticipated overcapacity in the near term.

The success of these and all our other business initiatives relies upon people and it is the skills, dedication and performance of the Group's employees which drive us to achieve our goals. To repeat our performances of the recent past it is upon them that all depends as we enter this potentially challenging period in the Group's development.

C C Tung

Chairman and Chief Executive Officer

Hong Kong, 17th August 2001