FINANCIAL REVIEW

ANALYSIS OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

Summary of Group Results

US$'000	2001	2000	Variance
Operating results by activity:			
International transportation and logistics	**116,735**	159,117	(42,382)
Container terminals	**9,788**	24,583	(14,795)
Property investment and development	**(711)**	18,694	(19,405)
Investments and corporate services	**(4,366)**	(14,697)	10,331
Earnings before interest and tax	**121,446**	187,697	(66,251)
Interest income	**11,218**	14,028	(2,810)
Interest expense	**(55,987)**	(63,280)	7,293
Financing charges	**(5,588)**	(6,981)	1,393
Profit before taxation	**71,089**	131,464	(60,375)
Taxation	**(10,919)**	(18,987)	8,068
Minority interests	**(522)**	(614)	92
Profit attributable to shareholders	**59,648**	111,863	(52,215)

INTERNATIONAL TRANSPORTATION AND LOGISTICS

Summary of Operating Results

US$'000	**2001**	2000	Variance
Turnover			
Asia	**1,387,763**	1,439,745	(51,982)
North America	**400,002**	390,522	9,480
Europe	**309,064**	303,276	5,788
Australia	**37,783**	34,740	3,043
	2,134,612	2,168,283	(33,671)
Cargo costs	**(952,834)**	(957,196)	4,362
Vessel and voyage costs	**(437,214)**	(458,793)	21,579
Equipment and repositioning costs	**(340,650)**	(333,757)	(6,893)
Gross profit	**403,914**	418,537	(14,623)
Business and administrative expenses	**(289,124)**	(267,019)	(22,105)
Payment for early termination of an agent	**–**	(2,286)	2,286
Other operating income, net	**2,674**	9,975	(7,301)
	117,464	159,207	(41,743)
Share of results of jointly controlled entities	**(729)**	(90)	(639)
Earnings before interest and tax	**116,735**	159,117	(42,382)

The operating results for international transportation and 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 and 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 2001. Although the percentage for this sector will decrease as property development projects in China mature and income from that sector rises, international transportation and 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 and logistics business. Turnover 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.

Turnover from the Asia area fell from US$1,439.7 million in 2000 to US$1,387.8 million in 2001 with a notable decline in the North American market across the Pacific pursuant to the slowdown of the US economy. Volume growth in Asian exports to Europe and the US was only achieved at the expense of freight rates, resulting in a contrary revenue trend. Although Intra-Asia services continued to display a healthy development, they were not able to reverse the declining revenue trend recorded for the year.

Although liftings on the Eastbound Asia/North America West Coast service increased by 8% and the Westbound leg of the Asia/Northern Europe service also recorded a 5% rise, average freight rates fell by 14% and 17% respectively during the year. Revenue erosions intensified notably towards the end of the year as the likelihood of a US economic recovery was reduced by the terrorist attacks in New York.

Overall load factors as a percentage of the capacity available in 2001 rose marginally by 1%, reflecting a continual increase in the Intra-Asia business activities but a reduction in the Trans-Pacific and Europe bound routes. Results in this region 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 and logistics business and its terminal facilities were mainly employed by OOCL and its alliance members.

NORTH AMERICA

Turnover 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.

Revenue increased marginally by US$9.5 million for this area in 2001. Steady recovery was noted in the Westbound leg of the Asia/North America West Coast service with a growth of 10% in liftings for 2001, counteracted to a large extent, however, by freight rate declines. The Eastbound trades to Europe displayed the same picture with a pick up in liftings offset by a drop in average revenues.

Westbound liftings on the Asia/North America West Coast service improved upon the slow, but steady, return of Asian purchasing power, though not for high value merchandise commanding a freight rate premium. The Westbound trade of the Asia/US East Coast service via the Panama Canal also demonstrated a similar trend. The revenue gain from the growth in liftings on the Eastbound Canada/Northern Europe and US East Coast/Northern Europe was largely eroded by the weak Euro currency during the year. Average revenue per TEU for these two trades dropped by 5% when compared with that of 2000.

Average revenue per TEU on all outbound cargoes from North America showed a 7% decline in 2001 compared with 2000 notwithstanding an 11% increase in liftings.

With the introduction of additional slot capacity in 2001, overall load factors in the region recorded a 4% off from last year.

Long Beach Container Terminal forms an integral part of the international transportation and 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 2000.

EUROPE

Turnover 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.

Turnover for this area in 2001 barely surpassed the level of 2000. With a weak Euro but a stagnant growth in Asian buying power, the Eastbound leg of the Asia/Northern Europe service, being the largest source of revenue for the Europe area, did not produce a better loading record in 2001 and liftings were marginally lower than last year, while the 8% drop in average revenue per TEU took its toll on turnover for the region.

The performance of the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe service benefited from the capacity rationalisation programme implemented in the North Atlantic trade lanes which witnessed a further improvement in freight rates, after recovering from the declining trend of last year. Average revenue per TEU showed a 6% increase from the 2000 level against a small percentage drop in liftings. Various Intra-European services also reported pleasing growth during 2001 in terms of both liftings and revenue.

Overall load factors as a percentage of capacity available for cargo outbound from Europe were 6% below that of 2000 which is attributable to the stagnant liftings growth in the trunk services on a moderate capacity increase for the year.

Average revenue per TEU on all outbound cargoes from Europe was maintained at the 2000 level with rate gains in the Transatlantic lane largely offset by reductions in the export market to Asia.

AUSTRALIA

Turnover from this area is principally that of Northbound freight from our Asia/Australia and New Zealand services. The East Asia/Australia service is operated in alliance with ZIM, ANL, K LINE, MOL, NYK, P&O and China Shipping. The South East Asia/Australia service is operated in alliance with MISC, MOL and PIL. 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 increased by 14% in 2001, at the expense of a 3% drop in average revenue, resulting in a net growth in turnover of US$3.0 million for the year.

OPERATING COSTS

Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax which were largely paid in the local currencies of the areas in which the activities were performed. Although liftings for 2001 recorded an 11% growth, total cargo costs were contained at the same level of 2000 with a strong US dollar during the year resulting in exchange gains and lower terminal charges in certain regions.

Vessel costs include the operating costs and depreciation charges 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 2001, 47 vessels were either owned or chartered in and operated by OOCL with a total carrying capacity of 146,973 TEU as compared with 45 vessels of 130,284 TEU in 2000. However, vessel costs slightly decreased as cost savings were recorded on repair and maintenance expenses and operating costs as larger and newer vessels were employed.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Although the number of sailings in 2001 exceeded that of 2000, bunker prices dropped from an average of US$153 per ton in 2000 to an average of US$130 per ton during 2001. Together with better voyage deployment amongst alliance members, costs in this category recorded a 7.5% decrease as a whole.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charges for the fleet of containers and chassis equipment while repositioning costs mainly arise from relocating empty containers from areas of low activity to high demand regions. Total equipment and repositioning costs marginally increased by US$6.9 million in 2001 as a result of the moderate growth in the size of the container fleet from 313,977 TEU in 2000 to 315,013 TEU in 2001.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. In 2001, additional staff were recruited in line with the enlarged business activities according to plan and the further development of IRIS-2 and Cargo*Smart* systems also added to a higher expense for the year. As a whole, business and administrative expenses increased by US$22.1 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 operating losses in subsequent years. Losses from this joint venture increased in 2001 but were, however, partly offset by improved profitability from the joint venture depot in Qingdao.

EARNINGS BEFORE INTEREST AND TAX

Earnings before interest and tax of US$116.7 million for the international transportation and logistics business in 2001 were US$42.4 million lower than last year. The dramatic increase in tonnage deployed during the year compounded by a slowdown in global economic growth served to depress freight rate levels and to put an end to the buoyant market conditions enjoyed during 1999 and 2000. The results for 2001 were, however, aided to a great extent by cost savings arising from stringent cost control measures, a strong US dollar and lower bunker prices.

CONTAINER TERMINALS

Summary of Operating Results

US$'000	**2001**	2000	Variance
Throughput (units)	**1,012,341**	938,295	74,046
Turnover	**221,482**	209,040	12,442
Terminal operating costs	**(171,587)**	(156,638)	(14,949)
Gross profit	**49,895**	52,402	(2,507)
Business and administrative expenses	**(43,522)**	(27,819)	(15,703)
Profit on disposal of an investment	**3,415**	–	3,415
Earnings before interest and tax	**9,788**	24,583	(14,795)

Container terminal activities include the Group's 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 principal customers of the terminals. Deltaport commenced operations 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 on Staten Island, New York, USA. The Group acquired an 80% interest in this company in 1995 and business operations 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 also became a major customer. In 2001 the Group acquired the 20% equity, which it did not already own, from the minority shareholder and it thus became a wholly owned subsidiary of the Group.

Global Terminal and Container Services, Inc. ("Global") operates a two berth terminal facility in New Jersey, USA. These facilities are used by a number of third party carriers. Global Terminal's operating performance in 2001 remained strong, despite the restructuring of one of its customers which necessitated the provision against a probable loss of receivables. In addition, a major customer indicated that, for strategic reason, it would cease calling at Global Terminal after the expiry of the then current contract in early 2002.

Vecon SpA ("Vecon") operates a two berth terminal facility in Venice, Italy. OOCL does not use these facilities. The Group owned a beneficial interest of approximately 38% of the issued equity. This interest was disposed of in its entirety during 2001.

TURNOVER

Turnover increased by US$12.4 million in 2001 attributable to increased business volumes offset in part by a drop in the average rate per box handled. Although a reduction in revenues is expected for Global Terminal in 2002, it is forecast to be offset by the increase in business activities projected by the terminals in Vancouver and New York.

TERMINAL OPERATING COSTS

Terminal operating costs increased in line with the larger number of boxes handled in 2001. The extra security measures imposed by the New York Port Authority following the September terrorist attacks resulted in additional operating costs.

BUSINESS AND ADMINISTRATIVE EXPENSES

Business and administrative expenses increased in 2001 as a result of increased business activity and a one-time compensation payment made in respect of management changes in HHCTI.

During 2001, one of Global's customers declared bankruptcy and underwent a financial restructuring. As it is apparent that full settlement of its outstanding debts is remote, a provision was made for the year.

PROFIT ON DISPOSAL OF AN INVESTMENT

In 2001, The Group disposed of its approximately 38% equity interest in Vecon, a two berth terminal facility in Venice, Italy. A profit of approximately US$3.4 million arose from the disposal.

EARNINGS BEFORE INTEREST AND TAX

Operating results suffered during 2001 as a result of lower profits at TSI and a number of non-recurring charges arising in Global and HHCTI.

PROPERTY INVESTMENT AND DEVELOPMENT

Summary of Operating Results

US$'000	**2001**	2000	Variance
Rental income	**20,092**	17,837	2,255
Property management costs	**(8,316)**	(8,010)	(306)
Gross profit	**11,776**	9,827	1,949
Business and administrative expenses	**(2,364)**	(4,534)	2,170
Profit before exceptional items	**9,412**	5,293	4,119
Revaluation deficit	**(20,000)**	–	(20,000)
(Loss)/profit from property investment	**(10,588)**	5,293	(15,881)
Profit from property development	**9,877**	13,401	(3,524)
(Loss)/earnings before interest and tax	**(711)**	18,694	(19,405)

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the "Wall Street area". The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 20,000 sq ft is occupied by Group companies. The Group also owns an 8% interest in a modern comprehensive office, commercial, hotel and residential apartment complex known as "Beijing Oriental Plaza", with a gross floor area of approximately 570,000 sq m, on a site located at Wangfujing Dajie, Beijing.

In addition, the Group owns interests in a number of jointly controlled entities to participate in property development projects in China. The primary location of the property development projects is in Shanghai. The principal profit contributors for the year were the development projects in Zhenning Lu (the "Courtyards") and Ziyang Lu ("Century Metropolis") Phase 1A, Shanghai. The Group also acquired a land site in Luwan, Shanghai in the second half of 2001.

RENTAL INCOME

Rental income for 2001, representing mainly the rental derived from Wall Street Plaza, was ahead of the 2000 level with the building fully let at the end of the year.

REVALUATION DEFICIT

Wall Street Plaza was acquired in 1987 by the Group for US$150.0 million but was progressively written down based on professional valuations to reflect the then current market values. The building was valued at US$110 million at the end of 2000, but revalued downward to US$90 million in 2001, resulting in a US$20 million revaluation deficit for the year. The events of 11th September 2001 had an adverse impact on the demand for prime office space in Lower Manhattan.

PROFIT FROM PROPERTY DEVELOPMENT

A profit of US$9.9 million was recorded from property development in 2001 compared with US$13.4 million in 2000. Over 70% of the current year profit arose from the Courtyards in Shanghai while the principal profit contributor in 2000 was from the completed site "Joffre Gardens" at Nan Chang Lu, Shanghai. Century Metropolis in Shanghai, also started producing income in 2001 with the pre-sale of its Phase 1A units. Phase 1B and Phase 2 are currently underway and are expected to generate acceptable returns during 2002.

INVESTMENTS AND CORPORATE SERVICES

US$'000	**2001**	2000	Variance
Portfolio investment income	**4,743**	7,987	(3,244)
Long-term investment income	**1,704**	3,936	(2,232)
Loss on disposal of long-term investments	**(92)**	(175)	83
Provision for diminution in value of long-term investments	**(2,000)**	(9,877)	7,877
Others	**(8,721)**	(16,568)	7,847
Loss before interest and tax	**(4,366)**	(14,697)	10,331

Investments in portfolio and, on a longer term basis, in bonds were managed in 2001 largely by in-house managers operating under guidelines imposed by the Investment Committee of the Board. No investment in financial derivatives, where the Group is exposed to financial obligation larger than amount invested, is allowed.

Portfolio investments recorded a profit of US$4.7 million for 2001, a drop of US$3.2 million as compared with 2000. The portfolio investment result reflects the generally lower levels of return in the financial markets during 2001.

Income generated from long-term investment amounted to US$1.7 million for 2001 compared with US$3.9 million in 2000 as a majority of the bonds was disposed of or matured during the year. The loss on the disposal of these bonds was US$92,000 (2000: loss US$175,000).

In 2001, a provision of US$2.0 million was made for the diminution in value of an investment fund. In year 2000, the Group made a provision of US$1.4 million for the diminution in value of the China investment fund and a provision of US$8.5 million for possible credit losses in respect of certain fixed income bonds, making a total provision of US$9.9 million.

"Others" include corporate business and administration overheads, the operating results of residual businesses, exchange and research costs of financial projects and other miscellaneous income and expenses. This item showed a saving of US$7.8 million in 2001 as compared with 2000 due to exchange losses and the write-off of financial project costs in 2000.

INTEREST INCOME, EXPENSE AND FINANCING CHARGES

The Group invests surplus liquid funds, other than funds allocated for investments in bonds and listed equity securities, in cash and bank deposits. The Group incurs interest expenses on bank loans, finance leases and, to a very small extent, on bank overdrafts. These borrowings are variously secured against vessels, containers, chassis, terminal equipment and the investment property owned by the Group. The Group also incurs financing charges on its asset securitisation programme and as a result of finance arrangement fees.

INTEREST INCOME

Interest income arises from the deposit of available Group cash balances on a short-term basis with banks and other financial institutions. Interest income may vary year to year with the cash flows of the business, the level of capital expenditure and new investments (particularly in relation to China investments) and the amount which the Group commits to its investment portfolio. In 2001, with the decrease in average cash balances and the fall in interest rates, interest income dropped to US$11.2 million compared with US$14.0 million in 2000.

INTEREST EXPENSE

In line with the general decline in interest rates, interest expenses decreased by US$7.3 million in 2001. A lower level of indebtedness for the year, as a result of scheduled repayments being greater than new loans drawn, also contributed to the savings in interest costs. The average cost of finance dropped from 7.8% in 2000 to 4.3% in 2001.

FINANCING CHARGES

Financing charges mainly included loan arrangement and commitment fees and charges for the asset securitisation programme. Despite a further assignment of US$9.9 million of receivables in 2001, financing charges for the year showed a decrease of US$1.4 million as a result of lower rates adopted for the asset securitisation programme.

PROFIT BEFORE TAXATION

Pre-tax profit for the year fell to US$71.1 million compared with US$131.5 million of 2000. The international transportation, logistics and terminals business showed a retreat after the buoyant growth of previous years. The result was further impaired by the downward revaluation of the Group's investment property in New York but partly balanced by the contribution from property development projects in China.

TAXATION

US$'000	**2001**	2000	Variance
Current overseas taxation			
Company and subsidiaries:			
North America	**9,752**	16,642	6,890
Europe	**235**	889	654
China	**689**	1,181	492
Asia and others	**154**	262	108
Jointly controlled entities:			
Europe	**11**	–	(11)
China	**78**	13	(65)
Total	**10,919**	18,987	8,068

The Group's tax liabilities largely arise from profits on its terminal operations in North America. Tax was also incurred for agency and logistics activities carried on in other parts of the world. Freight tax was levied on liner income by certain jurisdictions in Asia and was expended in terms of variable cargo cost. The lower tax liabilities for the year principally reflect the lower profit level of the container terminals in North America.

REVIEW OF CONSOLIDATED BALANCE SHEET

Summary of Consolidated Balance Sheet

US$'000	2001	2000	Variance
Fixed assets	**1,389,131**	1,286,197	102,934
Jointly controlled entities	**47,250**	50,829	(3,579)
Long-term investments	**98,783**	97,272	1,511
Cash, portfolio and bond investments	**402,424**	458,025	(55,601)
Accounts receivable and properties under development and for sale	**189,109**	247,603	(58,494)
Deferred expenditure	**9,220**	15,328	(6,108)
GROSS ASSETS	**2,135,917**	2,155,254	(19,337)
Accounts payable and accruals	**(355,528)**	(389,230)	33,702
Current taxation	**(416)**	(6,655)	6,239
GROSS ASSETS LESS TRADING LIABILITIES	**1,779,973**	1,759,369	20,604
Long-term liabilities	**760,386**	753,761	6,625
Bank loan, overdrafts and current portion of long-term liabilities	**176,073**	198,292	(22,219)
Total debt	**936,459**	952,053	(15,594)
Minority interests and provisions	**10,146**	10,569	(423)
Ordinary shareholders' funds	**833,368**	796,747	36,621
CAPITAL EMPLOYED	**1,779,973**	1,759,369	20,604
Debt to equity ratio	**1.1**	1.2	
Net debt to equity ratio	**0.6**	0.6	
Accounts payable as a % of turnover	**14.9**	16.3	
Accounts receivable as a % of turnover	**7.2**	10.2	
% return on average ordinary shareholders' funds	**7.3**	14.9	
Net asset value per ordinary share (US$)	**1.61**	1.54	
Cash, portfolio and bond investments per ordinary share (US$)	**0.78**	0.89	
Share price at 31st December (US$)	**0.43**	0.43	
Price earnings ratio based on share price at 31st December	**3.8**	2.0	

FIXED ASSETS

US$'000	**2001**	2000	Variance
International transportation and logistics	**1,167,280**	1,044,424	122,856
Container terminals	**131,850**	131,767	83
Property investment and development	**90,001**	110,006	(20,005)
	1,389,131	1,286,197	102,934

International transportation and logistics remains the core business of the Group and the one in which the majority of fixed assets are deployed. The assets are largely comprised of container vessels, containers and chassis, property, terminal and computer equipment and systems. In 2001, the Group placed orders for another five new container vessels, in addition to the two ordered in 2000, the stage payments for which principally accounted for the increase in fixed assets in the international transportation and logistics business.

The increase in fixed assets in container terminals in 2001 included the additional terminal equipment acquired by TSI and ground equipment delivered to Global during the year which largely offset the charges for depreciation.

Fixed assets in property investment and development activities mainly represent the commercial building, Wall Street Plaza, in New York. The book value of this building was reduced from US$110.0 million at the end of 2000 to US$90.0 million at the end of 2001.

JOINTLY CONTROLLED ENTITIES

US$'000	**2001**	2000	Variance
International transportation and logistics	**7,251**	6,980	271
Property investment and development	**38,702**	42,437	(3,735)
Others	**1,297**	1,412	(115)
	47,250	50,829	(3,579)

The investment in jointly controlled entities by international transportation and logistics mainly represents the 25% interest in a joint venture company formed pursuant to arrangements of the old Global Alliance to own and then charter vessels to alliance partners, and an interest in a joint venture for the operation of a container depot and transportation business in Qingdao.

Due to the reorganisation of the old Global Alliance in late 1997, the chartering of vessels to the then alliance partners resulted in losses. A loss of US$1.3 million was incurred in 2001 partly offset by the operating profit from the container depot and transportation business.

For property development activities, investments in jointly controlled entities mainly consist of:

– a 47.5% interest in a domestic housing project located at Nan Chang Lu, Shanghai (the "Joffre Gardens"). The development consists of four residential towers with approximately 70,000 sq m of gross floor area. The project was completed in 2000 when a greater part of the profit was recorded. The majority of the remaining units were sold in 2001.

– a 47.5% interest in a domestic housing project located at Zhenning Lu, Shanghai (the "Courtyards"). The development consists of four residential towers with a total gross floor area of approximately 65,000 sq m. The project was completed in 2001 and all units were sold and handed over to their buyers during the year.

– a 47.5% interest in a domestic housing project located at Ziyang Lu, Shanghai ("Century Metropolis") with a total gross floor area of approximately 240,000 sq m. This project is being developed in phases. Phase 1A was completed and handed over to buyers at the end of 2001 and the pre-sale of Phase 1B was started and well received by the market. The majority of profit for 2002 is expected to accrue from this project as Phase 2A is put on the market late in the year.

The decrease in the investment in jointly controlled entities for property development activities is mainly a reflection of the dividends and capital repatriations from completed projects made in 2001, offset in part by the profit recorded for the year.

LONG-TERM INVESTMENTS

US$'000	**2001**	2000	Variance
International transportation and logistics	**1,054**	906	148
Container terminals	**3,370**	4,407	(1,037)
Property investment and development	**93,601**	91,201	2,400
Others	**758**	758	–
	98,783	97,272	1,511

Long-term investments of the Group at 31st December 2001 amounted to US$98.8 million principally represented by the Group's 8% interest in Beijing Oriental Plaza. Total investment at the end of 2001 amounted to US$93.6 million (2000: US$91.2 million). Others represent the minority interest in an unlisted China fund.

CASH, PORTFOLIO AND BOND INVESTMENTS

US$'000	**2001**	2000	Variance
International transportation and logistics	**148,111**	176,622	(28,511)
Container terminals	**14,980**	15,014	(34)
Property investment and development	**7,631**	3,383	4,248
Bond and portfolio investments	**231,702**	263,006	(31,304)
	402,424	458,025	(55,601)

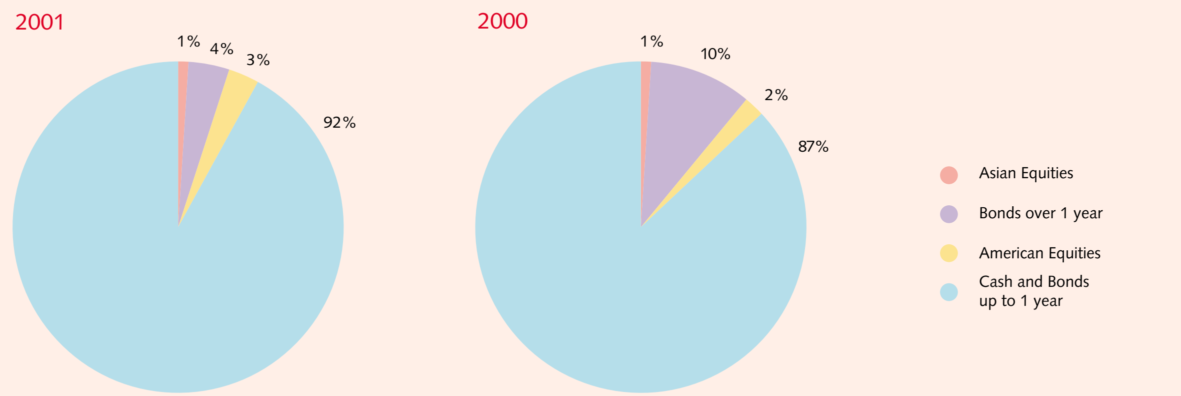
The Group adopts a central treasury system under which funds surplus to planned requirements are set aside for portfolio investment or fixed income bonds managed by in-house managers under guidelines imposed by the Investment Committee of the Board. Cash outlays in addition to normal operations are funded through the planned liquidation of bond and portfolio investment funds.

Cash, portfolio and bond investments per ordinary share at 31st December 2001 amounted to US$0.78 compared with US$0.89 at 31st December 2000.

DISTRIBUTION OF CASH, PORTFOLIO AND BOND INVESTMENTS

The Group's investment portfolios are largely invested in short to medium-term US dollar bonds and similar instruments, US dollar convertible bonds and short-term cash deposits. No investments are made in derivative investment products.

The amount and distribution of cash, portfolio and bond investments at the end of 2001 and 2000 was:



ACCOUNTS RECEIVABLE AND PROPERTIES UNDER DEVELOPMENT AND FOR SALE

US$'000	**2001**	2000	Variance
International transportation and logistics	**122,120**	194,613	(72,493)
Container terminals	**42,819**	44,939	(2,120)
Property investment and development	**24,041**	4,956	19,085
Others	**129**	3,095	(2,966)
	189,109	247,603	(58,494)

Accounts receivable and properties under development and held for sale decreased by US$58.5 million to US$189.1 million at the end of 2001 as a result of a further assignment of US$9.9 million of accounts receivable during the year pursuant to the receivables purchase agreement concluded in 1998 and a downturn in the business volume at the end of the year recorded by international transportation and logistics business. The increase in outstanding balances in property investment and development activities mainly represented the investment in a newly acquired land site located at Luwan, Shanghai.

ACCOUNTS PAYABLE AND ACCRUALS

US$'000	**2001**	2000	Variance
International transportation and logistics	**317,725**	356,029	(38,304)
Container terminals	**30,394**	23,829	6,565
Property investment and development	**1,676**	2,677	(1,001)
Others	**5,733**	6,695	(962)
	355,528	389,230	(33,702)

Accounts payable at the end of 2001 were US$33.7 million lower than that of 2000. Accounts payable as a percentage of turnover of 14.9% was also lower than that of 2000.

TOTAL DEBT

US$'000	**2001**	2000	Variance
Bank loans	**586,826**	583,434	3,392
Other secured loans	**28,153**	38,059	(9,906)
Finance lease obligations	**278,585**	262,847	15,738
Bank overdrafts and short-term loans	**42,895**	67,713	(24,818)
	936,459	952,053	(15,594)

Total debt decreased during the year by US$15.6 million principally as a result of the scheduled repayment of loans and bank indebtedness, offset in part by indebtedness drawn in 2001 to finance the capital expenditure on asset acquisitions. The repayment profile of the Group's long-term liabilities is set out in Note 23 to the Accounts. Repayments are spread evenly over the residual terms of the related financing subject to balloon repayments at the end of the terms of certain loans. Total debt is a mixture of fixed and floating rate indebtedness.

DEBT PROFILE

As at the end of 2001, over 91% (2000 : 87%) of the Group's total debts were denominated in US dollars which effectively reduces the risk of exchange fluctuations. Loans in currencies other than US dollars are hedged with comparable amount of assets in local currencies.

Of the total US$936.5 million debt outstanding at the end of 2001, US$203.1 million was fixed rate debt comprised mainly of container and terminal equipment leases. The fixed rates range from 6.02% to 10.64% dependent upon the cost of money at the time each transaction was entered into. The remaining US$733.4 million of loans was subject to floating interest rates at various competitive spreads over three months LIBOR (or equivalent) and relates principally to indebtedness on vessels and the investment property, Wall Street Plaza. In order to reduce the impact on the Group's profitability of fluctuating interest rates, the Group entered into interest rate collar contracts for US$100 million of its floating rate debt. The Group's average cost of debt at 31st December 2001 was 4.3%, inclusive of the interest rate hedging contracts.

NET DEBT TO EQUITY RATIO

This ratio was maintained at 0.6 during 2001 with capital expenditure on asset acquisitions, principally stage payments on new vessels, largely offset by profits generated for the year and the additional proceeds from the asset securitisation programme. The ratio is expected to rise in 2003 following the delivery and financing of new vessels ordered. However, forecasts for the business over the next five years indicate that the Group's objective to keep this key ratio below the 1.0 threshold will be achieved.

OPERATING LEASES AND COMMITMENTS

In addition to the operating assets owned by the Company and its subsidiaries, the Group also manages and utilises assets through operating lease arrangements. The total rental payment in respect of these leases for 2002 amounted to US$252.0 million as detailed in Note 27(b) to the Accounts of this report. Assets under operating lease arrangements consist primarily of container boxes, chassis, container vessels and certain terminals in North America.

At the end of 2001, the Group had outstanding capital commitments amounting US$453.5 million, principally represented by the orders placed for seven new container vessels to be delivered in 2003 and 2004.

ANALYSIS OF CONSOLIDATED CASH FLOW STATEMENT

Summary of Consolidated Cash Flow

US$'000	2001	2000	Variance
Net cash inflow from operation	**255,535**	254,749	786
Investing and financing inflow:			
Interest and investment income	**18,099**	25,650	(7,551)
Sale of fixed assets and investments	**8,257**	10,916	(2,659)
New loan drawdown	**90,589**	110,529	(19,940)
Cash from jointly controlled entities	**12,795**	609	12,186
Others	**523**	870	(347)
	130,263	148,574	(18,311)
Investing and financing outflow:			
Interest paid	**(63,195)**	(69,212)	6,017
Dividends paid to shareholders	**(20,685)**	(20,685)	–
Taxation paid	**(17,555)**	(16,686)	(869)
Purchase of fixed assets and investments	**(184,271)**	(182,596)	(1,675)
Loan repayments	**(151,840)**	(100,694)	(51,146)
Deferred expenditure incurred	**(2,669)**	(7,544)	4,875
Others	**(510)**	(1,461)	951
	(440,725)	(398,878)	(41,847)
Net cash (outflow)/inflow	**(54,927)**	4,445	(59,372)
Beginning cash, bonds and portfolio balances	**458,025**	455,954	2,071
Changes in exchange rates	**(674)**	(2,374)	1,700
Ending cash, bonds and portfolio balances	**402,424**	458,025	(55,601)
Represented by:			
Unrestricted bank balances and deposits	**264,938**	250,586	14,352
Restricted bank balances and deposits	**86,062**	106,356	(20,294)
Portfolio investments	**42,935**	53,243	(10,308)
Debt securities held as long-term investments	**8,489**	47,840	(39,351)
	402,424	458,025	(55,601)

A net cash outflow of US$54.9 million was recorded in 2001 as compared with a net inflow of US$4.4 million for 2000. Operating cash inflow for the year included US$9.9 million being the additional proceeds received from the receivable purchase agreement. Cash from jointly controlled entities mainly represented dividends and capital repatriations from completed property development projects in China while the higher loan repayments in 2001 were largely a result of the voluntary acceleration of the repayments due under certain loans. The cash outflow of the year was largely funded by the liquidation of certain portfolio investment funds and the disposals of long-term debt securities.

LIQUIDITY

As at 31st December 2001, the Group had total cash, bond and portfolio investment balances of US$402.4 million compared with debt obligations of US$133.2 million repayable in 2002. Total current assets at the end of 2001 amounted to US$539.1 million against total current liabilities of US$532.0 million. The Group's shareholders' funds are entirely ordinary shareholders' equity and no loan capital is in issue. The Group prepares and updates cashflow forecasts for asset acquisitions, project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a cautious liquidity level and the efficient investment of surplus funds.