Statement to Shareholders from the Chairman and Chief Executive Officer

The first half of 2002 has been a very difficult period for the company and for the container liner industry as a whole. As a result of this very adverse environment in which we are presently operating, the Orient Overseas (International) Limited Group has attained a profit before tax of US$4.12 million for the first six months of this year. After tax and minority interests a profit of US$1.03 million was recorded. This level of profitability represents a significant decrease from the US$49.07 million profit after tax and minority interests earned during the first half of 2001. The earnings per ordinary share of 0.2 of US1 cent compare with the earnings per ordinary share of US9.5 cents for the first half of 2001.

DIVIDEND

The Board of Directors has decided not to declare an interim dividend. This decision was reached not only as a result of the lack of meaningful profits recorded for the period but also as a reflection of the uncertain market conditions which we face for the remainder of the year. It is by no means certain that your Board of Directors will be in a position to declare a dividend for the full year although there are signs that the business climate is at least beginning to show signs of less volatility.

INTERNATIONAL CONTAINERISED TRANSPORTATION

The core international containerised transportation business of the Group, trading under the "OOCL" name, has had to contend in 2002 with one of the worst business environments in the history of the industry. The slowdown in the world's economies, which began in late 2000, gathered pace during 2001 and is only now showing signs of abating and indeed of turning around. This slowdown had its greatest impact upon the industry from early 2001 onwards as it coincided with the almost unprecedented increase in the rate of delivery of newbuilding container vessels, especially in the post-Panamax sub-sector of container vessels i.e. those with a carrying capacity of about 5,000 TEU and above. In late 2001 the forecasts for poor container volume growth and an excessive rate of delivery and introduction into service of new tonnage, were pessimistic in the extreme. The all pervading sentiment which they created led to the widespread belief that many vessels would be operating at significantly below capacity during 2002 and that freight rates would fall dramatically as a result. Whilst rates have indeed fallen significantly as predicted, in the event the growth in container volumes carried has been at a somewhat higher rate than first forecast. In addition, efforts by individual carriers and the alliances to slow down the introduction of new capacity and to suspend certain services temporarily during the first half of the year, served to soften this negative sentiment. However, the imbalance is expected to persist, albeit to a lesser extent than earlier forecast. Nevertheless, these overly pessimistic forecasts did their damage by convincing liner operators to conclude service contracts with their customers at too earlier a stage and at too low a price level. It has taken some time for the stronger than forecast growth in volumes and, arguably, lower than forecast rate of newbuilding deliveries to have their effect upon freight rates. These movements in the supply and demand equation have finally resulted in a slight but noticeable strengthening of freight rates as we enter the peak shipping season.

TERMINAL OPERATIONS

Our terminal operations have enjoyed mixed fortunes during the first half of 2002. Both Deltaport and Vanterm in Vancouver have benefited from increased throughput resulting in performances significantly ahead of budget. However, the competitive situation and current overcapacity in the Port of New York and New Jersey has led to below budget performances by our Howland Hook Terminal on Staten Island and Global Terminal in New Jersey. Global Terminal has suffered especially as a result of the loss of its two major customers over the past twelve months, one due to bankruptcy and the other due to the rationalisation and consolidation of its services. Plans are in hand, however, to replace this lost throughput and we are confident 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 well and ahead of budget during the first half of the year. Wall Street Plaza in New York was positioned to remain immune from the after effects of 11th September 2001 as a result of its 100% fully let position with the vast majority of leases fixed through until 2004. Unfortunately however, we have not remained immune from the fall out emanating from the much publicised and high profile U.S. corporate collapses of the last six months or so. One major tenant has filed for Chapter XI protection and this has led to the return during July 2002 of a significant amount of floor space, in fact just under 14% of the total area. Although negotiations are advancing and the space will be re-let, it will be at significantly lower rental levels. As a result, we expect the financial performance overall of this investment property to deteriorate during the second half of this year. Development under the group's investment in Beijing Oriental Plaza progresses according to schedule with just one block of serviced apartments yet to be completed. It is now almost certain that there will be no further calls upon the shareholders.

In Shanghai the strong residential housing market has resulted in a performance by our property development activities ahead of budget for the period. Selling prices for our Century Metropolis project on Ziyang Lu have strengthened and Phases 1A and 1B are now either handed over or virtually 100% presold and the sales programme for Phase 2A is to begin shortly. Detailed planning and negotiation continues in relation to the new development site in the Luwan District for which we reached agreement to acquire in September 2001. We continue to seek further potential projects and are looking to conclude negotiations to acquire a further development site prior to the end of the year.

OUTLOOK

I said in the Annual Report for 2001 that to predict the outcome for the coming year was a more difficult exercise than it had been for many years. We are now six months further into the year but the exercise remains no less difficult. We have seen economic recovery and an acceleration in growth in many of the world's major economies but concerns linger no less than in the U.S. where the ability of consumer confidence to overcome the falls in the equity markets and the discredit brought upon itself by significant members of the corporate sector is still in doubt. The high rate of newbuilding deliveries remains a problem for the industry. It will require strong economic growth, both in the U.S. and Europe, and a consequent strong growth in container volumes, to carry us through until this current surge in the deployment of new tonnage begins to abate. The further concern here is that increased competition between the various shipyards will result in newbuilding prices becoming yet more attractive when viewed on that criterion alone. Nevertheless, there have recently been signs of some stability returning to freight rates across a number of the major trade routes and, if this is sustained, sentiment will begin to change to our advantage and profitability may start to recover. To date however, there are few if any signs that rates will recover in the short term to a level anywhere near sufficient to allow profitability to return to the levels of the past few years. The caveats most definitely remain therefore and if these modest rate improvements serve only to encourage a further spate of newbuilding orders then, in common with the remainder of the industry, we will have little better to look forward to over the coming few years.

In this environment of weak freight rates we remain as a Group, concentrated as before upon the improvement in efficiency as part of our continuing efforts to drive down both fixed and variable costs. At the same time we continue in our pursuit to improve the level of service we provide to our customers in order to gain a larger share of their business and to attract new customers and once gained, to retain their loyalty by a demonstration of greater efficiency and higher levels of service. We will also remain focussed on mainland China as our growth market and the one in which we have an established expertise and reputation. In all these efforts our IT capabilities continue to play a vital role and enhancements and developments will continue to be introduced. Our people are the other essential part of this process and in these testing times I pay tribute to their continued dedication without which the Group could not have achieved what, in the context of the severely adverse business environment, remains a commendable result.

C C Tung
Chairman and Chief Executive Officer

Hong Kong, 16th August 2002