Statement to shareholders from the Chairman and Chief Executive, C C Tung

RESULTS

In the first half of 2000, the Orient Overseas (International) Limited ("Company") Group made a profit before taxation of US$33.6 million compared with profit before taxation of US$5.7 million in the same period last year. After taxation, the Group reported a profit of US$22.9 million. For the same period in 1999, the after taxation loss was US$1.3 million.

The profit before taxation of US$33.6 million represents an improvement in our performance of US$27.9 million from the first half of 1999. The first half of 1999 reflected poor trading conditions, and the much improved 2000 results reflect a continuation of strong global trade conditions.

The strong first half performance is attributable to the Group's core business of international containerised transportation which trades under the name "OOCL". The primary profit drivers in the first half of 2000 were exports from Asia to the United States and Europe. Both of these routes showed substantial improvements in revenues which reflect high load factors, increases in capacity, and higher freight rates compared to the same period of last year. There has been very substantial improvement, highlighted by strong exports from Europe to North America, in the Transatlantic trade. While aggregate trade profitability in the Transatlantic has not been achieved in the first half of 2000, the improvement in the trade is major. Nonetheless, imbalances in the three major trades continue to exact a heavy toll in repositioning costs from a trade lane with weak demand to one where demand is exceptionally strong. Load factors in the Intra-Asia trade declined in the first half of 2000 and financial results are disappointing in the context of the first half of 1999.

The macroeconomic environment in the first half of 2000 has been positive for containerised transportation. Consumer demand in the United States and Europe for products manufactured in Asia has been consistently strong throughout the first half. That strength appears as if it will carry through all or most of the year 2000. Capacity increases in 2000 have been modest and portend to be so for the remainder of this year. Although there are early and preliminary signs of slackening in consumer demand in the United States, growth is expected to remain positive and at or above the so-called "natural rate of growth" for this mature economy. This does not in the year 2000 have negative implications for containerised transportation. A slowing US economy and increased vessel capacity do pose greater risks in the 2001-2002 period, but even at these future points, the global economic outlook is positive with Europe and most of Asia exhibiting stronger growth. We are in fact at a fairly unusual point in economic cycle history where most nations are showing positive and comparably strong economic growth. Containerised transportation is affected by many factors, so economic and trade growth, while critical, are not sole predictors of future performance.

Our investment container terminals, principally in North America, performed to our expectations and budget during the first half of 2000. TSI Terminal Systems Inc., which operates Vanterm and Deltaport facilities in Vancouver, continued to post favourable results in the first half of 2000. Deltaport now serves as the first port of call on the West Coast and provides on-dock rail facilities to transport goods to the hinterland of the United States and Canada for a number of its customers. Further growth and development at Deltaport is expected in future years.

Our Global Terminal in New Jersey, bolstered in productivity by four new cranes, continues to perform very well. Increased volumes in recent months at our Howland Hook Terminal in New York portend modest improvements in profitability.

Non-containerised activities, notably domestic housing in China, are on plan and on budget. "Orient Garden" in Hangzhou, completed in fourth quarter 1999, has surpassed 90% in sales and has achieved profitability. "Joffre Gardens" in Shanghai, expected to be completed by year end, has surpassed 50% in pre-sales. Initial pre-sales at the Zhenning Lu and Ziyang Lu projects in Shanghai, expected to be completed in 2001 and 2002, are strong and within budget. We hold equal partnership in these projects with a major Singapore corporation. We currently expect all three domestic housing projects in Shanghai to be successful in terms of profitability and return. Some profits will be taken in 2000, but the major part remains for future years. In Beijing, progress of Beijing Oriental Plaza is proceeding according to schedule and Phase 1 will commence occupancy in the second half of the year. Early retail space rentals are very encouraging. We continue to hold an 8% stake in the project, and expect the project to make a future contribution to the Company. Activities at our unsuccessful "Foody's" brand soft drinks business in Shanghai has been minimised in the year 2000. We expect to exit the business by the fourth quarter of 2000. The provision taken in 1999 is expected to be sufficient.

The current arrival of the peak season in our containerised transportation business and continued performance according to budget in our non-containerised activities augur well for the remainder of the year. We currently expect 2000 full year results to be better than those of 1999 but advise readers to be mindful of the amplitudes of cyclicality which have historically affected results of containerised transportation companies.

OPERATING PROFIT BEFORE FINANCING

Operating profit before financing for the six months ended 30th June 2000 was US$54.6 million compared with US$28.3 million in the corresponding period in 1999.

Liner Shipping Operations

Average revenue per TEU increased in the first half of 2000 on all major trade routes except the Intra-Asia trade, where revenue per TEU was essentially flat with that of the preceding year. Increases in both freight rates and total liftings contributed to improved year-to-year results in the Trans-Pacific, Asia-Europe and North Atlantic trades. While performance on the outbound legs from Asia to Europe and North America can be described as healthy and improving, return voyages from Europe and North America continue to be weak but marginally improved on last year. Trade from Europe to North America and Asia continues to strengthen with better economic growth in Europe and a comparably weak Euro currency which makes European goods very competitive in the United States and Asia. One-way trades, however strong, are not ideal because of the expense of repositioning empty container boxes. In Intra-Asia, the growth in capacity has not been matched by comparable growth in liftings and revenues, although total revenues have increased. Higher charterhire and bunker prices have also impacted Intra-Asia performance negatively.

The composite first half result is strong in both absolute and historical terms. Current forecasts for the full year operating profit before financing point to an encouraging second half performance.

Container Terminal Operations

Our container terminals group improved its operating profit over the corresponding period of last year and is ahead of budget. The performance reflects growth in the business at our terminals in Vancouver and the Port of New York and New Jersey. Installation of four new cranes at our Global Terminal in New Jersey has increased productivity. Business volume of the Howland Hook Terminal in New York has grown. Terminals have over the years produced consistent profit streams, usually with some growth in volumes and profits. Container terminals are a finite resource, notably so in advanced economies, and we expect the pattern of consistent profits to be replicated in the year 2000.

OOCL SERVICE ARRANGEMENTS

Grand Alliance

Participation in the Grand Alliance continues to be a cornerstone to the strategy and efficiency of OOCL operations. We are excited by extension of the Grand Alliance cooperation into the North Atlantic trade in the second half of this year. Americana Ships, a unit of CP Ships, will work with the Grand Alliance partners in jointly providing faster, more comprehensive services to customers engaged in trade between Europe and North America. We and our partners are of the view that the Grand Alliance Transatlantic service will be one of the very best, offering much improved services to customers.

Fleet Composition

OOCL continues to realise its plan for organic growth announced in earlier reports. Two "S" Class vessels of approximately 5,500 TEU each, *OOCL Malaysia* and *OOCL Los Angeles*, were christened at the end of April and delivered in the first half. These new vessels are on long-term charter to OOCL from a German shipowner. Three additional "S" Class vessels, two owned by OOCL and one time chartered by OOCL, are expected to be delivered in the second half of 2000. At the end of this year, 15 of the 18 "S" Class vessels planned for operations by early 2002 will have been delivered. OOCL in the first half 2000 additionally contracted with Japanese owners long-term charters for four 2,600 TEU vessels for delivery in 2003.

CMT Disengagement

As mentioned in the 1999 annual report of the Company, as of 1st January 2000, Chinese Maritime Transport, Limited ("CMT") became the sub-agent of the Group's Taiwan subsidiary, OOCL (Taiwan) Co., Limited ("OTWL"), in Taiwan, instead of acting as the general agent for the three carriers of the Group (together referred to as the "Carriers").

On 1st July 2000, OTWL came into full operation as the general agent in Taiwan and CMT ceased acting as OTWL's sub-agent. OTWL has replaced CMT in certain trucking, tractors and other contracts previously entered into by CMT with related or associated companies of the CMT group as general agent for the Carriers.

DEBT AND LIQUIDITY

The Group's net debt to equity ratio as at 30th June 2000 was 0.4 compared with 0.6 reported for the first half of 1999. It remains the Group's objective to maintain the net debt to equity ratio at 1:1 or below. The Group's loans outstanding as at 30th June 2000 were US$722.8 million.

The Group maintained cash and marketable securities totalling US$414.1 million as at 30th June 2000.

E-NITIATIVE

We spoke at length in the 1999 annual report about the evolution of electronic data management and E-Commerce within the OOCL Group, as well as our associated belief that E-Commerce would enhance our business both quantitatively and qualitatively in the years ahead. I am delighted to report that our customers are validating that belief earlier than expected. Amongst our major markets, the North American territory enjoys generally a very high customer preference for conducting business through use of the Internet, but also key areas like the UK and Germany in our European territory are reaching high ratios of Internet services utilisation. Within the Asia-Pacific Territory, Singapore stands out as rivaling the US in terms of such Internet usage. Our Internet services are available to customers worldwide, and we are experiencing usage from remote locations where OOCL does not yet operate fully owned organisations or have fully fledged agencies in place. The server-based, object oriented technology systems installed at the end of last year afford the flexibility to adapt to customer systems and information requirements. We will continue over the second half to make customer friendly refinements and have established the development teams needed to bring additional products and information services to the Internet.

DIVIDEND

The Directors are pleased to announce an interim dividend of US1 cent per ordinary share in view of the six months performance. The dividend will be paid on 29th September 2000 to the ordinary shareholders whose names appear in the register on 15th September 2000. For ordinary shareholders who wish to receive the dividend in US dollars, the election form which accompanies this Interim Report should be completed and returned to the Hong Kong Branch Registrar on or before 22nd September 2000. The current trend in business operations is positive, and the Directors will consider a further dividend for the full year as business performance warrants.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 8th September 2000 to 15th September 2000, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 7th September 2000.

DISCLOSURE OF INTERESTS

As at 30th June 2000, Directors who had served during the period and their associates had the following interests in the ordinary shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance:

			Other Interests		
	Personal Interests	Family Interests	Beneficial	Voting Trustee	Total
C C Tung	–	–	80,835,548 *(Note 1)*	243,941,662 *(Notes 2 & 3)*	324,777,210
Roger King	–	–	80,835,548 *(Note 1)*	–	80,835,548
T R Chang	506,390	–	–	–	506,390

Notes:

Note 1: C C Tung and Roger King have an interest in the Tung Trust which, through Springfield Corporation ("Springfield"), beneficially owns 55,409,576 ordinary shares and, through Monterrey Limited ("Monterrey"), beneficially owns 25,425,972 ordinary shares.

Note 2: Wharncliff Limited ("Wharncliff"), a company owned by a discretionary trust established by the Tung family, beneficially holds 243,941,662 ordinary shares of the Company and the voting rights in respect of such holdings are held by C C Tung through Tung Holdings (Trustee) Inc. ("Tung Trustee"), which include 6,265,247 ordinary shares of the Company derived from the surrender of 100% interest held by Wharncliff in THT (defined below) and 2,265,249 ordinary shares purchased from the market by Wharncliff during the first half of the year.

Note 3: C C Tung controls Tung Trustee, the voting trustee of Tung Holdings Trust ("THT"), a trust created pursuant to an amended and restated trust deed dated 19th May 1992 for the benefit of the remaining THT certificate holders. THT was terminated in January 2000 as the result of the surrender of 100% interest in THT by Wharncliff in exchange for 6,265,247 ordinary shares of the Company as described in Note 2.

Note 4: Wharncliff, Springfield and Monterrey together are referred to as the controlling shareholders.

SUBSTANTIAL SHAREHOLDERS

1. Shares

As at 30th June 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed the following interests being 10% or more of the Company's issued ordinary shares:

Name	Beneficially held	%
Wharncliff Limited	243,941,662	47.17
Springfield Corporation	55,409,576	10.71

2. Disclosure

As at 30th June 2000, the Group had the following bank borrowings requiring the controlling shareholders of the Company to retain sufficient voting power in the Company to pass ordinary resolutions during the tenure of the respective loan.

Aggregate outstanding loan amount as at 30th June 2000	**Tenure**
US$295,500,000	12 years from April 1997
US$37,425,970.50	12 years and 7 months from February 1998

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBT SECURITIES

As at 30th June 2000, none of the Directors or the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had any right to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or the Chief Executive (or any of their spouses or children under 18 years of age) during the six-month period ended 30th June 2000.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30th June 2000, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that independent non-executive directors are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company.

The Company believes in the value of a quality environment, both at sea and on land. Group policies emphasise environmental safety and quality in all that we do, and we are proud of our record to date. The Company regularly reviews its environmental practices for improvements made possible by technology and for lessons learned from adverse incidents in the maritime and other industrial sectors.

INTERIM RESULTS

The Directors announce the unaudited consolidated results of Orient Overseas (International) Limited as set out below:-

	Note	Six months ended 30th June 2000 US$'000	1999 US$'000
Turnover	1	**1,161,052**	969,314
Operating costs		**(975,227)**	(827,458)
Gross profit		**185,825**	141,856
Other operating income		**5,361**	6,232
Other operating expenses	2	**(138,307)**	(121,910)
Other exchange gain		**1,720**	2,165
Operating profit before financing	3	**54,599**	28,343
Net finance expense	4	**(19,581)**	(21,560)
Share of losses less profits of jointly controlled entities		**(1,446)**	(1,086)
Profit before taxation		**33,572**	5,697
Taxation	5	**(10,699)**	(7,016)
Profit/(loss) after taxation		**22,873**	(1,319)
Minority interests		**(274)**	(230)
Profit/(loss) attributable to shareholders		**22,599**	(1,549)
Dividend	6	**(5,171)**	–
Retained profit/(loss) for the period		**17,428**	(1,549)
		US cents	US cents
Earnings/(loss) per ordinary share	7	**4.4**	(0.3)

NOTES

1. TURNOVER

Turnover represents gross freight, charterhire, service and other income from the operation of the international containerised transportation and container terminal businesses and rental income from the investment property.

2. Other operating expenses include a one-time charge of US$2.3 million being costs for terminating an agent.

3. OPERATING PROFIT BEFORE FINANCING

	Six months ended 30th June	
	2000	1999
	US$'000	US$'000
Operating profit before financing by activity is as follows:		
International containerised transportation	**41,573**	16,023
Container terminals	**14,935**	12,075
Investment property	**2,204**	3,351
Others	**(209)**	770
	58,503	32,219
Corporate services	**(3,904)**	(3,876)
	54,599	28,343

4. NET FINANCE EXPENSE

	Six months ended 30th June	
	2000	1999
	US$'000	US$'000
Interest expense	**(26,848)**	(26,244)
Financing charges	**(3,962)**	(2,601)
Interest income	**6,654**	5,484
Portfolio investment income	**4,575**	1,801
	(19,581)	(21,560)

5. TAXATION

	Six months ended 30th June	
	2000	1999
	US$'000	US$'000
Overseas current taxation		
Subsidiaries	**(10,654)**	(7,016)
Jointly controlled entities	**(45)**	–
	(10,699)	(7,016)

Current taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates on the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the period (1999: nil).

6. DIVIDEND

	Six months ended 30th June	
	2000	1999
	US$'000	US$'000
Ordinary		
Proposed interim of US1 cent per share (1999 : nil)	**5,171**	–

7. EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of earnings/(loss) per ordinary share is based on the profit attributable to shareholders of US$22.6 million (1999: loss of US$1.5 million) and on 517.1 million ordinary shares in issue during the period.

By Order of the Board
C C Tung
Chairman

Hong Kong, 18th August 2000