



## CORPORATE PROFILE

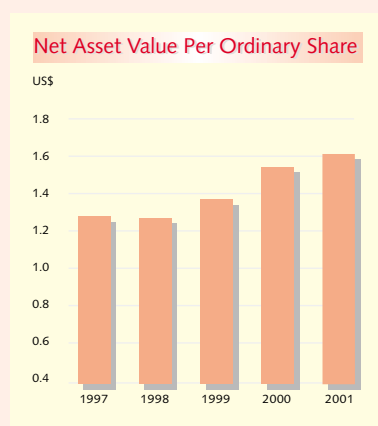
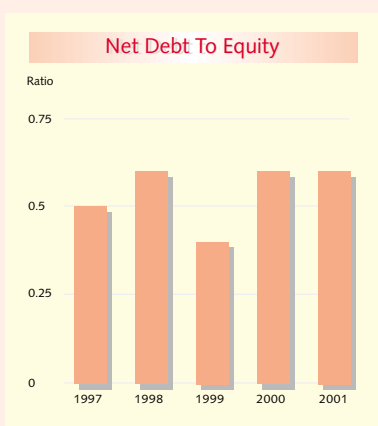
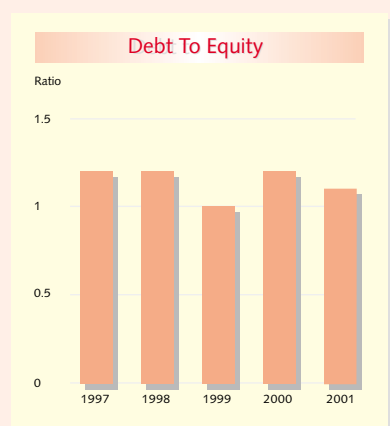
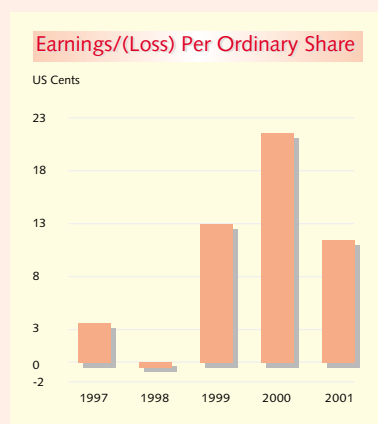
**Orient** Overseas (International) Limited (“OOIL”) is a US\$2.4 billion company with two principal business activities: international transportation, logistics and terminals, and property development and investment. Listed on The Stock Exchange of Hong Kong, OOIL Group has more than 160 offices in 50 countries.

Orient Overseas Container Line Limited, operating under the trade name OOCL, its wholly owned subsidiary, is one of the world’s largest integrated international transportation, logistics and terminal companies, and is one of Hong Kong’s most recognised global brands. OOCL is one of the leading international carriers serving China, providing the full range of logistics and transportation services throughout the country. It is also an industry leader in the use of information technology and e-commerce to manage the entire cargo process.

OOIL Group’s property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing’s most prestigious commercial and office developments and owns Wall Street Plaza in New York City. Its key focus is on residential property development in cities in China that have a higher per capita GDP, superior urban infrastructure and high overseas Chinese investment. It has a number of residential developments in Shanghai.

# FINANCIAL HIGHLIGHTS

	2001	2000	Change
	US\$'000	US\$'000	%
Turnover	2,378,950	2,395,160	-1
Net financing charges	45,614	48,246	-5
Profit after taxation	60,170	112,477	-47
Earnings per ordinary share (US cents)	11.5	21.6	-47
Ordinary shareholders' funds	833,368	796,747	+5
Cash, portfolio & bond investments	402,424	458,025	-12
Fixed assets	1,389,131	1,286,197	+8
Debt to equity ratio	1.1	1.2	-8
Net debt to equity ratio	0.6	0.6	-
Net asset value per ordinary share (US\$)	1.61	1.54	+5



# SIGNIFICANT EVENTS

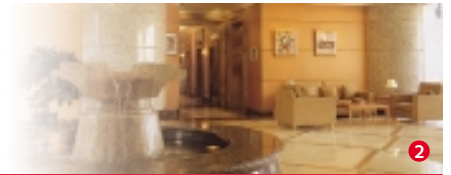
## JANUARY

CargoSmart,<sup>1</sup> possibly the most advanced common carrier portal for the container transportation industry, added an interactive Sailing Schedule to its suite of "smart" applications. This further distinguished CargoSmart from the competition.



1

Joffre Gardens,<sup>2</sup> a residential development totaling approximately 70,000 sq m at Nan Chang Lu in Xuhui District, Shanghai, received its occupation permit from the relevant authorities in December, and began handover procedures in January.



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## FEBRUARY

OOCL announced a new dedicated service between South Korea and North China using a 300 TEU vessel. The service begins in Pusan, followed by Dalian, before heading for Xingang in North China.



## MARCH

OOCL, China Shipping and Zim Line jointly announced a new Australia-East Asia service, covering Australia and the Greater China markets of China, Hong Kong and Taiwan.

On 16th March 2001, OOIL announced a profit after taxation and minority interests of US\$111.9 million for the year ended 31st December 2000, a 67% increase over the US\$67.2 million recorded for the corresponding period in 1999. The Directors recommended a final dividend of US3 cents (HK23.4 cents). Together with the interim dividend of US1 cent (HK7.8 cents), this represented a dividend for the year of US4 cents (HK31.2 cents), an increase of 33% over that for 1999.

OOCL announced an expansion of its weekly Scan Baltic Express service ("SBX"). Since April 1999, two dedicated ice-class ships had been deployed. In March 2001 they were the 600 TEU OOCL *Neva* and OOCL *Nevskiy*.<sup>3</sup>

OOCL celebrated the christening of the OOCL *Germany*<sup>4</sup> in Bremerhaven, Germany on 24th March 2001, a post-Panamax container vessel ordered by the company under a long-term charter agreement with the Hamburg, Germany based company, Nordcapital.



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## APRIL

OOCL expanded its China office network in Shantou by the appointment of Shantou Ping Ye International Freight Corporation Ltd as its general agent.

## SIGNIFICANT EVENTS

### MAY

For the third time in seven years, OOCL and Canada Maritime, long-term partners in the St Lawrence Coordinated Service, agreed that they would each commission new tonnage to be built simultaneously for deployment in the trade between North Europe and North America, via Montreal.



CargoSmart signed a significant three-year agreement with Hewlett-Packard. CargoSmart will outsource its data hosting to Hewlett-Packard who will act as a neutral party to ensure that CargoSmart's multiple-carrier customer data is kept completely proprietary.

OOCL appointed Adamis Shipping Agency Ltd as its agent in Greece. The appointment will help to further develop the Greek market to and from Asia and North America.

OODL successfully bid on a 37,000 sq m site in Luwan District. The total GFA is estimated at 150,000 sq m and is to be developed over a maximum of six years.



### JUNE

The Courtyards,<sup>5</sup> a residential development totaling approximately 65,000 sq m GFA located at Zhenning Lu, Changning District, Shanghai, received its occupation permit from the relevant authorities. The project had sold approximately 89% by the end of June.

OOCL celebrated the christening of the OOCL France<sup>6</sup> on 29th June 2001, in Shanghai. It is a 5,500 TEU container vessel and was deployed in the China/Europe Express service of the Grand Alliance's Asia-Europe service.

### AUGUST

OOIL announced its 2001 interim results. It recorded a profit before taxation of US\$54.7 million compared with US\$35.2 million for the same period in 2000. After taxation and minority interests, the Group reported a profit of US\$49.1 million, an increase of US\$24.9 million from US\$24.2 million in the first half of 2000.

OOCL and MISC announced a new European Coordinated Service, known as Iberia Scan Express ("ISX"). MISC provided two vessels of 736 TEU each, whilst OOCL contributed one, with a carrying capacity of 600 TEU. As part of the co-operation, MISC and OOCL will exchange slots on the three vessels.



OOCL and UK rail freight operator, Freightliner,<sup>7</sup> signed a historic 10-year contract to provide OOCL with a dedicated round trip train. The train will run a round trip service between Southampton and Manchester five days a week. The route was chosen as Southampton is called at by OOCL's deep-sea vessels to and from Asia and the USA, whilst Manchester is a natural inland rail hub for OOCL's extensive customer base in the North of the UK.

## SEPTEMBER

OOCL announced the appointment of Hanza Forwarding as the new agent in Latvia. Hanza Forwarding is well established in Latvia and strengthened OOCL's presence in the growing Latvian market.

OOCL announced the appointment of Baltic Group Limited as its agent in Lithuania. OOCL serves the Lithuanian market by utilising its own dedicated SBX via Riga, Latvia, and also by utilising public feeders via Klaipeda. The appointment of Baltic Group Limited in Lithuania represented another step in OOCL's development in the Baltic States.

OODL reached an agreement with Luwan District Government on the residential development tendered in May 2001.

## OCTOBER

OOCL launched the Chinese-language option of its Website on the 1st October 2001, China National Day. It was launched to better communicate with customers in China all the important international transportation, supply chain logistics and terminal operations information OOCL offers.



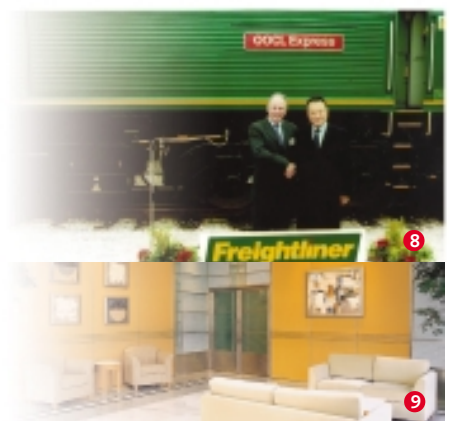
## NOVEMBER

Freightliner officially named one of its new class 66 diesel locomotives "OOCL Express"<sup>8</sup> to symbolise the dedication of a daily train service to its 10-year contract with OOCL.

OODL formally established an investment company, Orient Overseas (Shanghai) Investment Limited, in Shanghai as the Group's primary real estate development and investment holding vehicle on the mainland.

Phase 1A of Century Metropolis,<sup>9</sup> two residential towers totaling approximately 63,000 sq m GFA located at Hung Qiao Lu in Xuhui District, Shanghai, received its occupation permit from the relevant authorities. The phase was 90% sold by the end of November.

Lloyd's List presented OOCL with the highest award in the category "Corporate Commitment to Youth" as part of its annual Maritime Asia Awards. This prestigious award confirms that OOCL is fulfilling its commitment to its Community Responsibility core value.



# CHAIRMAN'S LETTER



## RESULTS FOR 2001

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The year of 2001 was not an easy one and in my statement on 17th August 2001 in the Interim Report, I warned that the business environment had changed significantly from the previously buoyant conditions of 2000 which had enabled us to achieve such a commendable result for that year. Nevertheless, the performance recorded for 2001 by Orient Overseas (International) Limited and its subsidiaries (the "Group") was acceptable in the context of the general economic climate. Despite the rapidly worsening conditions, our international transportation, logistics and terminal operations, which remain the Group's principal business, managed to achieve a satisfactory result under the circumstances and again provided the majority of profits and, after a number of years of investment, our property development projects in China which began to deliver a significant return in 2000, have again contributed significantly to Group profits. The future, however, is much less certain.

The confidence we felt at the beginning of 2001 evaporated rapidly as the world economy entered a period of much lower growth and at times recession. This was at a stage in the cycle at which the rate of delivery of new containerships was approaching an all time high. The compound impact upon the general level of freight rates has been extreme and the current year is likely to be one of the most difficult in the history of container liner shipping. Within this environment of highly adverse business conditions our modern fleet, which we continue to enhance and to operate within the Grand Alliance, our customer base and our current focus on the costs associated with our business will allow us to perform this year to the optimum aided by the benefits of our

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industry advanced IT infrastructure which continue to accrue. This sentiment is augmented by the flexibility afforded by the strength of our financial position relative to the industry average and the continuing comparative strength of the Chinese economy which benefits us as both the growth engine for our transportation business and the location of our property investment.

For the year 2001 the Group achieved a profit after tax and minority interests of US\$59.6 million, a 46.7% decrease from the US\$111.9 million recorded for 2000. The Group recorded an increase in total liftings of 11% to 2,004,992 TEU but the fact that Group turnover remained more or less level is a reflection of the overall fall in freight rates during the year. Operating profit before financing decreased from US\$166.4 million in 2000 to US\$107.4 million. Earnings per ordinary share were US11.5 cents as compared with US21.6 cents in 2000.

The Board of Directors recommends the payment of a final dividend of US1.5 cents (HK11.7 cents) per share to ordinary shareholders. Together with the interim dividend of US1 cent (HK7.8 cents) paid on 28th September 2001, this represents a total dividend for the year of US2.5 cents (HK19.5 cents), a decrease of 37.5% against that for 2000. The Board is of the view that the dividend should be reduced as a reflection of the performance of the business and especially at a time when the industry is suffering under perhaps the most adverse conditions with which it has ever had to contend.

The Group's operations remain organised into two distinct operating entities a structure

which continues to give each the required independence and ability to concentrate on their respective businesses.

Our International Transportation, Logistics and Terminals division enjoyed mixed fortunes during 2001. It is variously estimated that total container volumes grew by between 3.5% and 4% during 2001, the lowest in the history of containerised transport. The Group's achievement of an 11% increase in liftings is in line with our organic growth plans. These volume growth figures must however, be viewed against the estimated 12.3% by which the world's fleet of cellular container ships expanded during 2001. Ominously, the various estimates for 2002 forecast that the fleet is set to continue growing at this near record pace of somewhere in the region of a further 12% as a result of the spate of newbuilding orders placed over the past few years. However, the rate of newbuilding ordering has fallen over the past twelve months with few if any contracts under discussion at the current time. On the basis that no further orders can now be placed for delivery during 2003, the rate of expansion of the fleet in that year will fall from the current unsupportable level.

The past year has demonstrated that ever more so we live in a global economy. The former view that the slow down in the US economy, whilst clearly influencing the highly export dependent economies of Asia, would somehow bypass Europe quickly evaporated as the economies of Western Europe also lost momentum. This notion that the world's larger economies are not dependent one upon the other has probably now been dispelled forever, other than in the case of China which is insulated to an extent due to the relative size

of its domestic economy. However, in the same way that we have experienced a global slowdown we are also entitled to expect a global recovery. World economic activity is likely to have shown growth of under 1% during 2001 as a whole underlying the already proven fall in container volume growth. There is no consensus as to the timing and speed of the, probably US led, recovery in the levels of world growth, but the general view is that it will be some time during the second half of 2002. Whether it will come early enough and strongly enough to have any material effect upon container volumes, and therefore freight levels during the peak shipping season of the third quarter, will largely determine the Group's performance for the year as a whole. But from 2003 onwards, as the forces of both containerisation and globalisation continue to compound the growth in container volumes which result directly from increased economic activity in general, we may see the industry return towards a better equilibrium between growth in container volumes and the increase in vessel capacity deployed.

Our container terminal businesses in North America also enjoyed mixed fortunes in 2001. Overall, the four terminals, two in New York and two in Vancouver, achieved a 7.8% increase in throughput but the net results suffered from a number of factors. Depreciation charges and finance costs have increased as we continued to invest in the upgrade and modernisation of equipment to improve the efficiency necessary to meet the needs of future increases in throughput. At Global Terminal in New Jersey one off charges were incurred as a result of the bankruptcy of one major customer. Also in the Port of New York, our terminal at Howland Hook suffered from considerably higher operating

expenses. As a result we took significant steps to redress the situation including the acquisition of the 20% of the equity which we did not already own and the installation of a new management team. These measures have already begun to have their effect and we are confident of a much improved performance in 2002. During 2001 we also took the opportunity to divest ourselves of the non-core investment which we held in the Venice Container Terminal. This resulted in the sale of our minority holding of 38% to the majority shareholder at a gross consideration of Lira 8 billion.

During 2001 we continued the development of our IT capabilities and products. In October 2001 OOCL launched a Chinese language website option to enable better communication with its Chinese customers allowing them greater transportation, supply chain logistics and terminal operation information. There are also interactive features using simplified Chinese characters. We have also enhanced yet further our award winning object-orientated underlying enterprise system, IRIS-2. It is now a driver within the organisation towards the further improvement of our products and services for the benefit of our customer base. It also, of course, continues to provide us with greater business efficiencies and cost savings which have become of yet greater importance as the general economic conditions have worsened. A major demonstration of the power and integrity of IRIS-2 was the licensing agreement signed with COSCO Container Line which implicitly acknowledges their view that it is the most powerful and yet flexible system available and the best solution to their requirement to upgrade their services and operations. *CargoSmart*, the neutral portal

developed by us for the container transportation industry, is possibly the most advanced and comprehensive on-line shipping solution. During 2001 it was "neutralised" by being reorganised under a separate management and appointing and employing Hewlett Packard to host the system. Today it is employed by some 2,700 different companies daily and has recently completed 200,000 customer shipments.

Cargo System is a world-class leader in technology driven logistics services. Experienced professionals, supported by highly advanced web-based applications, provide a wide range of both standard and customised value-added services. Cargo System's services extend from basic freight consolidation operations to the management and operation of more comprehensive logistics programs. These programs include multi-modal transportation, warehousing and distribution activities.

Innovative and customer focused Information Systems have been the key "enablers" in advancing Cargo System's development. Cargo System currently provides a suite of globally accessible, web-enabled applications that provide customers with extensive visibility throughout their supply chain.

Cargo System has begun implementation of a specific strategy and plan consistent with the Group's overall goal to expand significantly its logistics services capabilities. An important part of this strategy includes the provision of Asia distribution services with a focus on China. These services will provide an extensive network including multi-modal transportation, warehousing & distribution services and supporting information technology. It is the

Group's intention to utilise its long-standing and successful experience in serving these critical and rapidly emerging markets as a base from which to expand further.

Our Property Development and Investment division enjoyed another good year in 2001 as the investments of previous years have come to maturity and continue to produce their returns. The developments in Shanghai have benefited from a generally buoyant sales environment which is also seeing the steady growth of liquidity in the secondary market for privately owned residential units. The main focus for the year has been to establish an independent, professional and full service business with a solid foundation and a vibrant and secure future. We believe that we have been largely successful in this endeavour. This division is able to look to the future with growing confidence and a number of potential development opportunities have been identified and continue to be assessed with one in the Luwan district of Shanghai now acquired.

Our investments in Beijing and New York have experienced mixed fortunes. We believe that both of China's entry to the WTO and the gradual build up to the 2008 Olympic Games will benefit all sectors of the Beijing property market which is already showing signs of greater strength. Beijing Oriental Plaza, in which the Group continues to hold an 8% interest, will also therefore begin to enjoy the stronger market environment as existing leases fall due for renewal. At the operational level, Wall Street Plaza recorded one of its best ever performances during 2001. It enjoyed almost 100% occupancy throughout the year and indeed, the vast majority of the rentable space is leased until 2004 although the credit

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standing of one major tenant currently under Chapter XI protection is a cause for concern. The tragic events of 11th September 2001 have had their impact upon the demand for prime office space in Lower Manhattan and, for this reason, we have deemed it appropriate at this point to write down the value of this investment property.

To predict the outcome for the current year is possibly a more difficult exercise than it has been for many years. The undisputed overcapacity within the industry is the paramount problem with which we have to contend but recently, there have been signs of recovery within the global economy that hopefully has the potential to reinstate, at least in part, the supply and demand balance. There are some conflicting indicators but clearly, the single most important variable in this demand recovery is the strength of the US economy, and specifically its consumer spending, given its traditionally significant influence upon the other economies of the world. While it would seem that the US recession is over and was short lived, a strong recovery is required to provide the demand increase necessary to counterbalance the volume of newbuilding vessels due for introduction into service this year. Only when we see this situation clearly will freight rates and profitability return to more acceptable levels. With this recovery by no means certain, the Group's focus for the remainder of this year will remain the eradication of unnecessary practices, the achievement of greater efficiencies and the containment of central and fixed costs. This exercise will then stand us in very good stead to reap the benefits of an improved market as and when it begins to emerge.

As always, our performance is very much determined by the skills, dedication, discipline, teamwork and sheer hard work of the Group's 4,686 employees throughout the world. 2001 was no exception but I have to single out those members of our New York staff, of both OOCL and Wall Street Plaza, who, in the aftermath of 11th September, performed beyond the levels which we could reasonably expect in order to ensure that services were maintained and that there was the least disruption possible to our customers. I salute them.

**C C Tung**

*Chairman and Chief Executive Officer*  
Hong Kong, 15th March 2002

# Supply Chain

As a total logistics service provider, drawing on the strengths of our powerful information system, we offer customers integrated and tailor-made logistics solutions at every stage in the supply chain.



# OPERATIONS REVIEW

## INTERNATIONAL TRANSPORTATION, LOGISTICS AND TERMINALS

Our international transportation, logistics and terminals businesses experienced increasingly adverse economic conditions during 2001. There is unlikely to be any improvement in the immediate short-term and the difficult business environment seems set to persist certainly well into the second half of the year.

business performed well in achieving a 20% increase in liftings but tempered by a 9% drop in average revenues, whilst the Australia trades suffered a 9% drop in average revenues against a 10% increase in volumes. Our embryonic Intra-Europe business performed well achieving a 5.7% increase in average revenues against a 50% increase in containers carried.



### CONTAINERISED TRANSPORTATION

All trade routes experienced worsening business conditions during 2001. The Trans-Pacific business recorded a 10% rise in liftings but suffered a 13% drop in revenue per TEU. On the Asia-Europe routes, liftings increased by 2.2% while average revenue per TEU fell by 13%. Our business in the Transatlantic trades fared better since, while total liftings rose by 2%, average revenues per TEU actually showed modest gains over the levels obtained during the previous year. Our Intra-Asia

Balanced against these effects of the slowdown of global economic activity were certain benefits to both our fixed and variable cost bases. The continuing strength of the US Dollar served to reduce operational costs and overheads whilst the average cost of bunkers for the year were 17.5% lower than in 2000. In addition OOCL took delivery under long-term charters of a further two 5,560 TEU newbuilding vessels during the year as part of our fleet modernisation and expansion plans and as scheduled within our organic growth projections. This larger and more efficient tonnage lowers our unit costs. The result of the introduction of these two new vessels, together with the full year effect of the five

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similar sized vessels delivered during 2000, was to reduce our voyage costs by 10.4% on a per TEU / per day basis as a result of both improved vessel efficiency and the greater economy of scale.

In line with our long-term business plans OOCL had, at the end of 2000, placed orders for two 7,400 TEU newbuildings, for delivery during the second quarter of 2003, and held options for a further four. During the course of 2001 two of these options, for delivery in early 2004, were exercised and orders were placed for a further two vessels to be delivered in mid 2004. At the same time the capacity of all six vessels was re-rated to 7,700 TEU. In addition, we have entered into a fleet enhancement programme in conjunction with our alliance partners in the North Atlantic trade which involves the order of a newbuilding ice-strengthened vessel of 4,100 TEU. Simultaneous with its scheduled delivery in April 2003 OOCL has committed to sell the *OOCL Canada* of 2,330 TEU thereby enhancing our route capacity. Finance for four of these vessels has been secured whilst the other three are under long-term bareboat charter arrangements.

Inclusive of one 5,560 TEU under long-term charter and delivered in February 2002 and the four previously announced 2,754 TEU vessels under long-term charter arrangements for delivery in 2003, OOCL is committed to the delivery of a total capacity of 66,000 TEU with options for a further 15,000 TEU.

## LOGISTICS

Cargo System, the Group's international freight consolidation and logistics services unit, continued its aggressive development through

the utilisation of innovative and highly customised information solutions for its diverse and growing customer base.

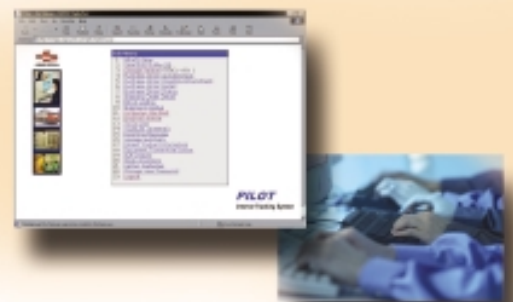
The introduction of market leading web-based applications has proven to be the single most important factor in supporting Cargo System's high level of sustained growth. The unit's suite of products provides visibility down to the Item / SKU level throughout the logistics network from purchase order issuance to customer delivery. The utilisation of leading edge technology has resulted in data integrity across its global network, timely response to customers and simple integration with other systems.

Consistent with the Group's strategic plan to significantly broaden its logistics service capabilities, Cargo System will provide an extensive network of warehousing, distribution and multi modal transportation services throughout key locations in China and other select Asia trade locations.

## INFORMATION TECHNOLOGY

The Group continues its policy of further investment in its IT capabilities as a means of achieving both internal efficiencies and cost savings for customers.

*CargoSmart*, which we believe is the most advanced and comprehensive open software platform in the industry, allows customers to manage their shipments with multiple carriers and to share information online. During 2001 further enhancements were made and the online management services now include Sailing Schedules, Internet Booking Requests, Shipment Details, Cargo Tracking, E-mail Notification, Relationship Manager and



Shipment Coverage. We have also developed and introduced DepotSmart as a neutral online depot operations network which utilises the power of e-commerce to streamline the operational and communication efficiency of depots and to save costs throughout the logistics chain.

**CONTAINER TERMINALS**

The performance of the container terminals in 2001 reflected a deterioration from the levels achieved in the previous year for a number of reasons. Although throughput increases at our two terminals in New York were

achieved, the overall handling capacity in the port also increased mainly as a result of efficiency gains amongst the other terminal operators. Global Terminal suffered from the loss of a major customer as a result of bankruptcy and the terminal at Howland Hook incurred significant restructuring charges resulting from our acquisition of the minority shareholding and subsequent management changes.

We have continued our programme of investment in these operations in both Vancouver and New York through equipment upgrades. This has however, resulted in higher depreciation and finance charges. Looking forwards, we believe that prospects are looking brighter. We are confident of significant throughput increases in Vancouver as container lines progressively select it as an alternative US gateway as the US West Coast ports approach full capacity. At Howland Hook we are in the process of restructuring its cost base which, together with significant efficiency enhancements, will result in a much improved performance this year. Global Terminal however, continues to face a number of challenges none less the likely loss of another major customer as a result of the rationalisation of services currently being undertaken by a number of carriers in the environment of the general economic slowdown. Several initiatives are underway however, which we are quietly confident will see the throughput replaced on a longer term and more secure footing.





## PROPERTY INVESTMENT AND DEVELOPMENT

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### PROPERTY INVESTMENT

The Group continues its policy of selected investments of size and quality which have the potential for solid and consistent returns.

The Group retains its 8% interest in Beijing Oriental Plaza which is now approaching completion. The three East Office Towers became available for occupation in May 2001 following the three West Office Towers and the shopping mall which were completed during 2000. 280 service apartment units were completed in July 2001 followed by the two Central Office Towers in September 2001. Letting has proceeded according to schedule and the leases on those units first leased will shortly fall due for renewal in a stronger market than was originally the case. The hotel (Grand Hyatt) was opened in September 2001 and the occupancy rate has been in line with expectations.

There is the potential for a call for further funding from shareholders during 2002 which would involve the injection of a further US\$9.2 million by the Group. It is considered unlikely however, that such a call will be made.

Wall Street Plaza, the Group's investment property in the financial district of New York, USA enjoyed a successful year during 2001. Benefiting from near 100% occupancy through the year and from lower interest and other costs it contributed significantly to the overall performance of the Group.

As at 31st December 2001 the building was valued, on an open market basis, at US\$90 million representing a US\$20 million reduction from that provided by the same valuer at the end of 2000. A provision has been made therefore for this diminution in value. Although no market transactions for similar quality buildings in the area occurred between the events of 11th September 2001 and the end of the year, demand for prime office space in the downtown Manhattan area has suffered as a result of both those terrorist attacks and the general economic downturn in the US. Although there are some signs that mid-town tenants may be considering a move from their existing higher priced premises, the longer term future at this stage remains difficult to assess.

### PROPERTY DEVELOPMENT

Our activities during 2001 remained concentrated upon Shanghai with its growing population of middle class executives and professionals whose increasing disposable incomes have not only stimulated demand in the primary market for residential units but also in the fast developing secondary market. We have established a reputation for the on time completion of a high quality product. The increasingly active secondary market is itself a stimulant to the demand for further new units. With a total dedicated staff now of more than 100, the Group's property development team under Orient Overseas Development Ltd has focussed in 2001 on

# 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.





Zhenning Lu in the Changning district of Shanghai, was received in June 2001 at which time 89% of the project had been sold. It is now 100% sold. In September 2001 the occupation permit from the relevant authorities was received for the two residential towers of phase 1A of Century Metropolis comprising 63,000 sq m of gross floor area located at Hung Qiao Lu also in the Xuhui district. This project in total involves the development of a gross floor area of 240,000 sq m with the remaining phases to be completed during 2002 and 2003.

forward project sourcing, operational efficiency, quality control and prudent financial planning with the objective of becoming a stand alone business. We are in the process of restructuring the various corporate entities under a newly incorporated PRC holding company and, as and when permitted, we shall also seek to establish a financial independence. With RMB denominated assets earning RMB denominated revenues it is only logical and sensible to create RMB denominated liabilities as soon as it is feasible and local regulations permit.

In September 2001, Orient Overseas Developments Ltd reached an agreement with the Luwan District government of Shanghai over a 37,000 sq m residential development site successfully bid in May 2001. The total gross floor area is estimated at 150,000 sq m and we expect the project to be completed and fully sold by no later than 2007.

Handover procedures relating to Joffre Gardens, the approximately 70,000 sq m development at Nan Chang Lu in the Xuhui District of Shanghai, began in January 2001 following receipt of the occupation permit in December 2000. It is now 100% sold. The occupation permit for The Courtyards, the similar sized residential development at

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

## INTERNATIONAL TRANSPORTATION AND LOGISTICS

## Summary of Operating Results

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

## FINANCIAL REVIEW

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 CargoSmart 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.

## FINANCIAL REVIEW

### 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 become 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)

## FINANCIAL REVIEW

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
<b>Loss before interest and tax</b>	<b>(4,366)</b>	<b>(14,697)</b>	<b>10,331</b>

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.

## FINANCIAL REVIEW

### 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)
<b>Total</b>	<b>10,919</b>	<b>18,987</b>	<b>8,068</b>

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

## FINANCIAL REVIEW

### FIXED ASSETS

US\$'000	2001	2000	Variance
International transportation and logistics	<b>1,167,280</b>	1,044,424	122,856
Container terminals	<b>131,850</b>	131,767	83
Property investment and development	<b>90,001</b>	110,006	(20,005)
	<b>1,389,131</b>	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	<b>7,251</b>	6,980	271
Property investment and development	<b>38,702</b>	42,437	(3,735)
Others	<b>1,297</b>	1,412	(115)
	<b>47,250</b>	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	–
	<b>98,783</b>	<b>97,272</b>	<b>1,511</b>

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.

## FINANCIAL REVIEW

### 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)
	<b>402,424</b>	<b>458,025</b>	<b>(55,601)</b>

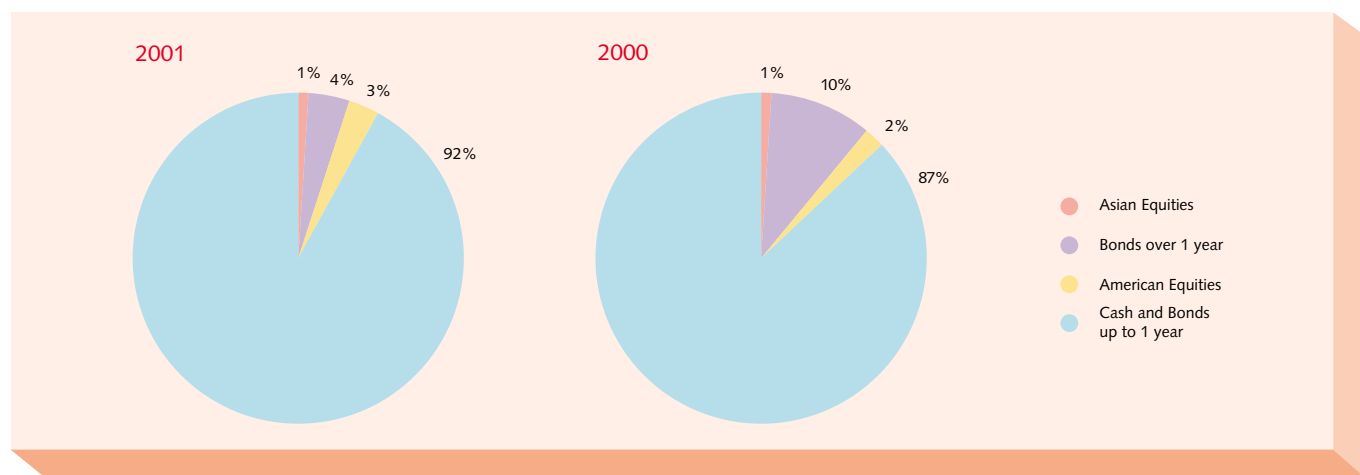
The Group adopts a central treasury system under which funds surplus to planned requirements are set aside for portfolio investment or fixed income bonds managed by in-house managers under guidelines imposed by the Investment Committee of the Board. Cash outlays in addition to normal operations are funded 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)
	<b>189,109</b>	<b>247,603</b>	<b>(58,494)</b>

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)
	<b>355,528</b>	<b>389,230</b>	<b>(33,702)</b>

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.

## FINANCIAL REVIEW

### TOTAL DEBT

US\$'000	2001	2000	Variance
Bank loans	<b>586,826</b>	583,434	3,392
Other secured loans	<b>28,153</b>	38,059	(9,906)
Finance lease obligations	<b>278,585</b>	262,847	15,738
Bank overdrafts and short-term loans	<b>42,895</b>	67,713	(24,818)
	<b>936,459</b>	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	<b>255,535</b>	254,749	786
Investing and financing inflow:			
Interest and investment income	<b>18,099</b>	25,650	(7,551)
Sale of fixed assets and investments	<b>8,257</b>	10,916	(2,659)
New loan drawdown	<b>90,589</b>	110,529	(19,940)
Cash from jointly controlled entities	<b>12,795</b>	609	12,186
Others	<b>523</b>	870	(347)
	<b>130,263</b>	148,574	(18,311)
Investing and financing outflow:			
Interest paid	<b>(63,195)</b>	(69,212)	6,017
Dividends paid to shareholders	<b>(20,685)</b>	(20,685)	–
Taxation paid	<b>(17,555)</b>	(16,686)	(869)
Purchase of fixed assets and investments	<b>(184,271)</b>	(182,596)	(1,675)
Loan repayments	<b>(151,840)</b>	(100,694)	(51,146)
Deferred expenditure incurred	<b>(2,669)</b>	(7,544)	4,875
Others	<b>(510)</b>	(1,461)	951
	<b>(440,725)</b>	(398,878)	(41,847)
Net cash (outflow)/inflow	<b>(54,927)</b>	4,445	(59,372)
Beginning cash, bonds and portfolio balances	<b>458,025</b>	455,954	2,071
Changes in exchange rates	<b>(674)</b>	(2,374)	1,700
Ending cash, bonds and portfolio balances	<b>402,424</b>	458,025	(55,601)
Represented by:			
Unrestricted bank balances and deposits	<b>264,938</b>	250,586	14,352
Restricted bank balances and deposits	<b>86,062</b>	106,356	(20,294)
Portfolio investments	<b>42,935</b>	53,243	(10,308)
Debt securities held as long-term investments	<b>8,489</b>	47,840	(39,351)
	<b>402,424</b>	458,025	(55,601)

## FINANCIAL REVIEW

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.

## BOARD OF DIRECTORS



### C C TUNG

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Mr Tung, aged 59, was appointed Chairman, President and Chief Executive Officer of OOIL since October 1996. Mr Tung chairs the Executive Committee and serves on the Investment Committee of the Board of OOIL. He is also Chairman or Director of various subsidiary companies of OOIL. Mr Tung graduated from the University of Liverpool, England, where he received his Bachelor of Science degree and acquired a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. Mr Tung is a non-executive Independent Director of Chekiang First Bank Ltd; a non-executive Director of Bank of China (Hong Kong) Ltd, Sing Tao Holdings Limited,

Zhejiang Expressway Co Ltd and PetroChina Co Ltd. Mr Tung was a Chairman of Hong Kong Shipowner's Association between 1993-1995, a Chairman of the Hong Kong General Chamber of Commerce between 1999-2001. He is a Chairman of the Hong Kong-America Center; Chairman of the Institute for Shipboard Education Foundation; Chairman of the Court and a member of the Council of The Hong Kong Polytechnic University; a member of the Hong Kong Port and Maritime Board; Board of Trustees of the University of Pittsburg and a member of Board of Visitors of School of Foreign Service, Georgetown University.

### TSANN-RONG CHANG

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Mr Chang, aged 62, has been a Director of OOIL since 1988 and is a Director of several OOIL subsidiary companies. He is a member of the OOIL Executive Committee and Finance Committee. Mr Chang is a qualified CPA in Taiwan and holds an MBA degree from Indiana State University, USA. Mr Chang has served the Group in various capacities for 33 years and is currently the Chief Executive Officer of OOCLL.

## BOARD OF DIRECTORS



### ROGER KING

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Mr King, aged 61, was Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period September 1985 to January 1987 and a Director from 1983 until 1992. He has been a Director of OOIL since 1992 and is also a Director of certain of its subsidiary companies. He has become a non-executive Director of OOIL followed his appointment in August 1999 as President and Chief Executive Officer of Sa Sa International Holdings Limited, a listed company in Hong Kong, one of the largest cosmetics retailers in Hong Kong. Mr King is a graduate of the University of Michigan, New York University and Harvard Business School. Prior to joining OOHL in 1974 he served in the United States

Navy and worked in computer research and management consultancy. Mr King is a Director of a number of other companies including Arrow Electronics Corporation, a company listed on the New York Stock Exchange and a non-executive Director of WellNet Holdings Limited, a listed company in Hong Kong. He is also the former Executive Chairman of System-pro Computers Limited, one of the largest personal computer retailers in Hong Kong. Mr King also serves on a number of advisory committees, including Hong Kong Management Association, Hong Kong University of Science and Technology and the Zhejiang Province People's Political Consultative Conference. Mr King is the brother-in-law of Mr C C Tung.

### ROBERT H SUAN

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Mr Suan, aged 62, appointed a Director of OOIL since May 1997. He is a member of OOIL Finance Committee. Mr Suan is the Managing Director of Orient Overseas Developments Ltd, a wholly owned subsidiary of OOIL, which is the holding company for the Group's China investments. Mr Suan has been with the Group for 32 years, has held various positions involving US investments, real estate and shipping related activities. He holds a Ph.D. in civil engineering from the University of London and was educated in the United Kingdom. Mr Suan is married to a cousin of Mr C C Tung.



### NICHOLAS D SIMS

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Mr Sims, aged 48, has been a Director and the Chief Financial Officer of OOIL since October 2000. Mr Sims was previously Managing Director of Wayfoong Shipping Services, a member of HSBC Group responsible for ship finance business throughout the Asia Pacific region. Mr Sims joined HSBC in 1973 and served the international banking group in Hong Kong and London. He serves on the OOIL Executive Committee, the Finance Committee, the Investment Committee and the Audit Committee of the Board of OOIL and is a Director of various subsidiary companies of OOIL.



### SIMON MURRAY

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Mr Murray, CBE, aged 61, has been a non-executive Director of OOIL since 1992 and was from 1989 until 1992 a non-executive Director of OOHL. He serves on the Investment Committee and the Audit Committee of OOIL. He is currently the Chairman of General Enterprise Management Services Limited, a private equity fund management company sponsored by Simon Murray And Associates. He is also a Director of a number of public companies including Hutchison Whampoa Limited and Cheung Kong Holdings Limited. Mr Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and is involved in a number of other charitable organisations including Save The Children Fund and The China Coast Community Association.



### DR VICTOR K FUNG

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Dr Fung, CBE, aged 56, has been a non-executive Director of OOIL since July 1996. He is Chairman of the Audit Committee of OOIL. Dr Fung is Chairman of the Li & Fung Group, the Hong Kong Airport Authority and the Hong Kong University Council. He is also a member of the Hong Kong Government Judicial Officers Recommendation Committee. Dr Fung holds a Bachelor of Science and a Master of Science degree in electrical engineering from the Massachusetts Institute of Technology and a doctorate from Harvard University. Dr Fung was Chairman of the Hong Kong Trade Development Council from 1991 to September 2000.

# Information Technology

We lead the industry in the application of IT.

We will continue to commit ourselves to the innovative and effective use of technology to provide superior transport and logistics solutions to our customers.



# FINANCIAL CALENDAR

Announcement of results for the half year ended 30th June 2001	17th August 2001
Despatch of 2001 Interim Report to shareholders	4th September 2001
Payment of ordinary dividend for the six months ended 30th June 2001	28th September 2001
Announcement of results for the year ended 31st December 2001	15th March 2002
Despatch of 2001 Annual Report to shareholders	8th April 2002
Closure of the Register of Members to determine entitlements to a final dividend on ordinary shares in respect of the year ended 31st December 2001	26th April 2002 to 3rd May 2002 both days inclusive
2001 Annual General Meeting	3rd May 2002
Payment of 2001 final ordinary dividend	17th May 2002

# SHAREHOLDER INFORMATION

Ordinary Shareholder Information at 31st December 2001:

Category	Shareholders		Shares of US\$0.10 each	
	Number	% of total	Number	% of total
Corporate	44	3.35%	489,137,056	94.59%
Untraceable shareholders				
Registered in name of				
Central Registration Hong Kong Ltd	1	0.08%	370,387	0.07%
Individual	1,268	96.57%	27,634,189	5.34%
	1,313	100.00%	517,141,632	100.00%

## Number of Shares Held

1 - 2,000	1,022	77.84%	449,919	0.09%
2,001 - 5,000	109	8.30%	334,538	0.07%
5,001 - 10,000	61	4.65%	460,806	0.09%
10,001 - 20,000	38	2.89%	568,818	0.11%
20,001 - 100,000	47	3.58%	2,185,833	0.42%
100,001 - 200,000	15	1.14%	2,283,825	0.44%
200,001 - 500,000	5	0.38%	1,732,387	0.34%
500,001 - 1,000,000	4	0.31%	2,141,869	0.41%
1,000,001 - 2,000,000	2	0.15%	2,171,744	0.42%
5,000,001 - 10,000,000	3	0.23%	23,081,393	4.46%
10,000,001 or above	7	0.53%	481,730,500	93.15%
	1,313	100.00%	517,141,632	100.00%

## Ten Largest Ordinary Shareholders

At 31st December 2001 the interests of the 10 largest ordinary shareholders of the Company, as recorded in the Company's principal registrar and Hong Kong branch registrar of members, were as follows:

Name of ordinary shareholder	Number of ordinary shares held	Percentage of issued ordinary shares
Wharnclyff Limited	214,653,662	41.51%
HKSCC Nominees Limited	77,480,820	14.98%
Springfield Corporation	55,409,576	10.71%
HSBC Nominees (Hong Kong) Limited	39,361,302	7.61%
Bank of China (Nominees) Limited	38,988,000	7.54%
Wayfoong Nominees Limited	30,411,168	5.88%
Monterrey Limited	25,425,972	4.92%
Hongkong & Shanghai Banking Corporation Bahamas	9,638,642	1.86%
Leung Hok Pang	7,223,291	1.40%
The Chase Manhattan Bank	6,219,460	1.20%

# CORPORATE GOVERNANCE

## CODE OF BEST PRACTICE

The Board is supportive of high standards of corporate governance. The Group has complied throughout the financial year with the Code of Best Practice issued by The Stock Exchange of Hong Kong Limited, with the exception that the independent non-executive directors have not been appointed for a specific term and are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Bye-laws. The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalised Group financial and legal procedures, the Group's Internal Audit Department and the Audit Committee.

## THE BOARD

The Board currently comprises seven directors of which two are independent non-executive directors and one is a non-executive director. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. This includes the approval of strategy recommendations and budgets as well as significant operational and financial management matters. Full minutes of board meetings are kept by the Company Secretary and are available for inspection, at any time during office hours, on reasonable notice, by any director. Any director may, in furtherance of his duties, take independent professional advice, where necessary, at the expense of the Company. All directors have access to the Chief Financial Officer and the Company Secretary, whose appointments and removal are matters for the Board as a whole. The Chief Financial Officer and the Company Secretary are responsible to the Board for ensuring that agreed procedures, rules and regulations, as applicable, are observed.

## THE AUDIT COMMITTEE

The Audit Committee is chaired by Dr Victor Fung, an independent non-executive director and is comprised of Dr Victor Fung, Mr Simon Murray, an independent non-executive director and the Chief Financial Officer with the head of the Internal Audit Department as the secretary and the Company Secretary as the assistant secretary of the committee. The committee meets not less than twice a year to review the completeness, accuracy and fairness of the half-year and the annual financial statements before submission to the Board, to consider the nature and scope of internal audit programmes and audit reviews and to review the effectiveness of the financial reporting process and internal control system of the Company. The external auditors, the Group Financial Controller and the General Manager - Finance of OOCL attend the Committee meetings at the invitation of the committee.

## INTERNAL CONTROL

The Group has an established internal financial control framework which is documented in the form of Group financial and legal procedures, compliance with which is mandatory. Actual operational results are reported against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheet are regularly reviewed and updated. There are also clearly defined procedures for the control of capital and major expenditure commitments and off balance sheet financial instruments, and the supervision, control and review of the investment portfolio. The Group has appointed a Compliance Officer to monitor connected transactions.

## GOING CONCERN

After making due enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of ORIENT OVERSEAS (INTERNATIONAL) LIMITED (the "Company") will be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 3rd May 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Statement of Accounts and the Reports of the Directors and the Auditors for the year ended 31st December 2001;
2. To declare the payment of a final dividend for the year ended 31st December 2001;
3. To re-elect Directors and to fix their remuneration;
4. To determine the maximum number of Directors at twelve for the time being and to authorise the Directors to appoint additional Directors up to such maximum number;
5. To re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors; and
6. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:-

(1) **"THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (defined below) all the powers of the Company to allot, issue and otherwise deal with Shares (defined below) or additional Shares of the Company and to make, issue or grant offers, agreements, options or warrants which will or might require the exercise of such mandate either during or after the Relevant Period, otherwise than pursuant to a rights issue, bonus issue, issue of scrip dividends or the exercise of rights of subscription or conversion under the terms of any shares, bonds, warrants or other securities carrying a right to subscribe for or purchase shares of the Company issued by the Company or a subsidiary or whose issue is authorised on or prior to the date this resolution is passed, not exceeding twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution; and

(b) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Bermudan law or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

"Shares" means shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities."

## NOTICE OF ANNUAL GENERAL MEETING

(2) **“THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (defined below) all the powers of the Company to purchase shares of all classes in the capital of the Company, securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities, provided however that the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to the respective security, to be purchased shall not exceed ten per cent. of the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to that security, in issue as at the date of the passing of this resolution; and

(b) for the purposes of this resolution :

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of :

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by Bermudan law or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

(3) **“THAT** the general mandate granted to the Directors to allot Shares pursuant to the resolution set out in item 6(1) of the Notice of this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased, or that share capital which would fall to be subscribed or purchased pursuant to the conversion, subscription or purchase rights attaching to any other securities purchased, by the Company pursuant to the authority granted by the resolution set out in item 6(2) of the Notice of this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the shares, or (as the case may be) conversion, subscription or purchase rights attaching to that security, in issue as at the date of the passing of this resolution.”

By Order of the Board

**Lammy Lee**

*Secretary*

Hong Kong, 15th March 2002

**Notes:**

- (i) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf in accordance with the Bye-laws of the Company. A proxy need not be a member of the Company.
- (ii) A proxy form is enclosed and to be valid, the proxy form must be deposited at the principal place of business of the Company in Hong Kong, 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) as soon as possible but in any event not less than 48 hours before the time appointed for holding the above meeting or any adjournment thereof.
- (iii) The register of members of the Company will be closed from 26th April 2002 to 3rd May 2002, both days inclusive, during which period no transfer of shares can be registered.

# REPORT OF THE DIRECTORS

The Directors present their report together with the audited accounts of Orient Overseas (International) Limited (the "Company") for the year ended 31st December 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and jointly controlled entities are shown on pages 91 to 98.

## GROUP RESULTS

The consolidated results of the Company and its subsidiaries (the "Group") and jointly controlled entities are shown on page 52.

## DIVIDENDS

The Directors declared an interim dividend of US1 cent (HK7.8 cents) per ordinary share, which was paid on 28th September 2001.

The Directors have recommended a final dividend in respect of the ordinary shares for the year ended 31st December 2001 of US1.5 cents (HK11.7 cents) per ordinary share to be paid on 17th May 2002 to the shareholders of the Company whose names appear on the register of members of the Company on 3rd May 2002. Shareholders who wish to receive the dividend in US Dollars should complete the US Dollars Election Form which accompanies this Annual Report and return it to the Branch Registrar on or before 10th May 2002.

## DIRECTORS

The Directors of the Company are shown on pages 37 to 39.

In accordance with the Bye-laws of the Company, Messrs Robert H Suan and Simon Murray, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Nicholas D Sims has a service contract with the Company which expires on 22nd October 2002. There are no other service contracts between any of the Directors of the Company and the Company or any of its subsidiaries.

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

As at 31st December 2001, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had been granted any right to acquire shares in or debt securities of the Company. No such rights were exercised by any Director or Chief Executive (or any of their spouses or children under 18 years of age) during the year.

## DIRECTORS' INTEREST

### 1. Significant Contracts

The Group continues to share the rental of offices at Harbour Centre, Hong Kong and at Shin Osaki Kangyo Building, Sinagawa-ku, Tokyo, Japan on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and Island Navigation Corporation ("INC") respectively, both companies owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL and INC for the year ended 31st December 2001 was approximately US\$697,410.

Except for the above (other than contracts amongst Group companies), no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

## REPORT OF THE DIRECTORS

### 2. Shares

As at 31st December 2001, Directors 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:

	Personal Interests	Family Interests	Other Interests		Total
			Beneficial	Voting Trustee	
C C Tung	–	–	80,835,548 (Note 1)	253,641,662 (Note 2)	334,477,210
Roger King	–	–	80,835,548 (Note 1)	–	80,835,548
T R Chang	506,390	–	–	–	506,390
Nicholas D Sims	46,000	–	–	–	46,000

**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:** Wharnclyff Limited (“Wharnclyff”), a company owned by a discretionary trust established by the Tung family, beneficially holds 253,641,662 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.

**Note 3:** Wharnclyff, Springfield and Monterrey together be referred to as the controlling shareholders.

## SUBSTANTIAL SHAREHOLDERS

### 1. Shares

As at 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed the following interests being 10 per cent. or more of the Company's issued ordinary shares:

Name	Beneficially held	%
Wharnclyff Limited	253,641,662	49.05
Springfield Corporation	55,409,576	10.71

### 2. Disclosure

As at 31st December 2001, 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 loans.

#### Aggregate outstanding loan

amount as at 31st December 2001

Tenure

US\$240,750,000

12 years from April 1997

US\$30,425,970.50

12 years and 7 months from February 1998

## CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions on normal commercial terms, and in the ordinary and usual course of the Group's activities :

- 1) OOCL (Taiwan) Co, Ltd ("OTWL"), the Group's Taiwan subsidiary, has been in full operation since 1st July 2000, acting as the general agent for the carrier of the Group (the "Carrier") in Taiwan. Chinese Maritime Transport, Limited ("CMT") ceased to act as OTWL's sub-agent. However, in order to provide a stable customer familiar environment, CMT has continued to provide office facilities and ancillary services, administrative and other supporting functions including crew manning services (which was terminated on 31st August 2001) to OTWL. The aggregate amount of fees paid to CMT for these services during the year were approximately US\$511,000.
- 2) OTWL has replaced CMT in contracts for certain chassis, trucking, tractors and equipment with a company associated with Mr John Peng in Taiwan. The aggregate amount paid by the Group during 2001 was approximately US\$13,175,000.
- 3) There was no slot chartering on the vessels operated by CMT in year 2001.
- 4) There was no staff secondment between CMT and the Group in year 2001.
- 5) During 2001, the Group purchased containers from Associated Industries China, Inc., ("AIC") and the total consideration for the containers purchased during 2001 was approximately US\$2,899,000.
- 6) Companies associated with Mr John Peng have provided the Group with container freight station depot and/or container storage facilities, computer maintenance for cranes and crew manning services (as from 1st September 2001) in Taiwan. The aggregate amount paid by the Group during 2001 was approximately US\$3,672,000.

Mr John Peng is the controlling shareholder of CMT, AIC and the companies associated with Mr Peng. He is a brother-in-law of Mr C C Tung, the Chairman and Chief Executive Officer of the Company. Mr Peng's wife is the sister of the wife of Mr Roger King, who is also a Director of the Company. The above transactions therefore constitute connected transactions under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors of the Company, Mr Simon Murray and Dr Victor K Fung, have reviewed the above transactions and confirm that such transactions have complied with the conditions set by The Stock Exchange of Hong Kong Limited in 1997 in granting the waiver to the Company from the requirement of disclosure by press notice and circular to shareholder on each occasion they arise and that they were conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and also within the annual limit of 6% of the consolidated net tangible assets of the Company for the year ended 31st December 2001 and the transactions were fair and reasonable so far as the shareholders of the Company were concerned. PricewaterhouseCoopers, the Auditors, have also reviewed the transactions as disclosed above.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

No pre-emptive rights exist under Bermudan law in relation to issues of new shares by the Company.

## REPORT OF THE DIRECTORS

### COMPANY'S COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report except that the non-executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

### FIXED ASSETS

Particulars of the movements in fixed assets are set out in note 12 to the accounts.

### DONATIONS

Donations made by the Group during the year amount to US\$110,000.

### ANNUAL GENERAL MEETING

The notice of Annual General Meeting is shown on pages 45 and 46. A circular which accompanies this Annual Report gives details of the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities (the "Shares") and the general mandate to authorise the repurchase of Shares (all as set out in the Notice of Annual General Meeting).

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**C C Tung**

*Chairman*

Hong Kong, 15th March 2002

# REPORT OF THE AUDITORS

## To the Shareholders of

**Orient Overseas (International) Limited**  
**(Incorporated in Bermuda with limited liability)**

We have audited the accounts on pages 52 to 98 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## Respective responsibilities of Directors and Auditors

The Directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

## Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## PricewaterhouseCoopers

*Certified Public Accountants*

Hong Kong, 15th March 2002

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2001

US\$'000	Note	2001	2000
Turnover	2	2,378,950	2,395,160
Operating costs	3	(1,913,528)	(1,914,394)
Gross profit		465,422	480,766
Other operating income	4	9,641	13,526
Other operating expenses	5	(347,672)	(327,893)
Revaluation deficit of investment property		(20,000)	—
Operating profit before financing	6	107,391	166,399
Net financing charges	8	(45,614)	(48,246)
Share of profits less losses of jointly controlled entities		9,312	13,311
Profit before taxation		71,089	131,464
Taxation	9	(10,919)	(18,987)
Profit after taxation		60,170	112,477
Minority interests		(522)	(614)
Profit attributable to shareholders		59,648	111,863
		<b>US cents</b>	<b>US cents</b>
Earnings per ordinary share	11	11.5	21.6

# CONSOLIDATED BALANCE SHEET

As at 31st December 2001

US\$'000	Note	2001	2000
Fixed assets	12	1,389,131	1,286,197
Jointly controlled entities	14	47,250	50,829
Long-term investments	15	107,272	145,112
Other non-current assets	17	53,212	58,078
<b>Non-current assets</b>		<b>1,596,865</b>	<b>1,540,216</b>
Properties under development and for sale		17,868	3,671
Debtors and prepayments	18	170,714	243,410
Current portion of investments in finance leases	16	527	522
Portfolio investments		42,935	53,243
Bank balances and deposits	20	307,008	314,192
<b>Current assets</b>		<b>539,052</b>	<b>615,038</b>
Creditors and accruals	21	355,528	389,230
Current portion of long-term liabilities	23	133,178	130,579
Bank overdrafts and short-term loans	22	42,895	67,713
Current taxation		416	6,655
<b>Current liabilities</b>		<b>532,017</b>	<b>594,177</b>
<b>Net current assets</b>		<b>7,035</b>	<b>20,861</b>
Long-term liabilities	23	(760,386)	(753,761)
Other non-current liabilities	24	(5,499)	(6,037)
		<b>838,015</b>	<b>801,279</b>
<b>Capital employed</b>			
Share capital	25	51,714	51,714
Reserves	26	781,654	745,033
<b>Shareholders' funds</b>		<b>833,368</b>	<b>796,747</b>
Minority interests		4,647	4,532
		<b>838,015</b>	<b>801,279</b>

**C C Tung**  
**Nicholas D Sims**  
 Directors

# BALANCE SHEET

As at 31st December 2001

US\$'000	Note	2001	2000
Subsidiaries	13	404,161	410,047
Other non-current assets	17	22,752	22,739
<b>Non-current assets</b>		<b>426,913</b>	432,786
Debtors and prepayments	18	96	1,058
Bank balances and deposits	20	17,998	13,045
<b>Current assets</b>		<b>18,094</b>	14,103
Creditors and accruals	21	1,399	959
<b>Current liabilities</b>		<b>1,399</b>	959
<b>Net current assets</b>		<b>16,695</b>	13,144
		<b>443,608</b>	445,930
<b>Capital employed</b>			
Share capital	25	51,714	51,714
Reserves	26	391,894	394,216
<b>Shareholders' funds</b>		<b>443,608</b>	445,930

**C C Tung**  
**Nicholas D Sims**  
 Directors

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2001

US\$'000	Note	2001	2000
<b>Cash flows from operating activities</b>			
Cash generated from operations	31(a)	255,535	254,749
Interest paid		(37,462)	(46,643)
Interest element of finance lease rental payments		(20,145)	(15,588)
Financing charges paid		(5,588)	(6,981)
Overseas tax paid		(17,555)	(16,686)
<b>Net cash from operating activities</b>		<b>174,785</b>	<b>168,851</b>
<b>Cash flows from investing activities</b>			
Sale of fixed assets		8,349	7,945
Sale of long-term investments		43,299	13,746
Purchase of fixed assets		(183,366)	(163,728)
Purchase of long-term investments		(4,945)	(17,264)
Capital element from investments in finance leases		232	481
Proceeds from liquidation of a jointly controlled entity		—	3,146
Disposal of subsidiaries (net of cash and cash equivalents)	31(b)	—	35
Decrease/(increase) in amounts due by jointly controlled entities		5,648	(2,443)
(Increase)/decrease in bank deposits maturing more than three months from the date of placement		(985)	22,092
Deferred expenditure incurred		(2,669)	(7,544)
Interest received		11,652	13,727
Long-term investment income		1,704	3,936
Portfolio investment income		4,743	7,987
Gross earnings from investments in finance leases		291	354
Dividend received from jointly controlled entities		7,147	609
<b>Net cash used in investing activities</b>		<b>(108,900)</b>	<b>(116,921)</b>
<b>Cash flows from financing activities</b>			
New long-term loans		90,589	110,529
Repayment of long-term loans		(96,023)	(61,402)
Capital element of finance lease rental payments		(30,999)	(23,197)
Repayment of capital to minority interests		—	(1,028)
Decrease in short-term loans repayable more than three months from the date of advance		(655)	(4,495)
Dividends paid to shareholders		(20,685)	(20,685)
Dividends paid to minority interests		(510)	(433)
<b>Net cash used in financing activities</b>		<b>(58,283)</b>	<b>(711)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		324,663	275,818
Changes in exchange rates		(674)	(2,374)
<b>Cash and cash equivalents at end of year</b>	31(d)	<b>331,591</b>	<b>324,663</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2001

US\$'000	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Retained profit	Total
<b>At 31st December 1999</b>						
As previously reported	51,714	35,073	148,286	9,948	447,918	692,939
Prior year adjustment (note 1)	—	—	—	—	15,514	15,514
As restated	51,714	35,073	148,286	9,948	463,432	708,453
Changes in exchange rates	—	—	—	—	(2,884)	(2,884)
Profit for the year	—	—	—	—	111,863	111,863
Dividends (note 10)	—	—	—	—	(20,685)	(20,685)
<b>At 31st December 2000</b>						
As previously reported	51,714	35,073	148,286	9,948	536,212	781,233
Prior year adjustment (note 1)	—	—	—	—	15,514	15,514
As restated	51,714	35,073	148,286	9,948	551,726	796,747
Changes in exchange rates	—	—	—	—	(2,342)	(2,342)
Profit for the year	—	—	—	—	59,648	59,648
Dividends (note 10)	—	—	—	—	(20,685)	(20,685)
<b>At 31st December 2001</b>	<b>51,714</b>	<b>35,073</b>	<b>148,286</b>	<b>9,948</b>	<b>588,347</b>	<b>833,368</b>

# NOTES TO THE ACCOUNTS

## 1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in conformity with generally accepted accounting principles in Hong Kong.

In 2001, the Group adopted and implemented the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	Presentation of financial statements
SSAP 9 (revised)	Events after the balance sheet date
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statement
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
SSAP 33	Discontinuing operations

SSAP 1 (revised), SSAP 11 (revised), SSAP 15 (revised) and SSAP 33 are applied in advance of their effective dates.

With the exception of SSAP 9 (revised), the changes in accounting policies, as detailed in notes below, do not have any significant effect on the profit or shareholders' funds resulting from the adoption of the above revised or new standards. In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, reserves of the Group as at 31st December 2000 have been increased by US\$15.5 million and that of the Company have been decreased by US\$3.5 million.

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities.

Results attributable to subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date on which control is transferred to the Group or to the date that control ceases, as applicable.

All significant inter-company transactions and balances between group companies are eliminated.

### (b) Goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net tangible assets of the acquired subsidiaries and jointly controlled entities at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised as income in the year of acquisition or over the weighted average useful life of the non-monetary assets.

In previous years, goodwill on acquisitions was taken directly to reserves. This accounting policy has been changed to conform with SSAP 30 Business combinations and such change has no effect to the accounts for the year.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)**

**(b) Goodwill (Continued)**

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of the Directors, there is a long-term impairment in value.

The profit or loss on disposal of subsidiaries and jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortised, including those previously taken directly to reserves.

**(c) Jointly controlled entities**

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

**(d) Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

No depreciation is provided for vessels under construction, the investment property and freehold land.

The investment property, being a commercial building, is held for long-term yields and is not occupied by the Group. The investment property is carried at fair value, representing open market value determined annually based on Directors' or independent valuation. A deficit in valuation is charged to the profit and loss account; an increase is first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter is credited to the assets revaluation reserve. Upon disposal of the investment property, any revaluation surplus is transferred to the profit and loss account.

Other fixed assets are depreciated, using the straight line method, to write off their cost or valuation over their estimated useful lives or if shorter, the relevant finance lease periods, to their estimated residual values. Estimated useful lives are summarised as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment	10 to 15 years
Freehold buildings	Not exceeding 75 years
Medium-term leasehold land and buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	5 to 10 years

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Interest and related costs on borrowings to finance the construction or acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Profits and losses on disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account. Upon disposal of revalued assets, any revaluation reserve is transferred directly to retained profit.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Investments

Debt securities expected to be held until maturity and equity shares intended to be held for the long-term are included in the balance sheet under long-term investments and are carried at cost, as adjusted for the amortisation of the premiums and discounts on acquisition, less provisions. Provision is made when, in the opinion of the Directors, there is a long-term diminution in value.

Premiums or discounts on the acquisition of long-term debt securities are amortised through the profit and loss account over the period from the date of purchase to the expected date of maturity. Any profit or loss on the realisation of long-term investments is recognised as it arises and is included in the profit and loss account under other operating income.

Portfolio investments comprising mainly marketable securities, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price and are readily convertible into cash, are included in the balance sheet under current assets and are carried at their realisable values. Income from portfolio investments, together with surplus or deficit, including exchange differences, arising from the sale or revaluation is included in the profit and loss account under net financing charges.

### (f) Investments in finance leases

Assets leased to third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the lessees are classified as investments in finance leases. The present value of the lease payments is recognised as a receivable in the balance sheet. Gross earnings under finance leases are recognised over the term of the lease using the net investment method which reflects a constant periodic rate of return on the net investment in the leases.

### (g) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant assets to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as a fixed asset; the corresponding obligations, net of finance charges, is included under long-term liabilities. Assets held under finance leases are depreciated on the basis described in note (d) above. Gross rental payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

Leases where a significant portion of the risk and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account over the periods of the respective leases on a straight line basis or another systematic basis which is representative of the time pattern of the benefit to the lessees.

### (h) Vessel repairs and surveys

Dry-docking and special survey costs for vessels are charged to the profit and loss account as incurred.

### (i) Deferred expenditure

Costs associated with the development of identifiable and unique computer software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are deferred and capitalised as fixed assets on completion of development and then depreciated on the basis described in note (d) above. Expenses incurred in connection with long-term financing are deferred and amortised on a straight line basis over the relevant tenure of the loan periods. Expenditure associated with the leasing of the investment property is deferred and amortised on a straight line basis over a period of up to five years.

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (j) Properties held for sale

Properties under development for sale are included under current assets and comprise land at cost, construction costs and any interest capitalised, less provisions for foreseeable losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

#### (k) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

#### (l) Deferred taxation

Deferred taxation is provided at the current tax rates using the liability method in respect of all significant timing differences, principally accelerated depreciation allowances, which are expected to reverse in the foreseeable future.

#### (m) Revenue recognition

Freight revenues from the operation of the international containerised transportation business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage. Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis. Rental income under operating leases is recognised over the periods of the respective leases on a straight line basis. Sales of properties under construction are recognised over the course of development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. Sales of completed properties are recognised upon completion of the sale and purchase contracts.

#### (n) Pensions and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates.

Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate. For the defined benefit schemes, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and which are used to pay to the employee or dependent a pension after retirement. The costs of providing these benefits are recognised in the profit and loss account on a systematic basis over the average remaining lives of the employees.

#### (o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions repayable within three months from the date of placement and portfolio investments which are readily convertible into cash, net of bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Financial instruments

The Group enters into financial instruments, including futures, forward, swap and option transactions, in order to hedge its exposure to fluctuations in foreign exchange, interest rates and other operating costs as part of the Group's risk management strategy against assets, liabilities, position or cash flows measured on an accrued basis. These financial instruments are accounted for on an equivalent basis to the underlying assets, liabilities or net positions at the balance sheet date. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions. Premiums on options are however charged to the profit and loss account as they are incurred. A net unrealised loss at the balance sheet date on open exchange contracts for future obligations is charged to the profit and loss account, whereas a net unrealised gain is deferred.

### (q) Foreign currencies

The accounts are expressed in US dollars.

Transactions in other currencies during the year are converted at rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiaries expressed in other currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investment in foreign subsidiaries are taken directly to reserves.

In previous years, profit and loss accounts of subsidiaries expressed in other currencies are translated at exchange rates ruling at the balance sheet date. This accounting policy has been changed to conform with SSAP 11 (revised) Foreign currency translation and the effect of such change to the accounts for the year is not material.

## 2. TURNOVER

US\$'000	2001	2000
International transportation and logistics	2,134,612	2,168,283
Container terminals	221,482	209,040
Property investment and development	22,856	17,837
	<b>2,378,950</b>	<b>2,395,160</b>

The principal activities of the Group are international transportation and logistics, container terminal, property investment and development.

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

## NOTES TO THE ACCOUNTS

### 3. OPERATING COSTS

US\$'000	2001	2000
Cargo	952,834	957,196
Vessel and voyage	437,214	458,793
Equipment and repositioning	340,650	333,757
Terminal operating	171,587	156,638
Property management and development	11,243	8,010
	<b>1,913,528</b>	<b>1,914,394</b>

### 4. OTHER OPERATING INCOME

US\$'000	2001	2000
Long-term investment income, listed	1,704	3,936
Profit on disposal of long-term investments	3,323	—
Profit on disposal of fixed assets	2,280	1,217
Exchange gain and others	2,334	5,938
Write back of provision for closure of subsidiaries	—	2,435
	<b>9,641</b>	<b>13,526</b>

### 5. OTHER OPERATING EXPENSES

US\$'000	2001	2000
Business and administrative	337,175	306,668
Corporate	8,497	8,887
Provision for diminution in value of long-term investments	2,000	9,877
Payment for early termination of an agent	—	2,286
Loss on disposal of long-term investments	—	175
	<b>347,672</b>	<b>327,893</b>

## 6. OPERATING PROFIT BEFORE FINANCING

US\$'000	2001	2000
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	20,092	17,837
Gross earnings on finance leases	291	354
Payment for early termination of property leases	307	70
and after charging:		
Depreciation		
Owned fixed assets	65,409	59,160
Leased fixed assets	33,352	24,958
Operating lease rental expense		
Vessels and equipment	280,728	309,580
Land and buildings	25,980	20,971
Staff costs		
General and administrative staff	228,437	216,892
Terminal workers	107,969	103,209
Crew and seamen	19,348	17,869
Amortisation of deferred expenditure	3,079	4,896
Auditors' remuneration	1,497	1,731

## 7. DIRECTORS' REMUNERATION

US\$'000	2001	2000
Fees	266	261
Salaries and other emoluments	1,672	1,780
Discretionary bonuses	559	478
Retirement benefits	198	106
	2,695	2,625

## NOTES TO THE ACCOUNTS

### 7. DIRECTORS' REMUNERATION (Continued)

The emoluments of individual Directors fall within the following bands:

Emoluments bands (US\$)	Number of directors	
	2001	2000
Nil ~ 128,200 (Nil~HK\$1,000,000)	3	4
320,501 ~ 384,600 (HK\$2,500,001~HK\$3,000,000)	2	1
384,601 ~ 448,700 (HK\$3,000,001~HK\$3,500,000)	—	1
769,201 ~ 833,300 (HK\$6,000,001~HK\$6,500,000)	—	1
833,301 ~ 897,400 (HK\$6,500,001~HK\$7,000,000)	1	1
961,501 ~ 1,025,600 (HK\$7,500,001~HK\$8,000,000)	1	—
	<b>7</b>	<b>8</b>

None of the Directors has waived the right to receive their emoluments. Fees and other emoluments paid to non-executive directors amount to US\$13,000 (2000: US\$13,000) and US\$32,000 (2000: US\$32,000), respectively.

Details of the emoluments paid to the five individuals, including two (2000: two) Directors, whose emoluments were the highest in the Group are:

US\$'000	2001	2000
Salaries and other emoluments	2,326	2,170
Discretionary bonuses	1,313	1,238
Retirement benefits	301	198
	<b>3,940</b>	<b>3,606</b>

## 7. DIRECTORS' REMUNERATION (Continued)

The emoluments of the five individuals fall within the following bands :

Emoluments bands (US\$)	Number of individuals	
	2001	2000
448,701 ~ 512,800 (HK\$3,500,001~HK\$4,000,000)	1	—
576,901 ~ 641,000 (HK\$4,500,001~HK\$5,000,000)	—	1
641,001 ~ 705,100 (HK\$5,000,001~HK\$5,500,000)	—	2
705,101 ~ 769,200 (HK\$5,500,001~HK\$6,000,000)	1	—
769,201 ~ 833,300 (HK\$6,000,001~HK\$6,500,000)	—	1
833,301 ~ 897,400 (HK\$6,500,001~HK\$7,000,000)	2	1
961,501 ~ 1,025,600 (HK\$7,500,001~HK\$8,000,000)	1	—
	<b>5</b>	<b>5</b>

## 8. NET FINANCING CHARGES

US\$'000	2001	2000
Interest expense		
Bank loans, overdrafts and other loans wholly repayable within five years	35,138	46,682
Other loans not wholly repayable within five years	1,075	1,030
Finance lease obligations		
Wholly payable within five years	7,188	6,298
Not wholly payable within five years	13,017	9,270
	<b>56,418</b>	<b>63,280</b>
Amount capitalised under fixed assets	(431)	—
	<b>55,987</b>	<b>63,280</b>
Interest income	(11,218)	(14,028)
Net interest expense	<b>44,769</b>	<b>49,252</b>
Financing charges	5,588	6,981
Portfolio investment income	(4,743)	(7,987)
	<b>45,614</b>	<b>48,246</b>

Financing charges include the funding costs reimbursed to TAPCO (note 19) amounting to US\$4.3 million (2000: US\$5.9 million).

## NOTES TO THE ACCOUNTS

### 9. TAXATION

US\$'000	2001	2000
Current overseas taxation		
Company and subsidiaries	10,830	18,974
Jointly controlled entities	89	13
	<b>10,919</b>	<b>18,987</b>

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 year. The rate applicable for Hong Kong profits tax is 16% (2000: 16%).

Deferred taxation charges/(credit) for the year has not been accounted for in respect of the following:

US\$'000	2001	2000
Accelerated depreciation allowances	1,371	1,870
Taxation losses and others	(4,732)	8,999
	<b>(3,361)</b>	<b>10,869</b>

### 10. DIVIDENDS

US\$'000	2001	2000
Final dividend in respect of 2000 of US3 cents (1999: US3 cents) per ordinary share	15,514	15,514
Interim dividend in respect of 2001 of US1 cent (2000: US1 cent) per ordinary share	5,171	5,171
	<b>20,685</b>	<b>20,685</b>

The Board of Directors declares a final dividend in respect of 2001 of US1.5 cents (2000: US3 cents) per ordinary share amounting to US\$7.8 million (2000: US\$15.5 million). This amount will be accounted for as an appropriation of retained profit in the year ending 31st December 2002.

### 11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US\$59.6 million (2000: US\$111.9 million) and 517.1 million ordinary shares in issue during the year.

## 12. FIXED ASSETS

US\$'000	Container vessels	Vessels		Chassis	Terminal equipment	Land and buildings outside Hong Kong		Vehicles, furnitures, computer and other equipment	Total
		under construction	Containers			Freehold	Medium-term leasehold		
<b>Group</b>									
Cost or valuation									
At 31st December 2000	928,771	15,630	300,736	102,957	193,464	158,554	27,685	132,047	<b>1,859,844</b>
Changes in exchange rates	—	—	—	(172)	(5,449)	(40)	(64)	(1,249)	<b>(6,974)</b>
Revaluation	—	—	—	—	—	(20,000)	—	—	<b>(20,000)</b>
Additions	—	117,136	70,655	9,847	19,729	3,893	2,168	8,925	<b>232,353</b>
Disposals	—	—	(35,458)	(2,284)	(959)	—	(1,601)	(4,072)	<b>(44,374)</b>
At 31st December 2001	928,771	132,766	335,933	110,348	206,785	142,407	28,188	135,651	<b>2,020,849</b>
Accumulated depreciation									
At 31st December 2000	217,685	—	121,959	64,341	61,874	19,935	6,399	81,454	<b>573,647</b>
Changes in exchange rates	—	—	—	(55)	(1,399)	(21)	(27)	(883)	<b>(2,385)</b>
Charge for the year	33,108	—	26,077	6,600	13,311	1,523	1,697	16,445	<b>98,761</b>
Disposals	—	—	(32,854)	(112)	(791)	—	(1,105)	(3,443)	<b>(38,305)</b>
At 31st December 2001	250,793	—	115,182	70,774	72,995	21,437	6,964	93,573	<b>631,718</b>
Net book amount									
At 31st December 2001	677,978	132,766	220,751	39,574	133,790	120,970	21,224	42,078	<b>1,389,131</b>
At 31st December 2000	711,086	15,630	178,777	38,616	131,590	138,619	21,286	50,593	<b>1,286,197</b>
Net book amount of leased assets									
At 31st December 2001	—	—	169,045	32,250	66,190	—	—	480	<b>267,965</b>
At 31st December 2000	—	—	162,211	32,689	57,011	—	—	574	<b>252,485</b>

- (a) Freehold land and buildings include the investment property, "Wall Street Plaza", which is a commercial property located at 88 Pine Street, New York, USA. The property is situated on three parcels of land, of which two parcels, representing approximately 34% of the site, are under long-term leases expiring in the year 2066. The property is stated at Directors' valuation of US\$90.0 million (2000: US\$110.0 million), by reference to a professional valuation made in December 2001 on an open market basis.
- (b) Container vessels include three (2000: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US\$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 72 of Hong Kong Statement of Standard Accounting Practice No 17. Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US\$3.5 million (2000: US\$3.9 million).

## NOTES TO THE ACCOUNTS

### 12. FIXED ASSETS (Continued)

- (c) Apart from the investment property and container vessels mentioned under (a) and (b) above, all other fixed assets are carried at cost.
- (d) The aggregate net book amount of assets pledged as securities for loans amounts to US\$970.3 million (2000: US\$888.3 million). Specific charges on vessels of the Group include mortgages and assignments of insurance claims and charterhire income relating to these vessels.

### 13. SUBSIDIARIES

US\$'000	2001	2000
<b>Company</b>		
Unlisted shares, at cost less provision	<b>169,482</b>	169,482
Amounts receivable	<b>437,813</b>	604,657
Amounts payable	<b>(203,134)</b>	(364,092)
	<b>404,161</b>	410,047

Particulars of the principal subsidiaries at 31st December 2001 are shown on pages 91 to 97. The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

### 14. JOINTLY CONTROLLED ENTITIES

US\$'000	2001	2000
<b>Group</b>		
Unlisted shares, at cost less provision	<b>8,314</b>	8,314
Share of retained post-acquisition profits	<b>12,474</b>	10,405
	<b>20,788</b>	18,719
Share of net assets	<b>26,462</b>	32,110
Amounts receivable	<b>47,250</b>	50,829

Particulars of the principal jointly controlled entities at 31st December 2001 are shown on page 98. The amounts receivable are unsecured, interest free and have no specific repayment terms.

## 15. LONG-TERM INVESTMENTS

US\$'000	2001	2000
<b>Group</b>		
Investment in Hui Xian, at cost (note (a))	93,601	91,201
Debt securities, at cost less provisions		
Listed outside Hong Kong (note (b))	2,617	41,540
Unlisted	5,872	6,300
Investments in finance leases (note 16)	3,370	4,137
Others, at cost less provisions		
Unlisted	1,812	1,934
	<b>107,272</b>	<b>145,112</b>

- (a) The investment in Hui Xian represents the Group's approximately 8% (2000: 8%) unlisted equity interest in and advances to Hui Xian Holdings Limited ("Hui Xian"), incorporated in Hong Kong and the holding company for the Beijing Oriental Plaza, which comprises a commercial, retail and residential complex of approximately six million square feet, with total estimated development costs of approximately US\$1.9 billion. The development is expected to complete in mid 2003.

The major shareholder of Hui Xian, which holds approximately 52% of the issued equity, has also been appointed the project manager of the development. Under the Hui Xian shareholders' agreement, the shareholders agreed to finance the development costs up to US\$1.9 billion in proportion to their shareholdings. If the development costs exceed US\$1.9 billion and any shareholders decide not to provide their share of the finance, the Group's percentage of shareholding in Hui Xian will be adjusted in accordance with the proportion of finance provided by the shareholders. In addition to the finance from the shareholders, Hui Xian has arranged bank loan facilities amounting to RMB4,460 million, over which the Group has provided a proportionate guarantee (note 28 (a)).

- (b) Market value of listed debt securities was US\$3.6 million (2000: US\$38.6 million).

## NOTES TO THE ACCOUNTS

### 16. INVESTMENTS IN FINANCE LEASES

US\$'000	2001	2000
<b>Group</b>		
Gross rental receivable	4,370	5,469
Gross earnings allocated to future periods	(473)	(810)
	<b>3,897</b>	<b>4,659</b>
Current portion included in current assets	(527)	(522)
	<b>3,370</b>	<b>4,137</b>

The cost of assets acquired for finance lease purposes amounted to US\$6.4 million (2000: US\$6.4 million). The finance leases are receivable in the following years:

US\$'000	Net investment	Gross earnings	Gross rental
2002	527	256	783
2003	3,370	217	3,587
	<b>3,897</b>	<b>473</b>	<b>4,370</b>

## 17. OTHER NON-CURRENT ASSETS

US\$'000	2001	2000
<b>Group</b>		
Deferred expenditure		
Property leasing expenses	6,468	13,374
Financing charges	1,083	1,232
Computer software development costs	1,264	417
Others	405	305
	9,220	15,328
Restricted bank balances and deposits (note 20)	43,992	42,750
	53,212	58,078
<b>Company</b>		
Restricted bank balances and deposits (note 20)	22,752	22,739

## 18. DEBTORS AND PREPAYMENTS

US\$'000	2001	2000
<b>Group</b>		
Trade debtors (note 19)	61,720	125,961
Other debtors	24,016	25,291
Prepayments	36,092	49,328
Utility and other deposits	31,290	25,551
Bunker	16,911	17,080
Tax recoverable	685	199
	170,714	243,410
<b>Company</b>		
Other debtors	5	22
Prepayments	91	1,036
	96	1,058

## NOTES TO THE ACCOUNTS

### 19. TRADE DEBTORS

In 1998, the Group entered into a receivables purchase agreement (the "Agreement") under which the Group agreed to assign, from time to time, certain specific trade receivables to The Rhino Receivables Company Limited ("Rhino"), a Channel Island unrelated special purpose company. The Group can offer to sell, at the time of each aforesaid assignment, a certain portion of those receivables, subject to a specified accumulated maximum amount, to Tulip Asset Purchase Company BV ("TAPCO"), a Netherlands unrelated special purpose company. Rhino holds all such trade receivables on trust for the benefit of the Group and TAPCO. Under the Agreement, TAPCO will settle in cash on the date of sale a fixed portion of the purchase price of the trade receivables, representing approximately 91% of those trade receivables on the date of sale with the balance on final settlement. TAPCO funds the purchases of the receivables by cash advances from Tulip Funding Corporation, a United States unrelated special purpose company, which in turn issues US dollar floating rate commercial papers backed by such receivables, supplemented by letter of credit and liquidity arrangements from a bank. The Group continues to manage the trade receivables and acts as collection agent for Rhino. The Group also agrees to reimburse all funding costs incurred by TAPCO in relation to the purchases of the trade receivables from the Group. Upon collection of all trade receivables sold, TAPCO will settle the balance of the purchase price, after deducting any funding costs not yet reimbursed and bad debts arising from those trade receivables.

As at 31st December 2001, trade debtors of the Group includes the following trade receivables:

US\$'000	2001	2000
Gross trade receivables assigned to Rhino	105,261	121,384
Less non-returnable proceeds received from TAPCO	(99,000)	(89,100)
	<b>6,261</b>	<b>32,284</b>

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade debtors, including those assigned to Rhino but net of provision for bad and doubtful debts, prepared in accordance with the due date of invoices, is as follows :

US\$'000	2001	2000
Below one month	132,317	159,561
Two to three months	23,726	36,707
Four to six months	3,550	17,507
Over six months	1,127	1,286
	<b>160,720</b>	<b>215,061</b>

## 20. BANK BALANCES AND DEPOSITS

US\$'000	2001	2000
<b>Group</b>		
Restricted	86,062	106,356
Not restricted	264,938	250,586
	<b>351,000</b>	<b>356,942</b>
Less restricted and included in non-current assets (note 17)	(43,992)	(42,750)
	<b>307,008</b>	<b>314,192</b>
<b>Company</b>		
Restricted	22,752	22,739
Not restricted	17,998	13,045
	<b>40,750</b>	<b>35,784</b>
Less restricted and included in non-current assets (note 17)	(22,752)	(22,739)
	<b>17,998</b>	<b>13,045</b>

Restricted bank balances and deposits are funds which are pledged as securities for banking facilities or required to be utilised for specific purpose. A restricted deposit of the Group amounting to US\$42.1 million (2000: US\$63.6 million), which has been pledged as security for a short-term bank loan of the same amount (note 22), is not classified as a non-current asset.

## 21. CREDITORS AND ACCRUALS

US\$'000	2001	2000
<b>Group</b>		
Trade creditors	103,494	120,744
Other creditors	18,518	23,413
Accrued operating expenses	208,279	239,147
Deferred revenue	25,237	5,926
	<b>355,528</b>	<b>389,230</b>
<b>Company</b>		
Accrued operating expenses	1,399	959

## NOTES TO THE ACCOUNTS

### 21. CREDITORS AND ACCRUALS (Continued)

The ageing analysis of the Group's trade creditors, prepared in accordance with date of invoices, is as follows:

US\$'000	2001	2000
Below one month	47,296	50,306
Two to three months	53,538	68,414
Four to six months	1,465	1,735
Over six months	1,195	289
	<b>103,494</b>	<b>120,744</b>

### 22. BANK OVERDRAFTS AND SHORT-TERM LOANS

US\$'000	2001	2000
<b>Group</b>		
Bank overdrafts		
Secured	49	—
Unsecured	430	3,107
Short-term loans		
Secured	42,416	64,606
	<b>42,895</b>	<b>67,713</b>

A secured bank loan of US\$42.1 million (2000: US\$63.6 million) is secured by a bank deposit of the same amount (note 20).

## 23. LONG-TERM LIABILITIES

US\$'000	2001	2000
<b>Group</b>		
Bank loans		
Secured	<b>586,826</b>	583,434
Other secured loans		
Wholly repayable within five years	<b>15,339</b>	22,861
Not wholly repayable within five years	<b>12,814</b>	15,198
Finance lease obligations		
Wholly payable within five years	<b>130,758</b>	150,940
Not wholly payable within five years	<b>147,827</b>	111,907
	<b>893,564</b>	884,340
Current portion included in current liabilities	<b>(133,178)</b>	(130,579)
	<b>760,386</b>	753,761

**23. LONG-TERM LIABILITIES (Continued)**

(a) The maturity of the Group's bank loans, other loans and finance lease obligations is as follows:

US\$'000	Bank loans	Other loans	Finance leases	
			Present value	Minimum payments
As at 31st December 2001				
2002	71,203	12,751	49,224	68,042
2003	92,934	5,197	35,557	50,894
2004	56,186	4,569	43,201	55,846
2005	60,716	3,075	28,212	38,448
2006	63,180	2,549	65,219	70,803
2007 onwards	242,607	12	57,172	62,259
	586,826	28,153	278,585	346,292

US\$'000	Bank loans	Other loans	Finance leases	
			Present value	Minimum payments
As at 31st December 2000				
2001	84,616	14,472	31,491	49,111
2002	39,173	9,699	43,863	62,564
2003	80,939	4,567	29,976	44,882
2004	40,232	3,886	31,474	43,916
2005	35,972	2,888	24,999	35,117
2006 onwards	302,502	2,547	101,044	111,938
	583,434	38,059	262,847	347,528

(b) The bank loans, other loans and finance lease obligations carry interest at fixed rates, ranging from 6.02% to 10.64% per annum, or variable rates, varying from 0.3% to 2.0% over stipulated market rates per annum.

## 24. OTHER NON-CURRENT LIABILITIES

US\$'000	Pensions	Other provisions	Total
<b>Group</b>			
At 31st December 1999	5,465	966	6,431
Changes in exchange rates	(560)	(75)	(635)
Provided	1,395	36	1,431
Utilised	(474)	(716)	(1,190)
At 31st December 2000	5,826	211	6,037
Changes in exchange rates	(631)	(5)	(636)
Provided	773	—	773
Utilised	(592)	(83)	(675)
At 31st December 2001	5,376	123	5,499

## 25. SHARE CAPITAL

US\$'000	2001	2000
<b>Authorised:</b>		
900,000,000 ordinary shares of US\$0.10 each	<b>90,000</b>	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	<b>65,000</b>	65,000
50,000,000 redeemable preferred shares of US\$1 each	<b>50,000</b>	50,000
	<b>205,000</b>	205,000
<b>Issued and fully paid:</b>		
517,141,632 ordinary shares of US\$0.10 each	<b>51,714</b>	51,714

## NOTES TO THE ACCOUNTS

### 26. RESERVES

US\$'000	2001	2000
<b>Group</b>		
Share premium	35,073	35,073
Contributed surplus	148,286	148,286
Asset revaluation reserve	9,948	9,948
Retained profit	588,347	551,726
	<b>781,654</b>	<b>745,033</b>
<b>Company</b>		
Share premium	35,073	35,073
Contributed surplus	148,286	148,286
Retained profit	208,535	210,857
	<b>391,894</b>	<b>394,216</b>

The profit attributable to shareholders for the year is dealt with in the accounts of the company to the extent of US\$18.4 million (2000: US\$27.6 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US\$356.8 million (2000: US\$359.1 million) as at 31st December 2001.

### 27. COMMITMENTS

#### Group

##### (a) Capital commitments

US\$'000	2001	2000
Contracted but not provided for	420,586	168,417
Authorised but not contracted for	32,957	14,202
	<b>453,543</b>	<b>182,619</b>

## 27. COMMITMENTS (Continued)

### Group (Continued)

#### (a) Capital commitments (Continued)

The commitments as at 31st December 2001 include the balance of the purchase cost of six 7,700 TEU and one 4,100 TEU ice-strengthened container vessels (2000: two 7,700 TEU container vessels) to be delivered in 2003 and 2004. In March 2002, the Group entered into agreements under which two 7,700 TEU and one 4,100 TEU container vessels will be sold to third parties at considerations equal to the acquisition costs to the Group upon delivery. The Group also entered into agreements to bareboat charter these vessels under operating lease terms for minimum periods ranging from eight to twelve years from dates of delivery.

In addition, the Group has a long-term investment plan in respect of the Beijing property development as set out in note 15(a).

#### (b) Operating lease commitments

The future aggregate minimum lease rental expense under non-cancellable operating leases are payable in the following years:

US\$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2001			
2002	232,250	19,791	252,041
2003	183,039	18,610	201,649
2004	154,062	27,152	181,214
2005	138,143	24,227	162,370
2006	113,642	20,738	134,380
2007 onwards	297,663	350,689	648,352
	1,118,799	461,207	1,580,006

US\$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2000			
2001	216,736	18,475	235,211
2002	193,307	14,742	208,049
2003	165,214	14,716	179,930
2004	149,696	23,008	172,704
2005	139,330	22,547	161,877
2006 onwards	400,886	352,963	753,849
	1,265,169	446,451	1,711,620

## NOTES TO THE ACCOUNTS

### 27. COMMITMENTS (Continued)

#### Group (Continued)

#### (c) Operating lease rental receivable

The future aggregate minimum lease rental income under non-cancellable operating leases are receivable in the following years:

US\$'000	Land and buildings
As at 31st December 2001	
2002	19,106
2003	20,565
2004	19,165
2005	12,431
2006	10,697
2007 onwards	31,890
	<hr/>
	113,854
	<hr/>

US\$'000	Land and buildings
As at 31st December 2000	
2001	18,046
2002	18,440
2003	17,905
2004	16,498
2005	11,166
2006 onwards	38,527
	<hr/>
	120,582
	<hr/>

## 28. CONTINGENT LIABILITIES

### Group

- (a) Guarantees in respect of loan facilities given for :

US\$'000	Facilities		Utilised	
	2001	2000	2001	2000
Jointly controlled entities	<b>40,000</b>	57,000	<b>11,700</b>	24,700
Hui Xian (note 15)	<b>43,100</b>	43,100	<b>25,131</b>	1,353
	<b>83,100</b>	100,100	<b>36,831</b>	26,053

- (b) Certain jointly controlled entities, Orient Overseas Property (Hangzhou) Company Limited, Shanghai Orient Overseas Real Estates Company Limited, Shanghai Orient Overseas Xujiahui Real Estate Company Limited and Shanghai Orient Overseas Zhenning Real Estate Company Limited (together the "JVs") have entered into agreements with certain banks in China in relation to the mortgage financing arrangement for end purchasers of their property development projects in Shanghai and Hangzhou. Pursuant to the terms of the agreements, the JVs have provided guarantees in respect of the outstanding loans and accrued interest owed by the purchasers to the financing banks. These guarantees will be discharged upon obtaining the legal title for the property. As at 31st December 2001, the guarantee for such mortgage loans provided by Shanghai Orient Overseas Xujiahui Real Estate Company Limited remained outstanding and amounted to US\$2.5 million (2000 : US\$34.6 million). The Group's share of such contingent liabilities is US\$1.2 million (2000 : US\$16.4 million).

- (c) Contingent taxation liabilities

At 31st December 2001, there were unprovided deferred taxation (benefits)/liabilities which consisted of the following timing differences:

US\$'000	2001	2000
Accelerated depreciation allowances	<b>10,403</b>	9,032
Taxation losses and others	<b>(24,115)</b>	(19,383)
	<b>(13,712)</b>	(10,351)

In addition, if the Group's investment property in the USA were sold, a taxation liability would arise. Based on the carrying value of the property of US\$90.0 million and the available taxation losses of the relevant subsidiaries as at 31st December 2001, this taxation liability would amount to approximately US\$16.0 million. No provision has been made in the accounts for this liability as the property is held for long-term investment purposes.

**28. CONTINGENT LIABILITIES (Continued)**

**Group (Continued)**

(d) Litigation

The Group joined the Trans-Atlantic Agreement (“TAA”), subsequently amended as the Trans-Atlantic Conference Agreement (“TACA”), in respect of its US East Coast/Northern Europe trade in 1992 and also entered into vessel sharing agreements with four other major operators in 1993. In October 1994, the European Commission (“EC”) adopted a decision, which found the price agreements of the TACA infringed EC competition rules in a number of identified respects, including the rate-making authority in respect of the inland proportions within the European Union of through-intermodal transport services. Since then, the parties to the TACA have applied and taken various actions for the annulment and suspension of that decision.

In September 1998, the EC adopted a decision (“Decision”) concerning the lawfulness of certain practices of the TACA. The Decision finds that the members of the TACA committed various infringements of the EC rules on competition, which prohibits agreements and practices restrictive of competition (Article 85 of the EC Treaty) and the abuse of a dominant position (Article 86 of the EC Treaty). The Decision also finds that the TACA parties infringed the equivalent provisions of the European Economic Area Agreement. The total fines imposed by EC on all the TACA parties for the infringement under Article 86 of the EC Treaty alone is Euro 272.9 million (approximately US\$241.6 million), of which the Group’s share is Euro 20.6 million (approximately US\$18.3 million).

In December 1998, the TACA parties lodged an appeal to the European Court of First Instance for the annulment of the Decision. As security for the appeal, the Group has provided a bank guarantee in favour of the court for an amount equivalent to its share of the fine imposed. In February 2002, the Court of First Instance handed down a judgement and dismissed the legal challenges brought by the TAA and TACA parties in relation to the cases date back to 1994. The judgement has no practical impact on the way in which the TACA parties now operate. The appeal in respect of the Decision and fines imposed are still pending. The exact liabilities of the Group are dependent upon the final outcome of the results of the appeals, which would expect to take at least several years. While the Directors cannot predict with certainty the final outcome of the appeals, it is their opinion, based on legal advice, that it is very likely that the court will annul or significantly reduce the fines imposed in the Decision. Accordingly, no provision has been made in the accounts.

**Company**

(a) Guarantees in respect of loans, finance lease obligations and bank overdraft facilities given for:

US\$'000	Facilities		Utilised	
	2001	2000	2001	2000
Subsidiaries	<b>1,103,590</b>	763,512	<b>787,236</b>	760,754
Jointly controlled entities	<b>40,000</b>	57,000	<b>11,700</b>	24,700
Hui Xian (note 15)	<b>43,100</b>	43,100	<b>25,131</b>	1,353
	<b>1,186,690</b>	863,612	<b>824,067</b>	786,807

(b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$307.3 million (2000: US\$425.2 million).

(c) The Company has given a guarantee for a subsidiary in respect of its commitment and obligations towards the Beijing Oriental Plaza project as set out in note 15(a).

## 28. CONTINGENT LIABILITIES (Continued)

### Company (Continued)

- (d) The Company has given a guarantee to a bank in respect of the guarantee in favour of the European Court detailed in note 28(d) above.
- (e) The Company has provided an undertaking to the Foreign Investment Commission of Shanghai Municipal Government for a subsidiary in respect of its capital contribution for property development projects in the People's Republic of China. As at 31st December 2001, the outstanding contribution amounted to US\$13.0 million (2000: nil).

## 29. FINANCIAL INSTRUMENTS

US\$'000	Contract amount		Replacement cost	
	2001	2000	2001	2000
Interest rate swap agreements	100,000	250,000	(2,378)	—
Forward foreign exchange contracts	19,511	—	(309)	—
Foreign exchange option contracts	39,888	—	(200)	—
	159,399	250,000	(2,887)	—

The Group manages its exposure to fluctuations of foreign currencies, interest rates and bunker prices through a comprehensive set of procedures, policies and limits approved by the Committees of the Board of Directors. The Group does not engage in any transactions for speculative or dealing purposes. The above financial instruments arise from future, forward, swap and option transactions undertaken by the Group to hedge against assets, liabilities or positions.

The notional or contractual amounts of these instruments indicate the volume of these transactions outstanding at the balance sheet date and they do not represent amounts at risk. The exposure to credit risk is limited to the settlement amount owing by counterparties, which are reputable financial institutions.

The replacement cost of contracts represents the mark to market value of all contracts, which is estimated by reference to indicative market rates for these contracts, at the balance sheet date. The majority of the results relating to the unexpired contracts are recognised with the underlying transactions. In accordance with the Group's accounting policies, any net unrealised loss on open exchange contracts at the balance sheet date is charged to the profit and loss account whereas a net gain is not recognised.

## NOTES TO THE ACCOUNTS

### 30. PENSION AND RETIREMENT BENEFITS

The Group operates a number of retirement schemes in the main countries in which it operates. The total cost charged to the profit and loss account of these schemes was US\$10.7 million (2000: US\$7.9 million).

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 8.8% of the Group's employees and are fully funded, with the exception of two smaller schemes for which provisions have been made (note 24). The assets of the funded schemes are held in trust funds separate from the Group. The pension charge relating to these schemes was US\$1.8 million (2000: US\$0.5 million), and is assessed in accordance with the advice of qualified actuaries in accordance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the country in which they are situated. The main actuarial assumptions made in the principal defined benefit schemes were rates of return ranging between 6.0% and 8.0%, price inflation ranging between 2.5% and 7.5%, and salary increases ranging between 4.5% and 7.5%. The total value of the assets of the principal defined benefit schemes at their latest available valuation dates is approximately US\$189.5 million. These valuations, which were made by independent professionally qualified actuaries between December 2000 and December 2001, also showed that in aggregate total surpluses amounted to US\$6.1 million and total deficits amounted to US\$1.2 million.

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of employee salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charge for the defined contribution schemes, which cover approximately 59.5% of the Group's employees, was US\$8.9 million (2000: US\$7.4 million), after netting off forfeitures of US\$0.1 million (2000: US\$0.3 million).

### 31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit before financing to cash generated from operations

US\$'000	2001	2000
Operating profit before financing	107,391	166,399
Depreciation	98,761	84,118
Profit on disposal of fixed assets	(2,280)	(1,217)
Long-term investment income	(1,704)	(3,936)
(Profit)/loss on disposal of long-term investments	(3,323)	175
Write back of provision for closure of subsidiaries	—	(2,435)
Provision for diminution in value of long-term investments	2,000	9,877
Amortisation of deferred expenditure	3,079	4,896
Revaluation deficit of investment property	20,000	—
Decrease in provisions	(538)	(394)
Operating profit before working capital changes	223,386	257,483
Increase in properties under development and for sale	(14,197)	(224)
Decrease in debtors and prepayments	78,428	6,450
Decrease in creditors and accruals	(32,082)	(8,960)
Cash generated from operations	255,535	254,749

### 31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Disposal of subsidiaries

US\$'000	2001	2000
Net assets disposed		
Fixed assets	—	6,181
Non-current assets	—	182
Debtors and prepayments	—	1,407
Cash and bank balances	—	439
Creditors and accruals	—	(875)
Short-term loans	—	(2,295)
	—	5,039
Loss on disposal	—	(4,565)
Cash consideration	—	474
Cash and bank balances disposed	—	439
Net cash inflow on disposal of subsidiaries	—	35

#### (c) Analysis of changes in financing

US\$'000	Share capital and premium	Minority interests	Loans and finance lease obligations	Total
At 31st December 1999	86,787	5,508	654,724	747,019
Changes in exchange rates	—	(129)	(769)	(898)
Inception of finance leases	—	—	212,246	212,246
Minority interests' share of profit	—	614	—	614
Dividends paid to minority interests	—	(433)	—	(433)
Disposal of subsidiaries	—	—	(2,295)	(2,295)
Net cash inflow/(outflow) from financing	—	(1,028)	21,435	20,407
At 31st December 2000	86,787	4,532	885,341	976,660
Changes in exchange rates	—	103	(3,330)	(3,227)
Inception of finance leases	—	—	48,987	48,987
Minority interests' share of profit	—	522	—	522
Dividends paid to minority interests	—	(510)	—	(510)
Net cash outflow from financing	—	—	(37,088)	(37,088)
At 31st December 2001	86,787	4,647	893,910	985,344

## NOTES TO THE ACCOUNTS

### 31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Analysis of cash and cash equivalents

US\$'000	2001	2000
Bank balances and deposits maturing within three months from the date of placement	331,205	338,132
Portfolio investments	42,935	53,243
Overdrafts and bank loans repayable within three months from the date of advance	(42,549)	(66,712)
	<b>331,591</b>	<b>324,663</b>

### 32. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 15th March 2002.

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## SEGMENT INFORMATION

The principal activities of the Group include those relating to international transportation and logistics, container terminal, property investment and development. International transportation and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Transatlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

The business segment for international transportation and logistics includes the operations of the terminals at Long Beach and Kaohsiung, which form an integral part of that business. For the geographical segment reporting, freight revenues from international transportation and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the international transportation and logistics activities, which cover the world's major shipping lanes, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for international transportation and logistic business are not presented. Segment assets consist primarily of fixed assets, other non-current assets, debtors and prepayments and investments in finance leases, and mainly exclude investments in securities. Segment liabilities comprise creditors, accruals and other non-current liabilities. Total assets and capital expenditure are where the assets are located.

## SEGMENT INFORMATION

### BUSINESS SEGMENTS

US\$'000	International transportation and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2001						
Turnover	2,134,612	233,574	23,538	—	(12,774)	2,378,950
Other operating income	2,674	3,415	—	3,552	—	9,641
Segment results	117,464	9,788	(10,711)	(9,150)	—	107,391
Net financing charges						(45,614)
Share of profits less losses of jointly controlled entities	(729)	—	10,000	41	—	9,312
Profit before taxation						71,089
Taxation						(10,919)
Profit after taxation						60,170
Minority interests	(522)	—	—	—	—	(522)
Profit for the year						59,648
<b>Segment assets</b>						
Fixed assets	1,167,280	131,850	90,001	—	—	1,389,131
Jointly controlled entities	7,251	—	38,702	1,297	—	47,250
Other assets	124,408	48,368	123,449	887	—	297,112
Unallocated assets						402,424
Consolidated total assets						2,135,917
<b>Segment liabilities</b>						
Minority interests	(4,647)	—	—	—	—	(4,647)
Other liabilities	(321,785)	(31,833)	(1,676)	(5,733)	—	(361,027)
Unallocated liabilities						(936,875)
Consolidated total liabilities						(1,302,549)
Capital expenditure	215,649	16,704	—	—	—	232,353
Depreciation	87,050	11,710	1	—	—	98,761
Amortisation of deferred expenditure	439	45	2,595	—	—	3,079
Provision for diminution in value of long-term investments						2,000
Revaluation deficit of the investment property	—	—	20,000	—	—	20,000

## BUSINESS SEGMENTS (Continued)

US\$'000	International transportation and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2000						
Turnover	2,168,283	220,750	18,492	—	(12,365)	2,395,160
Other operating income	9,975	—	—	3,551	—	13,526
Segment results	159,207	24,583	5,262	(22,653)	—	166,399
Net financing charges						(48,246)
Share of profits less losses of jointly controlled entities	(90)	—	13,432	(31)	—	13,311
Profit before taxation						131,464
Taxation						(18,987)
Profit after taxation						112,477
Minority interests	(600)	—	—	(14)	—	(614)
Profit for the year						111,863
<b>Segment assets</b>						
Fixed assets	1,044,424	131,767	110,006	—	—	1,286,197
Jointly controlled entities	6,980	—	42,437	1,412	—	50,829
Other assets	196,492	51,128	108,730	3,853	—	360,203
Unallocated assets						458,025
Consolidated total assets						2,155,254
<b>Segment liabilities</b>						
Minority interests	(4,532)	—	—	—	—	(4,532)
Other liabilities	(360,963)	(24,932)	(2,677)	(6,695)	—	(395,267)
Unallocated liabilities						(958,708)
Consolidated total liabilities						(1,358,507)
Capital expenditure	303,780	74,678	—	—	—	378,458
Depreciation	75,533	8,585	—	—	—	84,118
Amortisation of deferred expenditure	258	722	3,856	60	—	4,896
Provision for diminution in value of long-term investments						9,877
Write back of provision for closure cost of subsidiaries	—	—	—	(2,435)	—	(2,435)

## SEGMENT INFORMATION

### GEOGRAPHICAL SEGMENTS

US\$'000	Turnover	Operating profit before financing	Total assets	Capital expenditure
Year ended 31st December 2001				
Asia	1,390,527	134	336,270	7,586
North America	641,576	(1,057)	387,894	34,467
Europe	309,064	—	18,784	710
Australia	37,783	—	426	17
Unallocated*	—	108,314	1,392,543	189,573
	2,378,950	107,391	2,135,917	232,353
Year ended 31st December 2000				
Asia	1,439,745	(745)	278,956	15,623
North America	617,399	30,590	403,017	94,425
Europe	303,276	—	22,828	589
Australia	34,740	—	428	19
Unallocated*	—	136,554	1,450,025	267,802
	2,395,160	166,399	2,155,254	378,458

\* Operating profit before financing comprise of results from international transportation and logistics and investment activities whereas total assets and capital expenditure comprise of vessels and containers.

# PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

As at 31st December 2001

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b>					
Beaufort Shipping Ltd	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Betterment International Ltd	100	5,000 shares of US\$1 each US\$5,000	Property investment	British Virgin Islands	China
Cargo System (Asia Pacific) Ltd	100	200 shares of US\$100 each US\$20,000	Investment holding	Bermuda	Asia Pacific
Cargo System (Hong Kong) Ltd	100	50,000 shares of HK\$10 each HK\$500,000	Freight forwarding	Hong Kong	Hong Kong
Cargo System (UK) Ltd	100	2 shares of £1 each £2	Cargo consolidation and forwarding	United Kingdom	Europe
Cargo System Logistics Inc.	100	100 shares of no par value US\$200	Cargo consolidation and transportation consultancy	USA	Worldwide
Cargo System Warehouse and Transport Ltd	100	3,000 shares of HK\$100 each HK\$300,000	Equipment owning	Hong Kong	Hong Kong
CargoSmart Ltd	100	2 shares of US\$1 each US\$2	Computer software development	British Virgin Islands	Worldwide
Consolidated Leasing & Terminals, Inc.	100	1 share of no par value US\$100	Equipment owning and leasing	USA	USA
Containers No 1 Inc.	100	500 shares of no par value US\$5,000	Equipment owning and leasing	Marshall Islands	Worldwide
Crown Power Ltd	100	2 shares of HK\$1 each HK\$2	Financial services	Hong Kong	China
Croydon Investment Ltd	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
Dongguan Orient Container Co Ltd	100	Registered capital HK\$29,000,000	Container depot	China	China
Far Gain Investment Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong
Far Glory Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	China

## PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b> (Continued)					
Global Terminal & Container Services, Inc.	100	24,750 shares of no par value US\$5,500,000	Terminal operating	USA	USA
Goodlink Shipping Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
Hai Dong Transportation Co Ltd	100	100,000 shares of HK\$1 each HK\$100,000	Container transportation	Hong Kong	Hong Kong
Hillingdon Steamship and Navigation Company Ltd	100	200 shares of US\$100 each US\$20,000	Investment holding	Bermuda	Worldwide
Hope Award International Ltd	100	5,000 shares of US\$1 each US\$5,000	Property investment	British Virgin Islands	China
Howland Hook Container Terminal, Inc.	100	1,000,000 shares of US\$1 each	Terminal operating	USA	USA
	100	5,200 cumulative preferred shares of US\$1,000 each US\$6,200,000			
IRIS Systems Ltd	100	2 shares of US\$1 each US\$2	Computer software development and hosting provider	British Virgin Islands	Worldwide
Island Securing and Maintenance, Inc.	100	1,000 shares of no par value US\$10,000	Lashing and maintenance of container equipment	USA	USA
Joyocean Navigation Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
Kenwake Ltd	100	1,600,000 shares of £1 each	Investment holding	United Kingdom	United Kingdom
	100	520,000 5% cumulative preference shares of £1 each £2,120,000			
Laronda Company Ltd	100	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
Long Beach Container Terminal, Inc.	100	5,000 shares of no par value US\$500,000	Terminal operating	USA	USA
Longtex Investment Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	China

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b> (Continued)					
Loyalton Shipping Ltd	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Millerian Company Ltd	100	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
Newcontainer No 1 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 2 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 3 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 4 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 5 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 6 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 7 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No 9 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 10 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 11 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 12 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 15 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 16 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 17 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide

## PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b> (Continued)					
Newcontainer No 18 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No 19 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
OHKL (Macau) Ltd	100	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	Macau
OOCL (Asia Pacific) Ltd	100	2 shares of HK\$1 each HK\$2	Liner territorial office	Hong Kong	Asia Pacific
OOCL (Assets USA) Holdings Inc.	100	50,000 shares of US\$1 each US\$50,000	Investment holding	Liberia †	USA
OOCL (Assets) Holdings Inc.	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
OOCL (Australia) Pty Ltd	100	200,000 shares of A\$1 each A\$200,000	Liner agency	Australia	Australia
OOCL (Benelux) NV	100	33,131 shares of no par value €223,000	Liner agency	Belgium	Belgium
OOCL (Canada) Inc.	100	10,000 shares of no par value C\$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	China
OOCL (China) Ltd	100	2 shares of HK\$1 each HK\$2	Representative office	Hong Kong	China
OOCL (Deutschland) GmbH	100	Registered capital €130,000	Liner agency	Germany	Germany
OOCL (Europe) Ltd	100	5,000,000 shares of £1 each £5,000,000	Investment holding	United Kingdom	Europe
OOCL (Finland) Ltd	100	150 shares of €16.82 each €2,522.82	Liner agency	Finland	Finland
OOCL (France) SA	100	60,000 shares of €15.24 each €914,694.10	Liner agency	France	France

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries (Continued)</b>					
OOCL (HK) Ltd	100	500 shares of HK\$100 each HK\$50,000	Liner agency	Hong Kong	Hong Kong
OOCL (Ireland) Ltd	100	100 shares of €1.25 each €125	Liner agency	Ireland	Ireland
OOCL (Japan) Ltd	100	160,000 shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd	100	16,000 shares of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd	100	2 shares of US\$1 each US\$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Philippines) Inc.	100	15,000 class A common stock of Peso 100 each	Liner agency	Philippines	Philippines
	100	10,000 class B common stock of Peso 100 each Peso 2,500,000			
OOCL (Scan-Baltic) A/S	100	1,000 shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Singapore) Pte Ltd	100	100,000 shares of S\$1 each S\$100,000	Liner agency	Singapore	Singapore
OOCL (Taiwan) Company Ltd	100	1,350,000 shares of NT\$10 each NT\$13,500,000	Liner agency	Taiwan	Taiwan
OOCL (Thailand) Ltd	100	40,000 shares of Baht100 each Baht4,000,000	Liner agency	Thailand	Thailand
OOCL (UK) Ltd	100	1,100,000 shares of £10 each £11,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 shares of US\$1 each US\$1,030	Liner agency	USA	USA

## PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b> (Continued)					
# OOIL (Investments) Inc.	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
OOCL Logistics (China) Ltd	100	Registered capital US\$1,720,000	Cargoes handling	China	China
# OOCL Transport & Logistics Holdings Ltd	100	169,477,152 shares of US\$1 each US\$169,477,152	Investment holding	Bermuda	Worldwide
Orient Container No 1 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No 3 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No 4 Shipping Inc.	100	100 shares of no par value US\$100	Ship owning	Liberia †	Worldwide
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corporation	100	10 shares of no par value US\$150,000	Property owning	USA	USA
Orient Overseas Container Line Inc.	100	500 shares of no par value US\$25,000,000	Investment holding	Liberia	Worldwide
Orient Overseas Container Line Ltd	100	10,000 shares of HK\$100 each HK\$1,000,000	Liner operating	Hong Kong	Worldwide
Orient Overseas Container Line (China) Co Ltd	100	Registered capital US\$1,840,000	Liner agency	China	China
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	100,000 shares of M\$1 each M\$100,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (UK) Ltd	100	66,000,000 shares of £1 each £66,000,000	Investment holding	United Kingdom	Worldwide
# Orient Overseas Developments Ltd	100	10,000 shares of HK\$10 each HK\$100,000	Investment holding	Hong Kong	Hong Kong
Orient Overseas (Shanghai) Investment Co Ltd	100	Registered capital US\$90,000,000	Investment holding	China	China

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Subsidiaries</b> (Continued)					
Orient Overseas Property (Shanghai) Co Ltd	100	Registered capital US\$2,100,000	Property development	China	China
Overseas Chinese Maritime Inc.	100 100 100	100 A shares of no par value 100 B shares of no par value 70 6% cumulative preferred shares of US\$100,000 each US\$7,010,000	Investment holding	Liberia †	Worldwide
Shanghai OOCL Container Transportation Co Ltd	60	Registered capital US\$9,350,000	Container depot	China	China
Soberry Investments Ltd	100	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
Surbiton Ltd	100	500 shares of no par value US\$5,000	Portfolio investment	Liberia †	Worldwide
Treasure King Shipping Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
* TSI Terminal Systems Inc.	100	233,400 shares of C\$1 each C\$233,400	Terminal operating	Canada	Canada
Wall Street Plaza, Inc.	100 100 100 100	40 A shares of US\$1 each 160 B shares of US\$1 each 58,500 12% non-cumulative preferred stock of US\$1,000 each 18,000 11% non-cumulative preferred stock of US\$1,000 each US\$76,500,200	Investment holding	USA	USA
Wandworth Ltd	100	500 shares of no par value US\$5,000	Portfolio investment	Liberia †	Worldwide
Warrender Ltd	100	2 shares of HK\$10 each HK\$20	Ship owning	Hong Kong	Worldwide
Wayton Ltd	100	2 shares of HK\$1 each HK\$2	Ship owning	Hong Kong	Worldwide
Wealth Capital Corporation	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
Winning Assets International Ltd	100	5,000 shares of US\$1 each US\$5,000	Property investment	British Virgin Islands	China

## PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
<b>Jointly controlled entities</b>					
* Global Alliance K BV	25	8,000 shares of €453.78 each €3,630,241.73	Ship chartering	Netherlands	Worldwide
Hui Dong Investment Ltd	50	1,000 shares of HK\$1 each HK\$1,000	Investment holding	Hong Kong	China
Hui Han Investment Ltd	50	1,000 shares of HK\$1 each HK\$1,000	Investment holding	Hong Kong	China
Jointco Investment Ltd	50	1,000 shares of HK\$1 each HK\$1,000	Investment holding	Hong Kong	China
Qingdao Orient International Container Storage & Transportation Co Ltd	59	Registered capital RMB69,900,000	Container depot	China	China
Shanghai Orient Overseas Real Estate Co Ltd	47.5	Registered capital US\$15,000,000	Property development	China	China
Shanghai Orient Overseas Xujiahui Real Estate Co Ltd	47.5	Registered capital US\$30,000,000	Property development	China	China
Shanghai Orient Overseas Zhenning Real Estate Co Ltd	47.5	Registered capital US\$13,000,000	Property development	China	China
* Shanghai Xinhua Iron and Steel Co Ltd	27.5	Registered capital US\$6,911,000	Ship breaking	China	China

\* Subsidiaries and jointly controlled entities whose accounts have been audited by firms other than PricewaterhouseCoopers.

# Direct subsidiaries of the Company.

† Companies incorporated in Liberia but redomiciled to the Marshall Islands in 1999.

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## MAJOR CUSTOMERS AND SUPPLIERS

Approximately 5.1% and 19.6% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.2% and 5.1% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

# 10 YEARS FINANCIAL SUMMARY

US\$'000	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Consolidated Profit and Loss Data</b>										
Turnover	1,341,770	1,379,738	1,516,018	1,671,628	1,882,322	1,895,997	1,832,764	2,139,071	2,395,160	<b>2,378,950</b>
Operating profit before financing	18,667	146,852	119,543	91,594	157,447	68,033	48,327	122,729	166,399	<b>107,391</b>
Net financing charges	(33,115)	(8,126)	(59,620)	(21,038)	(42,899)	(42,471)	(42,911)	(41,421)	(48,246)	<b>(45,614)</b>
Profit/(loss) before taxation	(13,893)	136,744	60,106	70,579	115,078	26,548	3,674	80,341	131,464	<b>71,089</b>
Profit after taxation	1,706	137,190	57,648	66,788	107,233	24,204	170	67,623	112,477	<b>60,170</b>
Preferred share dividends	9,671	9,097	9,097	9,097	9,003	4,875	2,564	—	—	<b>—</b>
Profit/(loss) attributable to ordinary shareholders	(8,138)	127,415	48,113	56,108	97,149	18,790	(2,867)	67,221	111,863	<b>59,648</b>
<b>Per Ordinary Share</b>										
Earnings/(loss) (US cents)	(1.6)	27.7	10.4	12.2	21.0	3.6	(0.6)	13.0	21.6	<b>11.5</b>
Dividends (US cents)	—	1.3	1.61	2.08	2.60	1.65	—	3.0	4.0	<b>2.5</b>
Weighted average number of ordinary shares in issue ('000)	495,638	460,369	460,369	460,369	462,065	517,142	517,142	517,142	517,142	<b>517,142</b>

## Notes:

- (1) The accounting policy in recognition of freight revenue from the operation of the international containerised transportation business was changed in 1994. The figures prior to that year have not been restated to reflect this change in accounting policies.
- (2) The estimated useful life of container vessels was revised from 20 years to 25 years in 1998. The depreciation of container vessels prior to 1998 has not been restated to reflect the change.
- (3) The accounting policy on dry-docking and special survey costs was changed in 1997 and again in 2000. The figures prior to 1996 and 1999 respectively have not been restated to reflect this change.
- (4) The accounting policy on pre-operating costs was changed in 2000 and the figures prior to 1998 have not been restated to reflect this change.

US\$'000	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Consolidated Balance Sheet Data</b>										
Fixed assets	750,708	658,247	672,911	891,336	936,309	992,807	1,042,076	1,006,412	1,286,197	1,389,131
Cash, portfolio and bond investments	260,121	477,654	419,307	384,056	447,440	458,944	375,531	455,954	458,025	402,424
Other net current liabilities	(197,260)	(178,724)	(182,278)	(193,422)	(196,593)	(252,718)	(304,157)	(327,047)	(346,574)	(342,908)
Gross assets	1,282,050	1,377,126	1,336,618	1,565,905	1,776,737	1,871,842	1,800,625	1,862,864	2,155,254	2,135,917
Long-term debt	493,369	470,884	405,444	533,787	592,020	646,726	587,210	560,457	753,761	760,386
Total long and short-term debt	567,961	544,963	494,609	633,914	682,375	800,452	771,989	733,036	952,053	936,459
Net debt	307,840	67,309	75,302	249,858	234,935	341,508	396,458	277,082	494,028	534,035
Shareholders' funds	407,911	538,200	560,516	606,973	702,200	690,883	656,326	708,453	796,747	833,368
Ordinary shareholders' funds	308,237	438,526	460,842	507,299	652,200	660,883	656,326	708,453	796,747	833,368
<b>Other Financial Information</b>										
Depreciation charge of continuing businesses	75,041	80,076	75,646	73,827	83,139	75,364	65,590	69,544	84,118	98,761
Capital expenditure	120,761	33,568	97,599	309,767	272,245	216,785	95,077	46,276	378,458	232,253
<b>Consolidated Financial Ratios/Percentages</b>										
Debt to equity ratio	1.4	1.0	0.9	1.0	1.0	1.2	1.2	1.0	1.2	1.1
Net debt to equity ratio	0.8	0.1	0.1	0.4	0.3	0.5	0.6	0.4	0.6	0.6
Return on average ordinary shareholders' funds (%)	(2.4)	34.1	10.7	11.6	16.7	2.9	(0.4)	9.9	14.9	7.3
Accounts Payable as a % of turnover	20.4	18.8	16.7	17.3	19.3	19.2	19.5	18.9	16.3	14.9
Accounts Receivable as a % of turnover	11.8	12.0	11.1	11.8	14.0	13.6	12.9	11.7	10.2	7.2
Net asset value per ordinary share (US\$)	0.62	0.95	1.00	1.10	1.26	1.28	1.27	1.37	1.54	1.61

# FLEET AND CONTAINER INFORMATION

## FLEET

The following table sets out the Group's vessels deployed in all its services at 31st December 2001.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Germany	5,560	Chartered	Trans-Pacific	2000	24.7	Liberia
OOCL New York	5,560	Chartered	Trans-Pacific	1999	24.7	Liberia
OOCL Netherlands	5,390	Chartered	Trans-Pacific	1997	24.6	Hong Kong
OOCL Singapore	5,390	Owned	Trans-Pacific	1997	24.6	Hong Kong
OOCL America	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Britain	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL California	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL China	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Hong Kong	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Japan	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Belgium	2,808	Owned	Transatlantic	1998	21.0	Hong Kong
OOCL Canada	2,330	Owned	Transatlantic	1996	20.0	Hong Kong
OOCL Chicago	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL France	5,560	Chartered	Asia-Europe	2001	24.7	Liberia
OOCL Korea	5,560	Chartered	Asia-Europe	2001	24.7	Liberia
OOCL Los Angeles	5,560	Chartered	Asia-Europe	2000	24.7	Liberia
OOCL Malaysia	5,560	Chartered	Asia-Europe	2000	24.7	Liberia
OOCL Shanghai	5,560	Chartered	Asia-Europe	1999	24.7	Liberia
OOCL Friendship	3,218	Chartered	Asia-Europe	1996	20.5	Hong Kong
OOCL Fair	3,161	Owned	Asia-Europe	1987	20.5	Hong Kong
OOCL Faith	3,161	Chartered	Asia-Europe	1996	20.5	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-Europe	1987	20.5	Hong Kong
OOCL Fortune	3,161	Owned	Asia-Europe	1987	20.5	Hong Kong
OOCL Freedom	3,161	Chartered	Asia-Europe	1996	20.5	Hong Kong
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Narva	600	Chartered	Intra-Europe	1998	18.0	Germany
ANL China	2,959	Chartered	Asia/Australia	2001	21.0	Antigua
OOCL Harmony	2,959	Chartered	Asia/Australia	2001	21.0	Antigua
OOCL Envoy	2,544	Owned	Asia/Australia	1979	20.5	Hong Kong
OOCL Exporter	2,535	Owned	Asia/Australia	1976	20.5	Hong Kong
Mira	1,645	Chartered	Intra-Asia	2000	21.0	Singapore
Kindia	1,630	Chartered	Intra-Asia	1999	20.5	Douglas
OOCL Ability	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Acclaim	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Ambition	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Authority	1,560	Chartered	Intra-Asia	1997	18.5	Panama
Montania	1,504	Chartered	Intra-Asia	2001	20.5	Germany
Kuo Yang	1,405	Chartered	Intra-Asia	2000	18.2	Panama
Barbarossa	1,271	Chartered	Intra-Asia	2000	18.0	Antigua
Happy Island	500	Chartered	Intra-Asia	2000	14.0	Panama
OOCL Kyushu	455	Chartered	Intra-Asia	2000	14.0	Bahamas
OOCL Seto	455	Chartered	Intra-Asia	2000	14.0	Bahamas
Pretty Lake	420	Chartered	Intra-Asia	2001	14.0	Panama
Pretty Ocean	420	Chartered	Intra-Asia	2001	14.0	Panama
Xin Hai Li	342	Chartered	Intra-Asia	2001	14.0	Panama

**TOTAL 47 VESSELS** **146,973**

## CONTAINER INFORMATION

The Group owned, purchased on finance lease terms or leased under operating lease agreements 189,128 units (315,013 TEU) at 31st December 2001. Approximately 55% of the container fleet in TEU capacity at 31st December 2001 was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2001 the Group owned, purchased on finance lease terms or leased under operating lease terms 23,402 trailer chassis.

# TERMINAL INFORMATION

## TSI TERMINAL SYSTEMS INC.

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### VANTERM

**Location:** Vancouver, British Columbia, Canada.

**Status of Terminal:** A 76 acre, three berth container terminal facility operated under a long-term lease agreement from the Vancouver Port Authority, which expires in 2012.

**Equipment/Facilities:** Two container berths, 564 metres long; one combined berth, 228 metres long; two conventional berths 90-183 metres long; on-dock intermodal yard consisting of five tracks totaling 2,200 metres; 9-lane inbound and 3-lane exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; five cranes including four post-Panamax at 16-wide and one Super post-Panamax at 18-wide; 12 RTGs capable of one container over 4x7 wide; eight toppicks; eight sidepicks; 29 yard tractors; 35 yard chassis; various lift trucks and truck scale; reefer points with 288 reefer outlets.

**Building Facilities:** 30,000 sq ft main office building; 125,000 sq ft transit shed; 25,000 sq ft maintenance building.

**Principal Customers:** K Line, OOCL, NYK, COSCO, Hapag Lloyd, P&O Nedlloyd, Yang Ming.

### DELTAPORT

**Location:** Roberts Bank, British Columbia, Canada.

**Status of Terminal:** A 160 acre, two berth container terminal facility operated under a Terminal Services Agreement with the Vancouver Port Authority which expires in 2003 and thereafter under a long-term lease agreement with Vancouver Port Authority for 2004-2023.

**Equipment/Facilities:** Two container berths, 670 metres long; eight rail tracks of 3,500 ft each, providing capacity for four 7,000 ft double-stack trains (440 TEUs per train); grounded storage capacity in the Intermodal Yard of approximately 1,200 TEUs; three high-speed rail-mounted gantries (RMGs) equipped with a computerised container positional determination system; radio data controlled inbound and exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; six Super post-Panamax container gantry cranes capable of handling 18 to 20 container wide ships each with 50-tonne capacity; 18 rubber tire gantries (RTGs), some equipped with auto-steering and a positional determination system; abundant supply of multi-trailer systems (triples) and single chassis; eight reachstackers/toplifts, four empty handlers; two truck weigh scales; 24,000 TEU storage capacity; 600 reefer plugs.

**Building Facilities:** 33,300 sq ft main office building; 22,000 sq ft maintenance building.

**Principal Customers:** APL/NOL, MOSK, Hyundai Merchant Marine, Evergreen, Lloyd Triestino, China Shipping, NYK, OOCL, P&O Nedlloyd, Hapag Lloyd, Norasia, Zim.



## TERMINAL INFORMATION

### LONG BEACH CONTAINER TERMINAL, INC.

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**Location:** Long Beach, California, USA.

**Status of Terminal:** A 104 acre, three berth container terminal facility operated under a long-term preferential use agreement from the Port of Long Beach, which expires in 2011.

**Equipment/Facilities:** Three container vessel berths; five post-Panamax quayside container gantry cranes; eight transtainers; 58 yard tractors; two top handles; four side picks and four utility forklifts; 26 yard chassis; various pick-up trucks and other vehicles and handling equipment.

**Building Facilities:** 13,000 sq ft main office building; 3,200 sq ft marine operations building; 9,600 sq ft repair shop.

**Principal Customers:** OOCL, NYK, P&O Nedlloyd, Hapag Lloyd.

### GLOBAL TERMINAL & CONTAINER SERVICES, INC.

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**Location:** Jersey City, New Jersey, USA.

**Status of Terminal:** A freehold 98.2 acre, two berth container facility.

**Equipment/Facilities:** 20 receiving/delivery gates; Closed-circuit television system throughout the Terminal to monitor operations; two deep water container vessel berths (1,800 ft); six quayside container cranes including four Super post-Panamax cranes; eight rubber-tyred gantry cranes (RTG's) capable of stacking one over five containers high and six wide plus a truck lane. All RTG's are equipped with global positioning systems for steering and live-time container locations; 44 yard tractors; seven toploaders; nine side pickers; 24 yard chassis; various terminal vehicles for use by terminal supervision.

**Building Facilities:** 28,000 sq ft administration building, 4,000 sq ft marine operations building and 25,000 sq ft maintenance and repair building.

**Principal Customers:** Senator Lines, Hanjin Shipping, United Arab Shipping, CSAV/Norasia, Columbia Coastal Transport, Evergreen Lines, OOCL, K Line, China Shipping.

## HOWLAND HOOK CONTAINER TERMINAL, INC.

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**Location:** Staten Island, New York, USA (Port of New York / New Jersey).

**Status of Terminal:** A 187 acre, three berth container terminal facility operated under a long-term lease agreement from the Port Authority of New York and New Jersey, which expires in 2020.

**Equipment/Facilities:** Three deep water container vessel berths; seven quayside gantry cranes; 24 paperless computerised truck gates; 63 yard tractors; 21 full container handlers; 9 empty container handlers and other heavy forklifts; 42 stevedoring chassis; various computer equipped pickups and other vehicles; on-dock rail service (37 acre intermodal rail yard scheduled for construction); on-dock Container Freight Station; on-dock US Customs Inspections; terminal operated chassis pool of 1,200 chassis.

**Building Facilities:** 39,000 sq ft main office building, 200,000 sq ft container freight station, 28,785 sq ft equipment maintenance and repair shop, 20,000 sq ft deep freeze warehouse, 66,000 sq ft refrigerated warehouse.

**Principal Customers:** Maersk SeaLand, NYK, APL, Hapag Lloyd, P&O Nedlloyd, Mitsui OSK, Hyundai Merchant Marine, Chilean Lines/CSAV, CCNI, OOCL, Turkon Container Line, Crowley American Transport, CMA-CGM, Ecuadorian Line and United States Military Traffic Management Command.



## KAOHSIUNG CONTAINER TERMINAL

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**Location:** Pier 66 Kaohsiung Harbour, Kaohsiung, Taiwan (ROC).

**Status of Terminal:** One of the original container facilities from the Kaohsiung Harbour Bureau. Current lease expires in 2009. In the process to upgrade various infrastructures including but not limited to: berth deepening, changing and expansion of quay crane rails, replacing light towers/power cable, installing fiber optics.

**Equipment/facilities:** Two container vessel berths, 680 metres long on a total of 66 acres. Operate on 24-hour 7-day basis for all berth and gate activities. On terminal equipment includes five quay cranes with three post-Panamax (16-rows); eight 13-rows rail-mounted gantry cranes (RMG); nine straddle carriers; four side-pickers/top-lifts. Four new 18-rows RMGs will be delivered within 2002.

**Building Facilities:** 1,500 sq m main office building, 7,000 sq m CFS, 2,200 sq m maintenance building.

**Principal Customers:** ANL, COSCO, China Shipping, Hapag Lloyd, Malaysia International Shipping Co, NYK, OOCL, PIL, P&O Nedlloyd, Yang Ming, Zim.



# PROPERTY INFORMATION

## PROPERTY DEVELOPMENT

### a) Completed Projects - Residential

Project Name	Location	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Orient Garden	Shang Tang Lu, Hangzhou	50	1999	39,884
Fontainebleau	Xing Guo Lu, Shanghai	100	1999	2,614
Joffre Gardens	Nan Chang Lu, Shanghai	47.5	2000	72,502
The Courtyards	Zhenning Lu, Shanghai	47.5	2001	65,789
Century Metropolis	Ziyang Lu, Shanghai – Phase 1A	47.5	2001	63,278

### b) Projects Under Construction - Residential

Project Name	Location	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Century Metropolis	Ziyang Lu, Shanghai	47.5		
	– Phase 1B		2002	82,800
	– Phase 2A		2003	29,122
	– Phase 2B		2003	60,175

### c) Land acquired in 2001

The Company acquired a land site in Luwan District, Shanghai. The site covers an area of approximately 37,600 sq m. The site will be developed into a residential area through a joint venture company. The Company will own 88% interest of the joint venture company and the other partner will own the remaining 12%.

# CORPORATE INFORMATION

## PRINCIPAL OFFICE

33rd Floor  
Harbour Centre  
25 Harbour Road  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL REGISTRAR

Butterfield Corporate Services Ltd  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

## BRANCH REGISTRAR

Central Registration Hong Kong Ltd  
19th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## LISTING EXCHANGE

The Stock Exchange of Hong Kong Limited  
Stock Code : 0316

## MAJOR BANKERS

HSBC Holdings plc  
ABN AMRO Bank NV  
Deutsche Bank AG  
Deutsche Schiffsbank AG  
ING Bank NV  
Hamburgische Landesbank - Girozentrale

## SOLICITORS

Conyers Dill & Pearman  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda  
*and at*  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## Ince & Co

Rooms 3801-6, 38th Floor  
Asia Pacific Finance Tower  
Citibank Plaza  
3 Garden Road  
Hong Kong

## Slaughter and May

27th Floor, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants  
22nd Floor  
Prince's Building  
Hong Kong