



ORIENT OVERSEAS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)

1999 RESULTS ANNOUNCEMENT

Consolidated Profit and Loss Account

	Note	For the year ended 31st December	
		1999 US\$'000	1998 US\$'000
Turnover	1	2,139,071	1,832,764
Operating costs		(1,737,659)	(1,577,006)
Gross profit		401,412	255,758
Other operating income		10,513	27,974
Other operating expenses		(295,156)	(263,529)
Revaluation deficit of the investment property		(10,000)	30,000
Net non-operating exchange gain/(loss)		4,455	(1,876)
Operating profit before financing	2	111,224	48,327
Net finance expense		(35,256)	(42,911)
Share of losses less profits of jointly controlled entities		(967)	(1,742)
Profit before taxation		75,001	3,674
Taxation	3	(12,718)	(3,504)
Profit after taxation		62,283	170
Minority interests		(402)	(473)
Profit/(loss) attributable to shareholders		61,881	(303)
Dividends	4	(15,514)	(2,564)
Retained profit/(loss) for the year		46,367	(2,867)
		US cents	US cents
Earnings/(loss) per ordinary share	5	12.0	(0.6)

NOTES

1. Turnover

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

2. Operating profit before financing

Operating profit before financing by activity is as follows:

	1999 US\$'000	1998 US\$'000
International containerised transportation	101,026	(9,376)
Container terminals	24,363	21,512
Investment property	(4,212)	36,365
Others	(2,430)	8,885
	118,747	57,386
Corporate services	(7,523)	(9,059)
	111,224	48,327

Given the nature of the Group's operations and the way in which costs are allocated, the Directors consider that it is not meaningful to provide a geographical analysis of operating profit.

3. Taxation

	1999 US\$'000	1998 US\$'000
Current taxation		
Company and subsidiaries		
Hong Kong profits tax	—	29
Overseas taxation	12,441	3,460
Jointly controlled entities		
Overseas taxation	277	15
	12,718	3,504

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% (1998: 16%).

4. Dividends

	1999 US\$'000	1998 US\$'000
Preferred		
Paid	—	2,564
Ordinary		
Proposed final of US3 cents per share (1998: Nil)	15,514	—
	15,514	2,564

5. Earnings/(loss) per ordinary share

The calculation of earnings/(loss) per ordinary share is based on a profit of US\$61.9 million (1998: loss of US\$2.9 million), being the profit attributable to ordinary shareholders, and on 517.1 million ordinary shares in issue during the year.

Results for 1999

Orient Overseas (International) Limited (the "Company") and its subsidiaries (the "Group") reported a profit after taxation of US\$62.3 million in 1999 compared with US\$0.2 million in 1998. The profit after taxation in 1999 included exceptional losses of US\$7.0 million for the closure of the food and beverage business in Shanghai and US\$10.0 million deficit in the revaluation of an investment property, Wall Street Plaza in New York City. Exceptional profit in 1998 was US\$29.5 million. Group turnover increased by 16.7% to US\$2.14 billion in 1999. Earnings per ordinary share was US12.0 cents compared with loss per ordinary share of US0.6 cent in 1998.

Review of Operations

For our core business of containerised transportation, the year 1999 was remarkable both in the result and the contrasts which led ultimately to the final result. The poor trading conditions in the initial months of 1999 produced for the Group and for much of the industry misleadingly low first half results which understated the very large demand in North America and Europe for goods produced in Asia. We achieved freight rate increases in 1999 on cargoes from Asia to North America, reflecting the strong demand for containerised transportation. A similar pattern emerged in the Asia-Europe trades and freight rate increases were achieved in increments over the second half of the year for cargo outbound from Asia to Europe. The two East-West trade routes which account for more than half of our containerised transportation business were therefore able to overcome a soft initial first half and produce a 1999 profits rather than the losses produced in 1998. The Transatlantic trade was loss-making in 1999 and in fact achieved the lowest revenue per TEU in more than a decade. Volumes of our Intra-Asia trade picked up nicely in line with Asian economic recovery but freight rates showed little improvement from 1998. Profit from this trade was thus volume driven.

OOCL Shanghai and OOCL New York, both 5,500 TEU vessels, were added to the fleet in 1999 as mentioned in last year's annual report. A total of four vessels of approximately 5,500 TEU each will be delivered in the year of 2000. Timecharters have been agreed in 1999 for two 5,500 TEU vessels planned under the new organic growth plan. These vessels have expected delivery dates of December 2000 and April 2001. Negotiations for four approximately 2,600 TEU vessels to be chartered in for use in our Intra-Asia and/or Australian trade are expected to be concluded in the first quarter of 2000. No vessel was sold or scrapped in 1999.

China is the focal point for the Group's investments, notably real estate, outside the field of containerised transportation and US\$146.9 million has been invested to date on development projects in China. The Group's China real estate projects continued in 1999 to meet our development schedule and expectations. Sales at our Hangzhou "Orient Garden" housing development proceeded as forecast in 1999. This project, based on sales completed in 1999, has already achieved profitability. Our development at Nanchang Lu, Shanghai and named "Joffre Gardens", achieved solid results during the year. Construction has started as planned at two remaining projects in Shanghai. We intend to begin sales in 2000 in order to leverage off the growth in the high end domestic housing market in Shanghai. We continue to hold an 8% equity interest in the large, multi-use complex, "Beijing Oriental Plaza" which is expected to start operations in 2000. A modest contribution from our China real estate business was recorded in 1999, and it is expected that income from this source will grow in the years ahead as the other Shanghai projects are completed as planned. Shanghai Orient Overseas Foods Limited manufactures, markets, and distributes non-carbonated, non-alcoholic beverage products in China under the "Foody's" brand name. It has been unable to meet profit expectations and has incurred modest losses because of severe competition from all sectors of the beverage market. In 1999, the Group has reached the conclusion to exit the food and beverage business and has taken the prerequisite steps during the year to achieve this objective. We have taken a US\$7.0 million provision for exit from the business.

Our container terminals in North America continued to produce a healthy contribution to Group results with improved performance despite a late year labour strike in Vancouver. Returns from our investment portfolio improved in 1999 from 1998 as global equity and debt markets experienced good results, most notably in the second half of the year.

I am pleased to report that Wall Street Plaza has an occupancy rate in excess of 98% at the end of 1999. Lease renewals are being concluded at higher rates. However, the sales market has not followed the leasing market, partially because of concerns about excesses in the United States' economy. Consequently, we have on basis of independent valuation accounted for a US\$10.0 million diminution in the value of the building.

Looking Forward

The Group will in 2000 focus on four objectives: (1) completing the refinement phase of its new computer systems with the objective of making all modules available to customers; (2) further improving operational efficiencies; (3) refining and implementing the 2000-2004 organic growth plan; and (4) working with Grand Alliance partners to extend the Alliance's operations into the Transatlantic trades.

Containerised transportation will in the year of 2000 continue to be the Group's dominant business, accounting for some 90% of revenues. The general trade outlook is at this point positive. Any slowing in the U.S. economy is expected to be moderate and offset by improved growth prospects elsewhere, most notably Europe and Asia. The introduction of new vessel capacity is expected to be moderate in 2000 but stronger for a couple of years thereafter. Increases in cargoes outbound from Asia to Europe and North America are unlikely to achieve magnitudes of the 1999 increase, but they are expected to be stable to improving from good levels. The weak return lanes from Europe and North America are slowly improving with the recovery of Asian buying power. The Transatlantic trades from Canada and the United States to Europe and return were by virtue of overcapacity a drain on profitability in 1999. They are expected to improve somewhat in 2000, bolstered in part by recent strong trade from Europe to North America. The Intra-Asia trade is expected to be stable to modestly growing in this year, as Asian recovery outside Japan proceeds at a healthy pace. Should excesses in the U.S. economy create a more harsh correction or slowing of the economy than expected, the outlook for containerised transportation will be significantly less positive. China real estate revenues and profits in 2000 will arise primarily from sales of the Hangzhou Orient Garden and Shanghai Joffre Gardens projects. The other two large projects will be under construction this year and will not provide material revenues in 2000. Our container terminals are expected to perform well in 2000 with the Vancouver terminals and Global Terminal in New Jersey leading the way. The introduction of new liner service to Howland Hook Terminal in New York should lead to improved performance there.

Dividends

The Directors have recommended a dividend in respect of the ordinary shares for the year ended 31st December 1999 of US3.0 cents (HK23.4 cents) per ordinary share to be paid on 2nd June 2000 to the shareholders of the Company whose names appear on the register of members of the Company on 19th May 2000. Shareholders who wish to receive the dividend in US Dollars should complete the US Dollars Election Form and return it to the Branch Registrar on or before 26th May 2000.

Closure of Register of Members

The register of members will be closed from 12th May 2000 to 19th May 2000, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 10th May 2000.

Annual General Meeting and Annual Report

The annual general meeting of the Company will be held on 19th May 2000. Notice of the meeting will be sent to shareholders together with the annual report on or before 17th April 2000.

Year 2000 Compliance

Further to the statement contained in the previously published reports, the Project Team has completed review of a group-wide inventory of computerised and embedded systems and services of its business units of the Group to achieve Year 2000 compliance and is pleased to report that it has successfully transitioned through the Millennium date changeover.

Notwithstanding the Group's effort and success in implementing its Year 2000 programme and while there is no reason to expect any disruption, there is no absolute assurance that the Group may not experience any disruption to some of its operations caused by non-compliant systems utilised by third parties. Any of these failures could have a material adverse effect to its business.

The Group will continue to review and update its business continuity and contingency plans to deal with disruptions caused by systems or equipment failure or third party non-compliance which are critical to the continuity of the business of the Group.

During the year ended 31st December 1999, the Group has spent US\$8 million in implementation plans on its major new system changes. The cost of these new system changes has been capitalised in the accounts whereas other costs directly relating to the Year 2000 programme are expensed through profit and loss as and when incurred. As at 31st December 1999, the aggregate of the total of the other incremental costs directly related to Year 2000 compliance are approximately US\$1.6 million.

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.

Corporate Governance

With the exception that non-executive Directors have not been appointed for a specific term, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st December 1999.

By Order of the Board

C C TUNG

Chairman

Hong Kong, 17th March 2000