# ORIENT OVERSEAS (INTERNATIONAL) LIMITED

*(Incorporated in Bermuda with Limited Liability)*

## 2001 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited ("the Company") are pleased to announce the audited results of the Company and its subsidiaries ("the Group") for the year ended 31st December 2001 as follows:

**Consolidated Profit and Loss Account**
*For the year ended 31st December 2001*

| | Note | **2001** **US$'000** | 2000 US$'000 |
|---|---|---|---|
| Turnover | 2 | **2,378,950** | 2,395,160 |
| Operating costs | | **(1,913,528)** | (1,914,394) |
| Gross profit | | **465,422** | 480,766 |
| Other operating income | | **9,641** | 13,526 |
| Other operating expenses | | **(347,672)** | (327,893) |
| Revaluation deficit of investment property | | **(20,000)** | — |
| Operating profit before financing | | **107,391** | 166,399 |
| Net financing charges | | **(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 | 4 | **(10,919)** | (18,987) |
| Profit after taxation | | **60,170** | 112,477 |
| Minority interests | | **(522)** | (614) |
| Profit attributable to shareholders | | **59,648** | 111,863 |
| | | **US cents** | US cents |
| **Earnings per ordinary share** | 6 | **11.5** | 21.6 |

**Condensed Consolidated Balance Sheet**
*As at 31st December 2001*

| | **2001** **US$'000** | 2000 US$'000 |
|---|---|---|
| Fixed assets | **1,389,131** | 1,286,197 |
| Jointly controlled entities | **47,250** | 50,829 |
| Long-term investments | **107,272** | 145,112 |
| Other non-current assets | **53,212** | 58,078 |
| Non-current assets | **1,596,865** | 1,540,216 |
| Current assets | **539,052** | 615,038 |
| Current liabilities | **(532,017)** | (594,177) |
| Net current assets | **7,035** | 20,861 |
| Long-term liabilities | **(760,386)** | (753,761) |
| Other non-current liabilities | **(5,499)** | (6,037) |
| | **838,015** | 801,279 |
| **Capital employed** | | |
| Share capital | **51,714** | 51,714 |
| Reserves | **781,654** | 745,033 |
| Shareholders' funds | **833,368** | 796,747 |
| Minority interests | **4,647** | 4,532 |
| | **838,015** | 801,279 |

*Notes:*

1. **Changes of accounting policies**

In 2001, the Group adopted and implemented the following revised or new Statement of Standard Accounting Practices ("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 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.

2. **Turnover**

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

3. **Segmental information**

| | **2001** **US$'000** | 2000 US$'000 |
|---|---|---|
| **Business segment** | | |
| **Turnover** | | |
| International transportation and logistics | **2,134,612** | 2,168,283 |
| Container terminals | **221,482** | 209,040 |
| Property investment and development | **22,856** | 17,837 |
| | **2,378,950** | 2,395,160 |
| **Operating profit** | | |
| International transportation and logistics | **117,052** | 159,207 |
| Container terminals | **9,788** | 24,583 |
| Property investment and development | **(10,711)** | 5,262 |
| Investments and corporate services | **(8,738)** | (22,653) |
| | **107,391** | 166,399 |
| **Geographical segment** | | |
| **Turnover** | | |
| Asia | **1,390,527** | 1,439,745 |
| North America | **641,576** | 617,399 |
| Europe | **309,064** | 303,276 |
| Australia | **37,783** | 34,740 |
| | **2,378,950** | 2,395,160 |

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

4. **Taxation**

| | **2001** **US$'000** | 2000 US$'000 |
|---|---|---|
| Current overseas taxation | | |
| Company and subsidiaries | **10,830** | 18,974 |
| Jointly controlled entities | **89** | 13 |
| | **10,919** | 18,987 |

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%).

5. **Dividends**

| | **2001** **US$'000** | 2000 US$'000 |
|---|---|---|
| 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 |
| | **20,685** | 20,685 |

The Board of Directors have recommended a final dividend of US1.5 cents (2000: US3 cents) per 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.

6. **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.

**Results for 2001**

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.

Operating profit before financing decreased from US$166.4 million in 2000 to US$107.4 million after a provision of US$20 million which we have taken against the valuation of our Wall Street Plaza investment property in lower Manhattan, New York City. Earnings per ordinary share were US11.5 cents as compared with US21.6 cents in 2000.

**Review of Operations**

Our International Transportation and Logistics and Terminals division enjoyed mixed fortunes during 2001. 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. All trade routes experienced worsening business conditions during 2001.

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 year 2001, we took delivery under long-term charters of two 5,560 TEU newbuilding vessels as part of our fleet modernisation and expansion plans. 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 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, at the end of 2000, we had 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. The Group ordered an ice-strengthened vessel of 4,100 TEU with delivery scheduled for April 2003.

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 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. 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.

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 a 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.

Our investments in Beijing and New York have experienced mixed fortunes. We believe that China's entry to the WTO and the gradual build up to the 2008 Olympic Games will both 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 a 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 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.

**Looking Forward**

To predict the outcome for the current year is possibly a more difficult exercise than it has been for many years. 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.

**Dividends**

The Directors have recommended a final dividend 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 and return it to the Branch Registrar on or before 10th May 2002.

**Liquidity and Financial Resources**

As at 31st December 2001, the Group had cash, bonds and portfolio investments amounting to US$402.4 million and a total indebtedness of US$936.5 million. The net debt to equity ratio remained stable at 0.6:1 being the same as at the end of 2000.

The indebtedness of the Group mainly comprises bank loans, finance leases and other obligations which are largely denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity.

**Employee Information**

As at 31st December 2001, the Group employed a total staff of 4,686 around the world. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary bonuses, education assistance and medical & dental schemes. The Group also provides in-house training programs and external training sponsorships.

**Closure of Register of Members**

The register of members will be closed from 26th April 2002 to 3rd May 2002, 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 Thursday, 25th April 2002.

**Annual General Meeting and Annual Report**

The annual general meeting of the Company will be held on 3rd May 2002. Notice of the meeting will be sent to shareholders together with the annual report on or about 8th April 2002.

Both the English and Chinese versions of the annual report will always be available from our Hong Kong Branch Registrar on request. The soft copy of the annual report will be available on the Company's website at *www.oocl.com* around 8th April 2002.

**Disclosure of Information on the Website of The Stock Exchange of Hong Kong Limited ("HKSE")**

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Exchange will be published on the HKSE's website *www.hkex.com.hk* in due course.

**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 2001.

By Order of the Board
**C C TUNG**
*Chairman*

Hong Kong, 15th March 2002