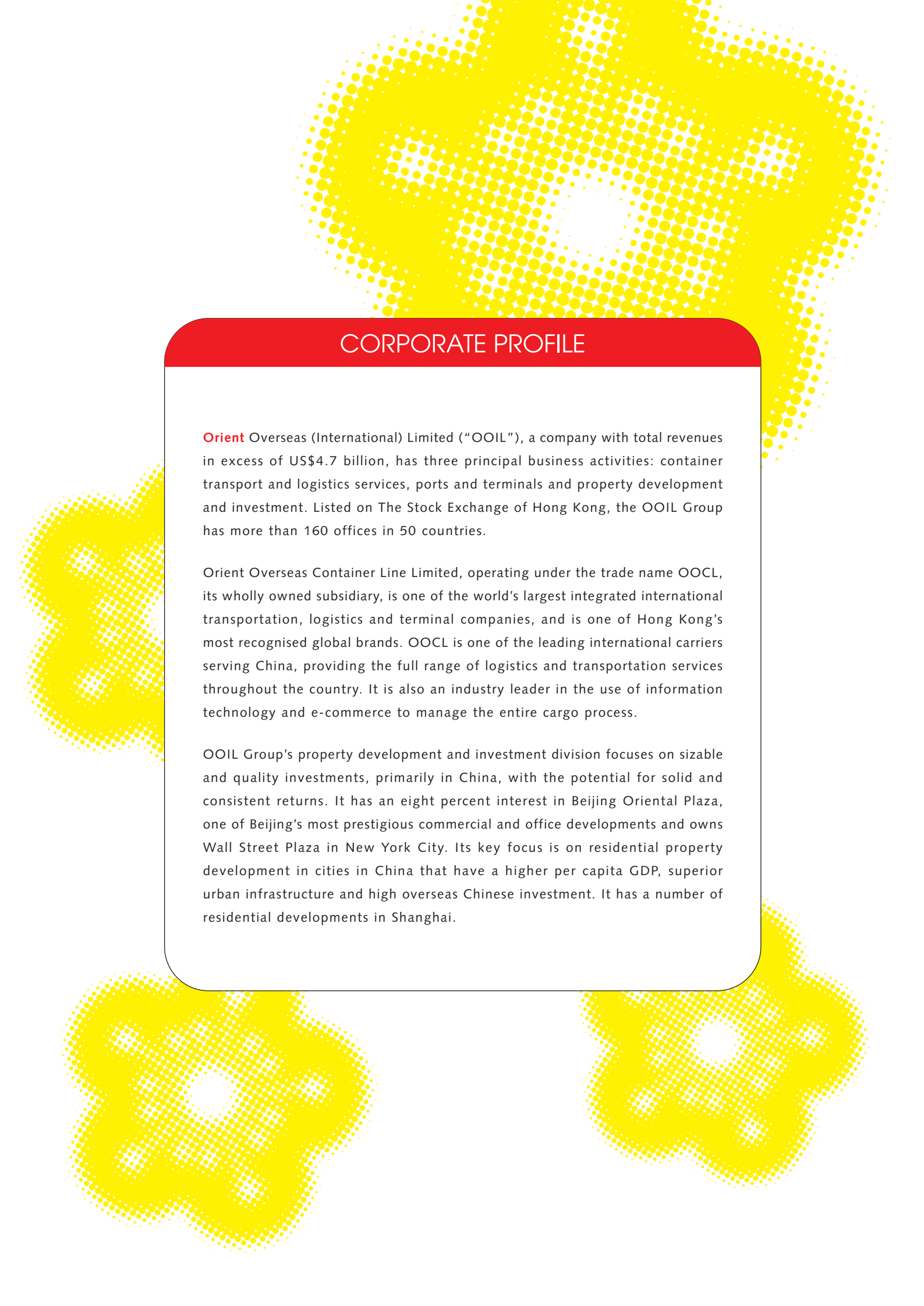


2005

Annual Report

Orient Overseas (International) Limited
(Incorporated in Bermuda with Limited Liability)





CORPORATE PROFILE

Orient Overseas (International) Limited (“OOIL”), a company with total revenues in excess of US\$4.7 billion, has three principal business activities: container transport and logistics services, ports and terminals and property development and investment. Listed on The Stock Exchange of Hong Kong, the 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.

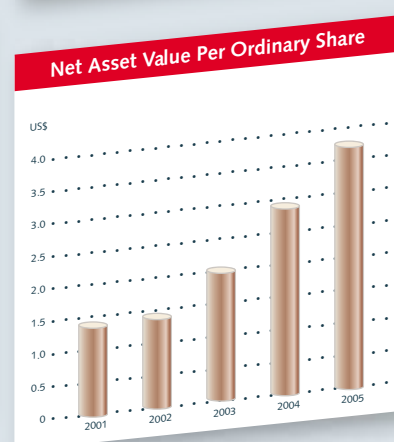
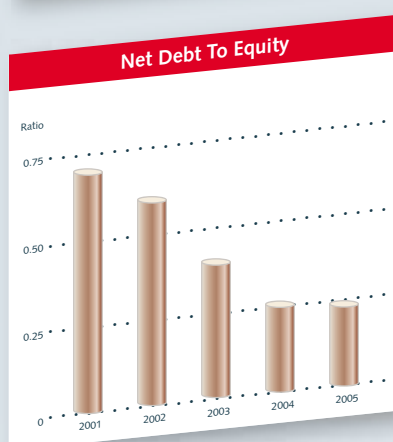
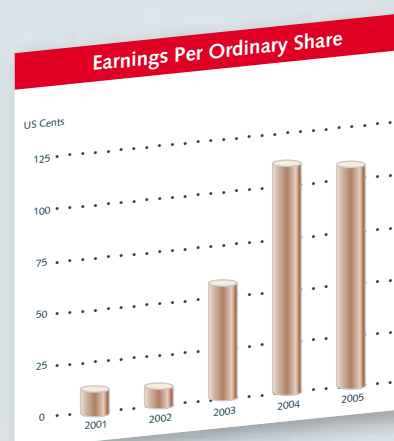
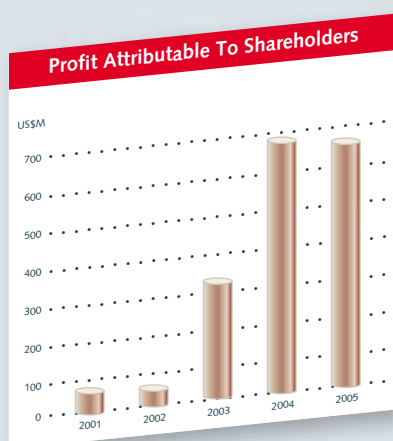
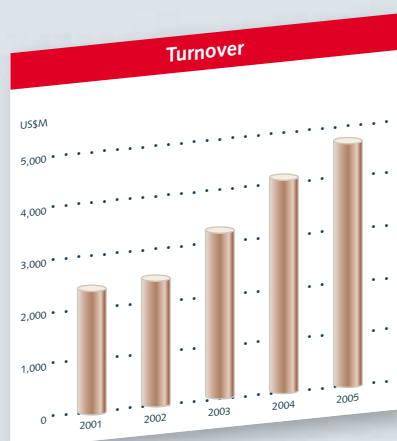
OOIL Group’s property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing’s most prestigious commercial and office developments 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.

Contents

	Corporate Profile
1	Contents
2	Financial Highlights
3	Significant Events
6	Chairman's Letter
12	Operations Review
22	Corporate Responsibility
25	Financial Review
42	Board of Directors
48	Senior Management
	Shareholder Section
49	Financial Calendar
50	Shareholder Information
52	Notice of Annual General Meeting
56	Corporate Governance Report
72	Report of the Directors
80	Report of the Auditors
	Financial Statements
81	Consolidated Profit and Loss Account
82	Consolidated Balance Sheet
84	Balance Sheet
85	Consolidated Cash Flow Statement
86	Consolidated Statement of Changes in Equity
87	Notes to the Consolidated Accounts
155	Principal Subsidiaries, Associated Company and Jointly Controlled Entities
167	Major Customers and Suppliers
168	10 Years Financial Summary
	Other Information
170	Fleet and Container Information
172	Terminal Information
175	Property Information
176	Corporate Information

Financial Highlights

	2005	2004	Change
	US\$'000	US\$'000	%
Turnover	4,696,241	4,140,328	+13
Finance costs	61,659	43,787	+41
Profit attributable to shareholders	650,854	670,449	-3
Earnings per ordinary share (US cents)	104.0	108.5	-4
Ordinary shareholders' funds	2,284,330	1,809,409	+26
Cash and portfolio investments	1,286,579	1,105,011	+16
Property, plant and equipment	2,593,946	2,132,066	+22
Debt to equity ratio	0.80	0.87	-8
Net debt to equity ratio	0.24	0.26	-8
Net asset value per ordinary share (US\$)	3.65	2.89	+26



Significant Events

January

OOCL signed a letter of intent with the Port of Ningbo for a joint investment in the Ningbo Port Group for the development of five berths at the Port of Beilun container terminal. ¹

February

The naming ceremony for OOCL's seventh of the 12 "SX" Class (8,063 TEUs) container vessel, the *OOCL Atlanta*, was held in the Geoje Shipyard of Samsung Heavy Industries, Korea. ²

March

The naming ceremony for OOCL's eighth of the 12 "SX" Class container vessel, the *OOCL Tianjin* was held in Tianjin, China. ³

OOIL announced a profit after taxation and minority interests of US\$670.4 million for the year ended 31st December 2004 as compared with US\$329.0 million for the same period last year.

OOIL's Logistics arm, OOCL Logistics is authorised to perform customs clearance, inspection declaration, and insurance purchase, by China's Ministry of Commerce. The move enables OOCL to simplify documentation flow, reduce customs-clearance costs and enhance the comprehensive one-stop service provided to customers.

OOCL is awarded for placing among Asia's Top 5 Strategic IT Users in 2005, in CIO Asia Magazine.

April

OOCL established an office in Genoa, Italy, operating under the name OOCL (Italy) S.r.l., to meet the growing demand for OOCL services in the Italian market.

OOCL Logistics successfully completed the first ever Multi-Country-Consolidation shipment at Shanghai Waigaoqiao Bonded Logistics Park. ⁴

TSI acquired three 65 ton, 22 wide super post-Panamax dockside gantry cranes, two positioned at Vanterm and one at Deltaport. ⁵

The Group entered into a Sales and Purchase Agreement for the Purchase of 100% shares in a PRC company which owns a commercial plot of 9,004 sq m on Hengshan Lu, Shanghai. Total GFA estimated at 15,000 sq m.



1



2



3



4



5



6

May

OOCL named Wal-Mart's 'Ocean Carrier of the Year.' Wal-Mart measures performance in three main categories: Core Competency, Customer Service and Special Service.

OOCL introduces two dedicated fixed-day weekly service schedules to enhance its coverage of the fast expanding Scan Baltic Region using five modern ice-breaking vessels. 6

OOCL introduces a weekly Vietnam/Hong Kong/Singapore (VHS) feeder service connecting Hong Kong and Ho Chi Minh.



7

OOCL is named a preferred carrier by Coles Myer Group.

OOCL wins best Transit Time and Schedule Reliability for our Canadian services and Best Customer Service on the Transatlantic Trade at the Lloyd's Loading List Liner Analysis Star Performer Awards in London, UK.

June

OOCL and the Grand Alliance announce eight new weekly Asia-Europe and 11 new weekly Trans-Pacific services, including four all-water US East Coast loops.

OOCL wins Distinguished Service Award from Payless Shoesource in recognition of OOCL's dedicated service and commitment to customers.



8

July

OOCL Logistics has opened three new warehouses in Tianjin, Qingdao and Xiamen, amounting to 6,000 sq m of extra floor space. These new warehouses are all strategically-located with easy access to expressways and terminals. 7

August

OOIL announced Interim Results of a profit after taxation and minority interests of US\$308.9 million as compared with US\$268.4 million for the same period last year.

TSI took delivery of eight 1-over-5 capacity rubber tired gantry cranes. 8

September

Commenced construction for the proposed hotel in Hua Qiao, Kunshan, Jiangsu. Total GFA estimated at 40,000 sq m.

October

The Grand Alliance and The New World Alliance announce a key trades co-operation agreement to begin in 2006. The co-operation agreement broadens the Alliances' capabilities, network coverage and schedule frequency, and improved service efficiency and choice for customers.

OOCL announces the establishment of two new companies, OOCL (Spain) and OOCL (Portugal), in Spain and Portugal. The new offices are located in Barcelona, Bilbao, Vigo, Madrid, Lisbon and Leixoes.

Both our Global terminal in New Jersey and NYCT in Staten Island implemented a fully automated Optical Character Recognition gate system for the receiving/delivery of containers. It has greatly reduced clerical processing time and trucker queue waiting time and in turn yielded important environmental benefits by greatly reducing emissions from idling diesel trucks.

Completion and handover of Phase 2B Century Metropolis in Xu Hui District, Shanghai. Total GFA is 59,664 sq m. **9**



9

November

OOCL wins the Shipping Line of the Year Award for Australia to North Asia Trade at the 2005 Lloyds List DCN Australian Shipping and Transport Awards. **10**

Entered into land contract for a commercial plot of 60,853 sq m in Changning District, Shanghai. Total GFA estimated at 242,800 sq m.



10

December

OOCL announces the establishment of OOCL (Switzerland) AG, based in Basel, Switzerland.

Orient Overseas Container Line (OOCL), along with MISC Berhad (MISC), Mitsui O.S.K. Lines (MOL), Nippon Yusen Kaisha (NYK) and Pacific International Lines (PIL) announced a co-operation agreement to operate a two-loop weekly service from Port Klang and Singapore to New Zealand.

The Port Jersey Channel Deepening Project access to Global Terminal reached a depth of 41 feet and completion to a depth of 50 feet is projected in 2008.

Chairman's Letter

RESULTS FOR 2005

Last year I was able to report that 2004 had exceeded all expectations and that the Group had achieved a record performance. I am immensely pleased therefore to report that 2005 has largely matched that performance at the Group level as well as at the individual levels of both our International Container Transport and Terminals businesses.

I suggested last year that the cyclical nature in our industry had changed markedly. In the past we had felt that stability had been achieved were we to experience two consecutive half year periods of strong volume growth balanced against a reasonable tonnage supply growth to result in firm freight rates. 2004 had ended with an unprecedented fifth consecutive half year period of strong market conditions but with doubts that such a strong business environment could sustain itself through the coming year. In the event, it did and we have now enjoyed an unprecedented seventh consecutive half year period of strong container volume growth, firm freight rates and sustained margins. However, the pattern changed markedly last year. In 2004 the market continued to strengthen during the year with an unseasonal and exceptionally strong fourth quarter. This strength endured through into 2005 providing an extremely good start to the year but began to wane as the year progressed due to a slightly slower rate of volume growth compounded by the pick up in the rate of new tonnage being deployed.

The year of 2005 can be described as having been a struggle to contain increasing costs. With overall revenues per TEU generally unchanged, although slightly stronger, the task was to ensure

that the bottom line benefit of higher volumes at least matched the impairment of higher overall costs. In this exercise we were largely successful and I am pleased therefore to be in a position to report that Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit before tax of US\$690.1 million for the financial year ended 31st December 2005, just 0.9% below what was achieved inclusive of non-recurrent items the year before. A profit attributable to shareholders of US\$650.9 million was recorded which represents a decrease of 2.9% from the attributable profit of US\$670.4 million which we recorded in 2004. This remains another commendable achievement by the Group in the light of the higher cost environment faced, higher charterhire costs, the direct impact of higher bunker charges and the indirect effect of those higher fuel costs on both terminal and third party transportation costs, the latter also increasing as a result of stronger demand.

The Board of Directors recommends the payment of a final dividend of US15 cents (HK\$1.17) per share to ordinary shareholders. Together with the interim dividend, this represents approximately the same payment as was made for last year after adjustment for the bonus issue announced in 2005. This maintains the dividend payment level at approximately 25% of profits attributable to shareholders.

The Group's operations remain unchanged and are organised into two distinct operating entities to provide each with the required independence and ability to concentrate upon their respective businesses.

Our Container Transport, Logistics and Terminals division enjoyed another exceptional trading environment during

2005. Container volume growth continued at above the long-term trend level and largely kept pace with the rate at which new tonnage was deployed. At the same time there was little if any increase in container terminal capacity in the areas in which the Group's terminals operate.

For Container Transport and Logistics, business confidence remained buoyant until the very end of the year and, as a result, total liftings increased by a further 7.8%. This increase compares with the unprecedented 21.6% by which total liftings increased in 2004. Total liftings in 2005 were, to a degree however, restrained by just an 8.8% increase in loadable capacity compared with an 18.2% increase during 2004. The overall load factor for 2005 remained unchanged from 2004.

The Group's terminal division operates four principal container terminals at major ports in North America, with two in British Columbia and one each in New York and New Jersey. I am pleased also to report that with the combined number of box lifts rising 12.4% from a year ago, total revenue from container operations at the four terminals grew by 21.4% and pre-tax earnings topped 2004 results by 52.0%. With many larger vessels being introduced into service and little growth in berth capacity throughout North America, the outlook for the terminal division remains quite positive.

The terminal division remains sensitive to the needs of the shipping lines which utilise its terminals and remains committed to providing the best possible service in order to allow its customers to meet tight sailing schedules. In addition to an ongoing program of upgrading and replacing existing equipment, the terminal division has

embarked upon plans and undertaken studies related to an increase in berth and throughput capacity at several of its facilities before the end of the decade. In addition, the Group began to investigate the potential for new investments into terminal facilities in China.

As in prior years, OOIL has continued to put resources into strengthening the technology infrastructure of the Group with an ultimate aim to provide reliable and efficient services to customers. In 2005, our focus on information technology developments was placed in three different directions. For carriers, further enhancements have been made to IRIS-2, OOCL's central carrier information system, to improve its functionality as a pioneer carrier system. For Logistics Services Providers, we have developed tailor-made logistics solutions relating to inventory management and reefer cargo handling. Lastly, for importers/exporters and carriers, we have introduced greater functionality to our award winning Internet portal, CargoSmart, to further enhance its capacity as a multiple-carrier portal for customers.

OOCL Logistics for the full year of 2005 was in operation under its new organisation structure. We were pleased with the progress of each of the three newly created business units, namely, International Logistics, China Logistics and E-Business.

Our International Logistics business, in addition to our traditional markets of Asia to North America and Asia to Europe, entered the Asia to Australia and Intra-Asia markets with encouraging results. Internally, we have been enhancing our overall capabilities in serving our customers by improving our organisational and people structures as well as various system capabilities.

The China Logistics group adopted a warehouse-centric logistics network business model and established warehouse operations in many cities in China. We also acquired a piece of land in Tianjin of around 25,000 sq m inside the Logistics Park on which we shall construct our own warehouse. We shall continue this expansion of our capabilities during 2006.

The E-Business team made the first logistics system solution sale of our Reefer Podium product in 2005. We shall continue to leverage OOCL Group's IT capability to offer a greater and wider choice to our customers. Also, by adopting a decentralised and empowered management philosophy, we have witnessed a wealth of regional initiatives in providing a wide range of and variety of services to customers. Our emphasis will remain focused upon enabling our customers to retain ultimate control and flexibility of their supply chains.

Our Property Development and Investment division was successful in the acquisition of new projects during the 2005. In particular, we successfully tendered for two parcels of land in Central Shanghai. We believe that both these sites, given their location and expected cost structures, will produce good returns for the Group upon their completion. In total, our project pipeline has reached approximately one million sq m of gross floor area in Shanghai and Jiangsu Province. Going forwards, we shall continue to seek property investment and development opportunities in China.

Our Property Development business, whilst remaining thus far only a modest contributor to Group profits, nevertheless produced satisfactory results in 2005. However, due to the timing of previous land acquisitions and our considered views of the market,

property development income will slow dramatically during the coming two years of 2006 and 2007. Our Property Investment business produced a result for 2005 in line with expectations. We continue to hold an 8% interest in Beijing Oriental Plaza. As at 31st December 2005, Wall Street Plaza was valued at US\$100 million. The property enjoyed an occupancy rate of 99% for the better part of the year. We expect both investments to contribute to Group profitability going forwards.

Given our real estate experience in China over the last decade, and our land acquisitions conducted over the past few years, we expect real estate to produce a meaningful contribution in the future, and we continue to work towards the creation of a stand alone real estate development and investment business in China.

The overall Group result for the year of 2005 compares satisfactorily with that of 2004 especially when the much higher costs are taken into account. The result is also reflective of a much stronger market than was being predicted earlier in the year. As at the beginning of last year, the then predictions for the coming year were for a much softer market as container volume growth was forecast to slow against a known to be increasing rate of new tonnage deployment. As always, those forecasts for demand side container volume growth proved in the event to be under-estimates. Conversely, supply side tonnage growth forecasts always prove to be an over-estimate of the true increase in effective loadable capacity. Nevertheless, sentiment tends always to prevail and current sentiment suggests strongly that the deployment of new tonnage during 2006 will outpace the rate at which container volumes will grow, the extent of this imbalance being

variously forecast at between 3% and 5%. As a result, the freight rate forecasts are for a softer market and, on some trade routes, we have already seen this begin to happen. However, much remains uncertain. Consumer confidence and retail sales demand remain fairly buoyant throughout the major consumer economies. To take the Trans-Pacific eastbound trade as an example, the single most important trade in revenue terms, the third and fourth quarters of 2005 saw volumes grow 15.7% and 14.2% respectively over the exceptional corresponding periods of 2004. This strength has carried over into 2006 although with the vagaries of the timing of Chinese New Year it is not possible, at the time of writing, to compare month by month statistics. Even for the Asia-Europe trade routes, for which the forecasts are most pessimistic, overall conference volumes grew by 11.6% and 11.8% year-on-year during the third and fourth quarters of 2005 respectively and again, this rate of volume growth has carried over into 2006.

As we enter this period of supply side growth outpacing the demand side, industrial load factors may or indeed will fall below the exceptional percentages, in the high nineties, experienced on the head haul legs during the past two years or so, but we believe that they will not fall to the dire levels of some five years ago. For the good of the industry as a whole, we are hopeful that carriers will accept and operate under these slightly lower load factors, temporary as they will be whilst we endure this bulge in the newbuilding delivery schedule, rather than lower rates in what in the event will turn out to be the vain attempt to regain the exceptional load factors of the recent past. The consolidation which has taken place within the industry should assist in producing this readier acceptance of load

factor decline and therefore a greater resistance to freight rate erosion.

Overall performance, of course, will remain dependent not only upon volumes and freight rates but also upon relative cost levels. Oil prices are critical not only due to their direct effect on bunker prices but also due to their indirect effect of driving up terminal and third party transportation costs. Some of these cost increases are recoverable but many if not most are not. In 2004 our average bunker cost was US\$174 per ton. For 2005 it had risen to US\$250 per ton and we purchased just under 1.7 million tons during the year!

2005 has produced another commendable result for the Group and I again, must pay tribute to the staff who have made this possible. OOIL now has a full-time staff on land and at sea of just over 6,000 people. They remain committed as much as the Group remains committed to its "People", one of its Core Values, and to "People Development" throughout the whole organisation. This is and will remain a cornerstone of corporate policy. It is this consistency in the investment in people, as well as in IT and the quality processes, which has established a strong cost structure and culture that supports and enhances our performance through the various business cycles. This is further enhanced by the concentration on customer service and the continued drive to "Simplify, Standardise and Automate".

The quality of our services and products has always been our focus and now, with our positioning as a knowledge based organisation as we continue our IT investment programmes, we place an even greater emphasis on the development of our

people. We aim to provide an environment in which they may extend their personal horizons and realise their full potential in partnership with the Company as a whole. Their contributions to the communities in which they work are described elsewhere in this report and I commend them wholeheartedly for the efforts which they put into this responsibility.

C C Tung

Chairman

Hong Kong, 10th March 2006



S u p p l y C h a i n

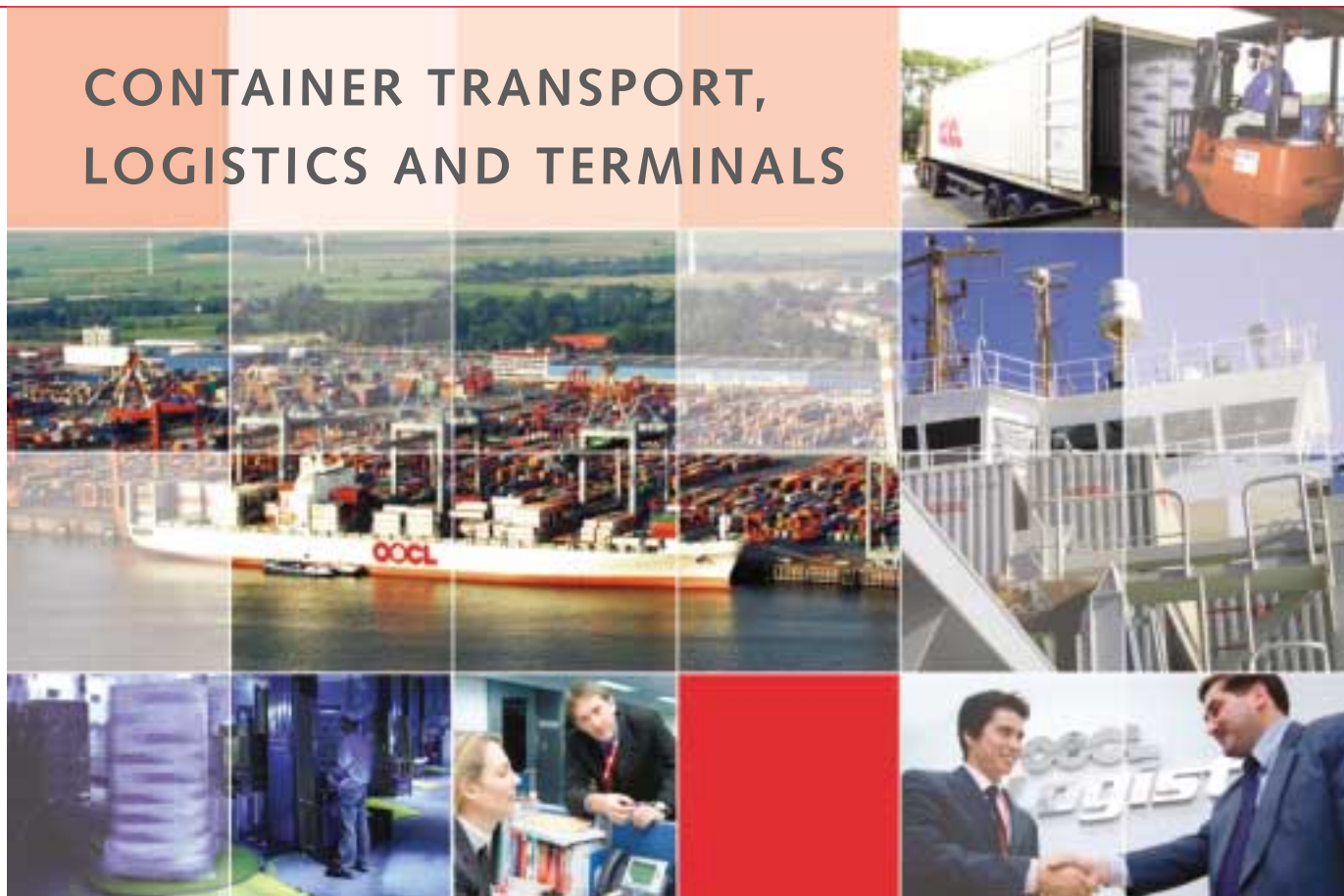
As a total logistics service provider, drawing on the strengths of our powerful information system, we offer customers integrated and tailor-made logistics solutions at every stage in the supply chain.





Operations Review

CONTAINER TRANSPORT, LOGISTICS AND TERMINALS



There was a strong start to 2005 in terms of container volume growth and this continued throughout much of the year. The US economy performed well and consumer demand and retail sales remained robust driven largely by a still buoyant housing market. Concerns were, and continue to be expressed over the sustainability of the twin deficits but with the job market growing, inflation under restraint and real wages still improving the outlook, certainly for the shorter term, remains optimistic. Through the year the major European economies continued to struggle but towards the end of the year began to show some signs of recovery. Japan, importantly as the second largest economy, also began towards the end of the year to show significant signs of recovery and a return to domestic economic growth whilst the effect of China on the global economy continues to grow.

Container Transport and Logistics

	2005		2004
(US\$ millions)			
Volumes (teu)	3,523,218	+7.8%	3,267,235
Revenue	4,229.9	+12.8%	3,748.4
E.B.I.T.D.A.	777.4	+0.7%	772.0
Depreciation/Amortisation	(127.2)	+0.8%	(126.2)
E.B.I.T.	650.2	+0.7%	645.8
Finance Costs	(51.4)	+46.9%	(35.0)
Profit Before Tax	598.8	-2.0%	610.8
Tax & M.I.	(22.5)	+226.1%	(6.9)
Net Profit	576.3	-4.6%	603.9

CONTAINER TRANSPORT

2004 had been an exceptional year by any measure and there were real doubts at the beginning of 2005 that we could come close to achieving the same level of performance. Nevertheless, 2005 has matched those exceptional levels of performance. The

combined effects of increased liftings and a modest rise in average revenue per TEU served to outweigh the adverse impact of the higher cost environment. Overall liftings for OOCL rose by 7.8% to 3,523,218 TEUs which, when combined with a further ca 4% recovery in average revenues per TEU, resulted in a 12.1% increase in total revenues to US\$4.028 billion. As mentioned however, there were significant adverse movements on the cost side.

Overall costs per TEU rose by 7.4% compared with 2004. Variable costs per TEU rose by approximately 3.5% compared with 2004 as a result of increased terminal charges and the higher cost of third party transportation services. Fixed costs also rose significantly, bunker costs were higher by 38% on a per TEU basis and by 43.7% on an average price per ton basis. In absolute terms, the total cost of bunkers in 2005 was US\$139 million higher than for 2004. Repositioning costs were also higher, by 11.4% on a per TEU basis, as the imbalance between inbound and outbound cargoes continues to grow. The costs of chartering in vessels for our Intra-Asia and Australasia services, rose by 16%, or US\$34.5 million in absolute terms, as we continued to renew and fix new charters into the stronger charterhire market. The overall load factor for 2005 remained unchanged at around 84% despite an 8.8% increase in loadable capacity as the fleet expanded during 2005.

OOCL's Trans-Pacific services produced another solid performance during 2005 consolidating their position as the single largest contributor to overall OOCL profitability. A 10.7% increase in liftings combined with a further but only marginal recovery in average freight rates per TEU resulted in an 11.1% increase in total revenues. Liftings to the US East Coast continued the trend of experiencing the higher volume growth rate, reaching 37% for 2005 compared with 28% for 2004.

The recovery in the Asia/Europe and Asia/Mediterranean trade routes which showed significant improvements during 2003 and 2004 continued through 2005, albeit at a slower pace. 2004 had registered a 27.2% rise in total liftings but 2005 registered a more modest increase with volumes growing by 5.2%, a reflection however, of the much lower increase in loadable capacity during the year. Average freight rates showed a more modest increase following the 8.4% of 2004 by recording a 2% improvement and contributing to a 7.4% increase in total revenues for 2005.

The performance on the Transatlantic routes by comparison, continued to experience improvements and served to double their contribution to Group profitability. During 2005 liftings increased by 4.4% and average revenues per TEU rose by a further 13.2% resulting in an 18.2% rise in total revenues.

Orient Overseas Container Line

	TOTAL LIFTINGS		TOTAL REVENUES			
	(TEUs)		(US\$'000)			
	2005	2004	2005	2004		
Trans-Pacific	1,124,967	+10.7%	1,016,635	1,767,341	+11.1%	1,591,175
Asia-Europe/ Intra-Europe	544,031	+5.2%	517,054	777,920	+7.4%	724,626
Transatlantic	326,643	+4.4%	312,769	485,887	+18.2%	410,995
Intra-Asia/ Australasia	1,527,577	+7.5%	1,420,777	996,991	+14.9%	867,418
All Services	3,523,218	+7.8%	3,267,235	4,028,139	+12.1%	3,594,214

Following on from the 24.9% increase achieved during 2004, OOCL's Intra-Asia and Australasia businesses experienced a year of more modest volume growth achieving a further 7.5% increase in liftings. Following on from a 14.9% increase in average revenues per TEU in 2004 a further 7% increase was achieved during 2005. As a result, total revenues increased by 14.9% and





the contribution to Group profits was significantly increased. This achievement is all the more commendable given, in absolute terms, the 51% increase in bunker costs and 23% increase in charterhire costs suffered in these trades.

During the first half of 2005 OOCL took delivery of the "OOCL Atlanta" and the "OOCL Tianjin". Both are 8,063 TEU vessels built by Samsung Heavy Industries Co, Ltd ("Samsung") in South Korea and were deployed within our Trans-Pacific service. They were numbers seven and eight in our total series of twelve. Numbers nine and ten, the "OOCL Asia" and "OOCL Europe", are to be delivered in March and July of this year. Completion of this series of "SX" Class vessels will take place with the delivery of numbers eleven and twelve in early 2007.

In addition to this "SX" Class series, our "S" Class series is being augmented by the delivery, as previously announced, of eight 5,888 TEU vessels, to be built by Imabari Shipbuilding Co, Ltd in Japan. The first, the "OOCL Vancouver", was delivered earlier this year. Three more remain to be delivered during 2006 with the remainder to follow during the first half of 2007. During 2005 we contracted for a further two panamax sized newbuilding vessels bringing to a total of six 4,500 TEU capacity vessels to be built by Samsung in South Korea. We also continue to hold contracts for a previously announced pair of similarly sized vessels to be built by Hudong - Zhonghua Shipyard, which constitute our first venture into China for containership newbuildings. Final decisions with regard to the deployment of these panamax sized vessels remain to be taken but they do provide us with the ability to operate an all water Panama Canal service to the US East Coast should circumstances ever require it. Such a loop requires eight vessels and they are to be delivered one this year, five during 2007 and two during 2008.

As commented upon in previous years, these various newbuilding programmes are in line with our long-term business plans. OOCL's internal organic growth plans, to be supported by sustained profitability, remain in place and the further long-term charterparty arrangements mentioned above, together with the existing fleet of eight 5,560 TEU "S" Class vessels under medium-term charterparties, which have now begun to reach their first renewal dates, provide us with the flexibility we require to convert vessels earmarked for fleet expansion into replacement tonnage should market conditions so dictate. Newbuilding prices remain at historical highs, albeit at a slightly lower level than last year, and the orderbook remains unusually long, still at around 3.5 years. Historically, OOCL has been highly successful at timing its forays into the newbuilding market, managing always to contract at close to the bottom of the price cycle and take delivery at close to the top of the freight rate cycle. As set out above, our newbuilding needs are, for the most part, satisfied until into 2009 and therefore time is very much on our side in when, again, to enter the newbuilding markets.

LOGISTICS

For the financial year 2005, OOCL Logistics ("OLL") achieved a revenue growth of 30.6% and substantially improved its management structure and processes. We shall continue to focus on growing our scale in the next few years.

The International Logistics unit achieved its targeted growth in the Asia to North America market while maintaining a stable business in the Asia to Europe market. We experienced encouraging growth in the Intra-Asia trades, especially China to Japan and China to Korea. We will continue to enhance our core competencies and to develop new products based on our individual customer centric business model which aims at providing

international supply chain management and execution services to our customers.

Our China Logistics made encouraging progress in building up its warehouse infrastructure. During 2005, we leased additional warehouses in Xiamen, Ningbo, Qingdao, Tianjin and Dalian in addition to our existing facilities in Shanghai, Dongguan and Shenzhen. The majority of them became operational during the second half of 2005. We also acquired a piece of land in Tianjin of 25,000 sq m upon which we shall construct a warehouse targeted to be completed during the final quarter of 2006. New computer systems (Inventory Podium and Warehouse Podium) have been developed and were commissioned in late 2005 to support the day-to-day operations and provide a global inventory visibility to customers.

Our E-Business made the first logistics system solution sale in 2005 for a reefer customer in South China.

In North America, we entered into the domestic logistics related business by forming alliances with independent operators. We also commenced our leased warehouse operation in Chicago in early 2006. We will continue to develop our warehousing capacity as well as to diversify our logistics services in North America.

During 2005, we opened self-owned offices in Australia, India, The Philippines and Malaysia. Adopting a decentralised and empowered management structure, we witnessed encouraging business developments in many regional offices. We shall capitalise upon the benefits and advantages in the coming years.

INFORMATION TECHNOLOGY

In line with the Group's belief in improving efficiency and customer satisfaction through its IT capabilities, further investments were

made in both hardware and software during 2005. To capitalise further upon the value of its solid foundations, OOCL has further enhanced the features and functionality of IRIS-2 to further improve our customer service and information quality. To elevate further the reliability of the system, Gemstone 64-bit Phase I was successfully cutover to production during 2005. This has brought with it performance improvements of 20-50% on system response times and will also allow the system to scale beyond the 32-bit object count limit of two billion persistent objects in the future. This will allow OOCL to scale up to meet its organic growth strategy. Such scalability has always been a priority and the aim has been to provide for way beyond projected future growth. The introduction of Gemstone 64-bit Phase 2 during the third quarter of 2006 will remove all scalability concerns by increasing the current two billion object capacity to a minimum of 100 billion.

In order to provide a reliable and secure technology infrastructure for the OOIL Group, which has always placed quality as one of its prime core values, OOCL has successfully obtained the BS 7799 Information Security certification in 2005 with OOCL Data Centre accredited to have met all pre-requisites for the certification accredited by UKAS, the leading worldwide certification body, according to the British Standard.

In relation to logistics, resources have been invested in the development of tailor-made E-Business solutions to enable our customers to manage and execute their supply chain and distribution networks more efficiently. A series of system capabilities under the name of Podium are in development. During the second half of 2005, we implemented Inventory Podium and Warehouse Podium which extend the end-to-end visibility of our customer's global supply chain to warehouse transaction level on real time basis.



CargoSmart, one of the few Internet portals providing the most advanced application and integration services to the ocean container transportation industry, celebrated its fifth anniversary in 2005. Since its launch in 2000, further offline product and integration services, to help customers of any size and technological capability to manage their multiple carrier shipment information, have been offered to users. Customers and carriers connected to *CargoSmart* are able to reduce costs, gain efficiencies and streamline their communication through automated shipment monitoring and timelier and accurate shipment processing. With all these advanced features, *CargoSmart* in 2005 had over 30,000 registered members from over 12,000 different organisations actively using its open platform to connect to their ocean carriers and to access consolidated shipment information from one location.

Since its launch, *CargoSmart* has enjoyed accolades from customers, partners and industry publications across Asia, North America and also Europe. In 2005 alone, *CargoSmart* received 5 awards for its innovative use of leading technology, outsourcing arrangements and overall value in helping customers to manage their supply chains. The awards received during 2005 were:

- 100 Great Supply Chain Partners awarded by Global Logistics & Supply Chain Strategies for 2 consecutive years;
- IT Excellence Awards in the Best Business Enabler – for Logistics awarded by MIS Asia;
- Best Practice Awards – for Outsourcing awarded by Best Practice Management Magazine;
- Reader's Poll : Best Third-Party Web Site awarded by Marine Digest and Cargo Business News; and

- Freightling Industry Award : IT Category Finalist selected by International Freightling Weekly.

CargoSmart has recently been experiencing growing global demand for its integration solutions. Technical sophisticated customers are increasingly requesting shipment data to be transmitted to and from their systems using different media to improve visibility, data accuracy and productivity. *CargoSmart* will continue to create and develop further user friendly features for its registered members in the years to come.

CONTAINER TERMINALS

An overall total of 1,162 vessels called at the Group's four principal North American container terminals in 2005, resulting in a combined container box throughput of 1,397,711 lifts, equivalent to approximately 2,361,000 TEUs. While the number of vessel calls was 7.6% above the 2004 level, the total lift volume was 12.4% higher, reflecting the continuing trend towards larger ships being introduced into the major trade routes serving North America. Combined revenue from container activity grew by 21.4% in 2005 to US\$379 million and operating margins expanded as an average increase of 8.0% in revenue per lift overshadowed a corresponding 4.8% rise in costs. As a result, pre-tax earnings grew by a healthy 52.0% from a year ago.

TSI Terminal Systems Inc. ("TSI") operates two Canadian terminals in the Port of Vancouver in British Columbia, namely Deltaport and Vanterm. While the facilities experienced only a marginal 0.9% increase in the combined number of vessel calls in 2005 as compared with 2004, the average size of the container ships that were serviced at either facility during the year has increased dramatically and combined container-related revenue grew by an impressive 20.4% on a 7.5% increase in throughput volume to 821,555 lifts. TSI's growth in 2005 would

have been even more dramatic but for its share of logistic woes that have become all too common in the industry in recent years, from its having to declare force majeure early in the year as a result of a severe shortage in rail car supply to a lengthy truckers strike during the summer. Despite these setbacks, TSI was helped by a widening operating margin and managed to boost pre-tax earnings from container-related operations by 39.3% from a year ago.

TSI introduced its Balanced Growth Program in March 2005 and has continued to provide excellent service as evidenced by the recent renewal of several long-term contracts by existing customers. It continues to invest in new equipment and a new terminal operating software system from Navis will be introduced during 2006 in order to meet the ever-increasing level of service demanded by container shipping lines. After having completed a long-term contract in October 2005, TSI exited the business of serving as stevedore for cruise ships which call at Vancouver during the summer. While consistently profitable, cruise-related revenue amounted to just 5% of the higher-margin container-related revenue. With Pacific trade booming and Alaska cruises increasingly selecting Seattle as a home port, management decided it would be prudent to devote all of its resources to the growing core business of servicing container ships.

Vanterm saw an increase in the number of containers moving through its facility by 11.7% to a total of 251,696 lifts in 2005. Improvements to the facility in order to upgrade throughput capacity were completed during the year at a cost of approximately US\$30 million, funded partially by the Vancouver Port Authority, including a 33% increase in the yard stacking capacity to 10,500 TEUs and a 103% increase in intermodal yard trackage to 10,200 ft. Two new 65-ton, 22-wide super post-Panamax cranes were fully operational

by mid-2005 and the terminal also took delivery of four new 1-over-5 capacity rubber-tired gantry cranes. TSI also extended Vanterm's lease with the Vancouver Port Authority to the year 2022.

Deltaport likewise experienced an increase of 5.7% in the number of containers moving through its facility for a total of 569,859 lifts in 2005. During the year, TSI completed a Heads of Agreement with the Vancouver Port Authority for a new 50-year lease in conjunction with a major expansion planned for Deltaport which will add a third berth, 50 additional contiguous acres of container yard space and three more super post-Panamax cranes. Provided that final environmental approval is obtained in the fall of 2006, operations utilising the new berth are projected to commence in 2009. In the meantime, Deltaport took delivery of four new 1-over-5 capacity rubber-tired gantry cranes and a new 65-ton, 22-wide super post-Panamax crane was introduced into operations in mid-2005.

On the East Coast of the United States, Global Terminal in Bayonne, Jersey City, New Jersey is situated along the Port Jersey Channel in the outer harbour of the Port of New York and New Jersey. Besides offering the shortest distance from the open sea, Global remains the Port's only major marine container terminal with unrestricted air-draft access as it lies outside of the Bayonne Bridge. Continuing to build its business in 2005, Global ended the year with a 157% increase in pre-tax earnings as compared with 2004. Revenue was up 40.1% as a result of a 28.9% increase in vessel calls and a 31.8% increase in container lifts which yielded a throughput of 481,426 TEUs, the highest annual throughput handled by Global in its 33 years of operations. These statistics come off the low base which resulted from the loss of much of its business in 2002, as previously reported. Unit revenue increased by 6.2% and operating margins expanded as unit cost

fell 2.5% on account of the significantly higher volume.

In 2005, the US Army Corps of Engineers completed the dredging of the Port Jersey Channel to a depth of 41 ft and remains on schedule to reach its final objective of a 50 ft depth channel in 2008. During the year, Global continued facility and equipment improvement projects which have improved operational performance. Most notable was the installation of an automated optical character recognition gate complex that has markedly increased the accuracy of receiving and delivery information while virtually eliminating trucker queue waiting time. This in turn yielded important environmental benefits by greatly reducing emissions from idling diesel trucks. The delivery of two additional rubber-tired gantry cranes enhanced the terminal's ability to increase capacity through higher densification and Global will take delivery of two additional 65-ton, 22-wide, super post-Panamax cranes in early 2006, bringing its total complement to six post-Panamax cranes. Pending governmental and environmental approvals, the existing berth at Global will be extended by 800 ft to a final length of 2,600 ft with scheduled completion in late 2007. Also planned for implementation by the end of 2006 will be the introduction of a new NAVIS Terminal Operating System which should further improve terminal efficiency.

New York Container Terminal ("NYCT") is located on Staten Island and remains the only major marine terminal for the handling of containerised cargo physically situated in the State of New York. During 2005, NYCT posted a 10.7% increase in container throughput volume and finished the year with a total of 287,637 lifts or 482,621 TEUs. Overall revenue was up 16.4% and pre-tax earnings from operations posted a 32.0% increase, benefiting from the terminal's focus on increasing marine productivity and overall cost control.

The four new 65-ton, post-Panamax cranes which were delivered in 2004 were commissioned and put to work in January 2005. However, these new cranes were not used on larger vessels until after the Port Authority completed the extension of the existing berth by 500 ft in July. The fact that marine productivity increased by approximately 20% after July is a clear indicator of the efficiencies which can be derived from working with larger volumes of boxes from a single vessel.

Progress continued during 2005 on two key infrastructure projects, the dredging of the approach way to NYCT and the build out of an intermodal rail yard. Supported by a combination of Port Authority and Federal funds, both of these projects are scheduled for completion by mid 2006 and accordingly, the terminal expects volume to increase by over 50% in the second half of the year. It is in anticipation of this future volume growth that NYCT undertook two other projects during the second half of 2005. The first included a significant upgrade to the gate complex by the introduction of optical character recognition cameras and remote processing, while the second involved tearing down approximately 100,000 sq ft of underutilised old warehouse space in order to accommodate more grounded containers. Both of these projects are scheduled for completion by the end of the first quarter of 2006.

Looking to the future, NYCT appears poised for significant growth as the Port Authority has agreed in principle to the terminal's request to build a new 1,200 ft berth and associated upland on an adjoining 38 acre parcel of land. During 2006, the terminal will work with the Port Authority and various State and Federal agencies to obtain the necessary permits and by the end of the year, the viability of this major expansion project should be determined and a build out schedule will be available.

PROPERTY INVESTMENT AND DEVELOPMENT



PROPERTY INVESTMENT

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

The Group retains its 8% interest in Beijing Oriental Plaza. Consisting of a retail mall, office towers, service apartments and a 5-star hotel, the project totals some 585,000 sq m in gross floor area. While the project is now achieving modest profits at the project level, we do not expect it to contribute in the near term to Group profitability as a result of the different accounting standards. The total cash investment by the Group remains at approximately US\$87 million. Further equity injections are not expected.

Wall Street Plaza, the Group's investment property in New York City's financial district, maintained an occupancy rate of 99% for the better part of the year and at the time of writing is 100% let. Wall Street Plaza remains profitable and is strongly positioned to

continue to contribute to the Group's performance. As at the end of 2005, the building was valued, on an open market basis, at US\$100 million.

PROPERTY DEVELOPMENT

The Shanghai real estate market slowed during 2005. The majority of the Company's inventory, however, had already been disposed of. As a result, the decline in sale prices did not have a material effect upon the earnings of the development portfolio. While we remain cautious of the potential effects of the slowdown, we remain confident in the medium and long-term future of Shanghai and its surrounding areas.

During 2005, we completed and began handover of Phase 2B of Century Metropolis in the Xu Hui District of Shanghai. The total GFA of the phase was 59,664 sq m. The entire 230,000 sq m Century Metropolis Project has now been fully completed.



The project on the Changle Lu site in the Luwan district of Shanghai will have a total gross floor area of approximately 145,000 sq m. We are in the process of finalising the master plan with the Shanghai City Government and expect construction to begin during 2006.

During 2005, we continued to work with the Kunshan Government on the master plan of our Kunshan project, located on the eastern edge of Kunshan, adjacent to Jiangsu Province International Business Centre, a business zone established by the Provincial Government. The site is located 35 km from People's Park in Shanghai and 19 km from downtown Kunshan. Located in the heart of the Shanghai-Suzhou-Nanjing corridor, the project will be a mixed use development totalling 600,000 sq m consisting of residential, offices, retail and hotel elements.

During 2005, the Group continued to source projects in downtown Shanghai. The Group successfully tendered for a site on Changning Road, Shanghai. The project will have a total gross floor area of 240,000 sq m, and will consist of offices, serviced apartments, retail units and a hotel. In addition, the Group successfully tendered for a site on Heng Shan Lu. The project will have a total gross floor area of 15,000 sq m consisting of retail units and serviced apartments. Given the location and cost structure of both these sites, we are confident that the projects will produce solid returns going forwards.

In total, the Group's pipeline of real estate projects has now reached some 1,000,000 sq m. With an experienced team of dedicated real estate professionals based in Shanghai we intend and fully expect to build a high quality property development and investment portfolio that will yield the Group meaningful returns going forwards.





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.





Corporate Responsibility

The OOIL Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does.

SECURITY

The issue of security has always been at the top of the Group's list of priorities. In relation to the more recent rules and regulations, certified as a Customs-Trade Partnership Against Terrorism ("C-TPAT") member, a scheme launched by the US Customs and Border Protection ("CBP") to improve maritime security, OOIL remains committed to the security of its operations against possible compromise and to the maintenance of the highest level of compliance in security related areas.

The Group has developed a Corporate Security Policy and has established internal guidelines, which also are in compliance with C-TPAT, in recognition of the fact that we have the responsibility to ensure the safety and integrity of all our employees, both on shore and at sea, of our managed ships, our customers' cargoes and our port facilities. We must and do therefore, offer our complete co-operation to the Authorities including the Governments of all States in their efforts against any act that will impinge upon maritime or cargo security.

OOIL has also implemented internal security checks to all of its holdings. Its security profile has been validated by CBP, who have physically checked the offices and facilities of OOIL including terminals, warehouses, depots and vessels. CBP concluded that OOIL has demonstrated effective security throughout the organisation as well as a dedication to working with others to strengthen any supply chain security vulnerabilities that might exist. That is the essence of C-TPAT and CBP highly appreciates OOIL's full co-operation.

The Group's US terminals are all fully compliant with the US Department of Homeland Security and the US Coast Guard marine facility security regulations. In accordance with the Canada Border Services Agency ("CBSA") regulations, the Group's terminals in Vancouver are certified to the Transport Canada Marine Transportation Security Regulations ("MTSR") with all the required Certified Security Plans in place. The MTSR Code follows the requirements of the International Ship and Port Facility regulations. TSI in Vancouver is also a member of the Partners in Protection Programme ("PIP") which is administered by the CBSA. It was developed to foster co-operation, to enhance Border Security and to assist in the fight against the illegal movement of contraband into and out of Canada. This PIP Code parallels all the security requirements of the C-TPAT Code in the US. In addition, the Group's Canadian terminals are fully compliant with all Transport Canada Marine Security and Transport Canada Coast Guard regulations.

ENVIRONMENT

OOIL fully endorses and embraces a policy under which safety and the protection of the environment are foremost and has formulated a Safety and Environmental Protection Statement that governs this area of its business.

It is the company's policy to have all its vessels compliant with the accreditation requirement of the US Coast Guard - Qualship 21 Program - Identification for Quality Operation of Non-US Flagged Vessels, regardless of whether they enter US territorial waters or not (ships operating outside the territorial waters of the US are not eligible for Qualship 21 accreditation), and regardless of under which jurisdiction the ships are registered (ships can only obtain Qualship 21 accreditation if they are registered with a flag state that is Qualship-21 compliant). The certification is recognised as one of the most rigid safety and pollution-prevention standards in the world.

OOIL is involved in a number of environmental protection initiatives, several of which exceed regulatory requirements. To upgrade its Environment Protection Management System, ISO14001 specification has been adopted. OOIL has set targets and established monitoring programmes for air and noise emissions, the efficient use of resources, the release to water and waste disposal, to name but a few. The OOCL fleet has achieved the award of being Green Flag vessels from the Port of Long Beach ("POLB"). To reduce air emissions, the OOCL fleet has participated in the Voluntary Speed Reduction Program since May 2001. Both the POLB and the Port of Los Angeles ("POLA") have commended our performance as outstanding and demonstrates our commitment to environmental protection in Southern California. For the year 2005, OOCL was once again the top performer demonstrating 100% compliance as mentioned in a Letter of Recognition from the POLA. This positive recognition from POLA not only confirms OOCL's commitment to environmental protection but also allows OOCL to enjoy a dockage reduction rate when using Long Beach terminals.

OOCL's Fleet Management Department and all of its vessels have met a number of international standards for safety and environmental protection. OOCL was the first container shipping line, and only the tenth of all companies globally, to achieve the American Bureau of Shipping ("ABS") Classification Society's Safety, Quality and Environmental ("SQE") management system.

All OOCL vessels comply with the relevant annexes of MARPOL 73/78 (the Convention on Marine Pollution), and operate Shipboard Waste Management Systems which comply with, or exceed, present regulatory requirements. The company is also in compliance with both the voluntary and mandatory Ballast Water Management regulations as adopted by those countries to which our vessels operate.

OOIL has a set of strict guidelines and procedures for cargo handling, especially for the handling of hazardous cargoes. In both headquarters and regions, senior managers are assigned the role of safety officers. A set of procedures is also in place to control and manage the acceptance of Dangerous Goods cargoes and these comply with all international and national regulatory requirements and standards in the transport of Dangerous and Hazardous goods ("IMDG and US - CFR49").

The company offers an extensive network of trunk, feeder and barge services which encourage the use of sea transport, the most environmentally friendly mode of cargo transportation. Trucking and rail transport are used only for inland locations which cannot be reached by water borne transport. In respect of other equipment, all refrigerated container boxes ("reefers") use the most environmentally friendly of refrigerants. All trucks owned by OOIL companies are maintained in the best of condition to minimise fuel consumption, gas emissions and noise pollution.

OOIL's container terminals ensure that they only purchase items of equipment which are fuel efficient and have lower emissions engine systems. The installation of automated gate systems has greatly reduced truck queuing and idling time in the receiving and delivery processes thereby significantly reducing engine emissions. The US Terminals meet all Environmental Protection Agency Standards and have installed oil/water runoff separation systems.

In addition, the Group makes extensive use of electronic communications in conducting its business, thus assisting in the conservation of natural resources. Within OOIL's office network, all employees are encouraged to recycle paper and to use the least amounts of natural resources, i.e. energy, water, paper, etc. OOIL is also a pioneer in the field of e-commerce thereby encouraging the advent of "paperless" trade and business.

During the process of vendor and supplier selection, environmental issues are major considerations. Before vessels are chartered-in, on-hire surveys are conducted in which all certificates and classification documents are inspected and confirmed to ensure that the ship is both safe and environmentally friendly.

The company's achievements, in many aspects, have already greatly exceeded legal requirements and general industry standards in the countries in which and to which it operates. However, as a responsible and committed member of the international community, OOIL strives continually for further improvement in all aspects of its business.

COMMUNITY AND EDUCATION

OOIL prides itself upon being a responsible corporate citizen and recognises that the societies in which its employees live and work contribute greatly to the company's overall success. Care for these communities in which it operates is therefore a major OOIL focus. OOIL concentrates its community efforts on charity programmes to provide well-rounded education to the youth, charity relief to the needy and cultural entertainment to the whole community.

Every week, throughout the world, OOCL employees give something back to the communities in which they live - in the form of charity events, fund-raising or by dedicating their time and efforts. One of the major and on-going projects in which OOCL has been involved is Project HOPE (Health Opportunities for People Everywhere). OOCL assists through the transportation of the latest medical diagnostic equipment and supplies from the US to China to care for children in urgent need of treatment.

In 2005, OOIL employees made donations, which were matched by the company on a one-to-one basis in support of Disaster Relief. In addition to financial donations, the Company has been contributing transportation and logistics support, providing numerous containers to help with relief work in the affected areas. Assistance in the form of free transportation is regularly given to a number of charitable projects.

Other beneficiaries of welfare donations made by OOIL and its employees include social services, orphanages and children's hospitals, cancer research, multiple sclerosis and diabetes research and many others in Asia, North America, Australasia and Europe.

In keeping with OOIL's long tradition of community responsibility, the Tung OOCL Scholarship supports the education of youth. OOIL, in partnership with The Tung Foundation, spends over US\$300,000 per year on educational scholarships for students in mainland China and for the children of employees globally.

EMPLOYEE INFORMATION

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, OOIL understands that the process begins with the treatment of its employees. As a successful corporation, OOIL appreciates that its success, growth and performance rests on the skills, dedication and teamwork of its staff. It regards people as its greatest asset and cares for them accordingly.

In a spirit of mutual respect, OOIL has a clearly defined policy that includes: the treatment of all employees with fairness and dignity, the encouragement of a culture of open and frank communication throughout the organisation, the investment in its people and care for their hopes and aspirations through people-development programmes, training and education and the recognition and reward of their efforts and achievements. People development remains a cornerstone of the corporate culture and enables the effective operation of OOIL's policy of career development through recruitment from within. OOIL has, over the past years, channelled a great deal of time and effort into its various people-development programmes. OOIL advocates continuous learning and supports employee career development through job rotation, local and overseas job assignments as well as through formal training for performance enhancement.

OOIL employs an innovative approach to employee learning and management development. A rich culture of knowledge sharing is in place and a new knowledge-sharing platform was adopted in 2005 to facilitate knowledge and best practice sharing between and amongst all employees. E-learning has offered a whole new string to the company's human-resources bow, creating a learner-centric, interactive path to training and self-improvement as well as opening up learning opportunities to many more people within the business. Continuing with the successful deployment of the Security Awareness Programme with a 100% completion rate in 6 months, a refresher programme was launched in 2005 with a target to achieve a 100% completion rate within 5 months.

As at 31st December 2005 OOIL had 6,165 full time employees whose salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of OOIL's salary and bonus schemes which are regularly reviewed. Other benefits are also provided, including medical insurance and pension funds, and social and recreational activities are arranged around the world.

In the interests of adhering to the highest ethical standards on an ongoing basis, the company has formulated a Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards and to preclude offences under local, national and international laws, any breaches of confidentiality, non-disclosure requirements or intellectual property rights and any conflicts of interest, acts of bribery, corruption or political contribution and any other areas of deemed misconduct.

OOIL is committed to the philosophy of equal opportunity in employment. It is the Company's policy not to discriminate against any employee or applicant for employment on the grounds of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status and or any other category whether protected by local laws and legal regulations or not.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US\$'000	2005	2004	Variance
Operating results by activity:			
Container transport and logistics	650,221	645,769	4,452
Container terminals	56,375	53,641	2,734
Property investment and development	13,745	19,556	(5,811)
Unallocated items	31,451	21,158	10,293
Earnings before finance costs and tax	751,792	740,124	11,668
Finance costs	(61,659)	(43,787)	(17,872)
Profit before taxation	690,133	696,337	(6,204)
Taxation	(38,842)	(25,739)	(13,103)
Minority interests	(437)	(149)	(288)
Profit attributable to shareholders	650,854	670,449	(19,595)

Container Transport and Logistics

Summary of Operating Results

US\$'000	2005	2004	Variance
Liftings (TEUs)	3,523,218	3,267,235	255,983
Revenue per TEU (US\$)	1,143	1,100	43
Turnover			
Asia	3,022,239	2,709,681	312,558
North America	578,522	494,400	84,122
Europe	556,054	480,450	75,604
Australia	73,122	63,883	9,239
	4,229,937	3,748,414	481,523
Cargo costs	(1,683,380)	(1,487,425)	(195,955)
Vessel and voyage costs	(965,406)	(748,095)	(217,311)
Equipment and repositioning costs	(537,912)	(499,756)	(38,156)
Gross profit	1,043,239	1,013,138	30,101
Business and administrative expenses	(422,080)	(372,495)	(49,585)
Other operating income, net	27,670	4,354	23,316
	648,829	644,997	3,832
Share of results of jointly controlled entities and associated company	1,392	772	620
Earnings before finance costs and tax	650,221	645,769	4,452

The container transport and logistics business trades under the "OOCL" name and continues to be the principal revenue contributor to the Group and accounted for over 90% of the Group's revenue in 2005. Container transport 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 container transport 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; and
- various Intra-Asia services.

Turnover from the Asia area rose from US\$2,709.7 million in 2004 to US\$3,022.2 million in 2005 as a result of the growth in the volume of exports from China to North America and Europe. This, together with the increased volumes carried by the Intra-Asia services, contributed to the commendable revenue growth as a whole for the year.

Overall liftings on the Trans-Pacific Eastbound services increased by 11% and freight rates remained comparable with that of 2004. Performance on the Westbound legs of the Asia/Northern Europe services continued to improve against 2004 with a 9% increase in volumes and a 7% growth in revenue. Intra-Asia also recorded an 8% growth in liftings for the year and a 10% increase in average freight rates.

Overall load factors as a percentage of the capacity available during 2005 remained unchanged as compared with 2004 despite a 9% increase in available capacity during the year. Results from this region will always be dependent upon the economic environment and consumption patterns of North America and Europe.

North America

Turnover categorised under the North America area is comprised 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; and
- Eastbound freight of the Canada/Northern Europe service.

Revenue increased by US\$84.1 million for this area in 2005. All routes from this region recorded double digit revenue growth, especially for the Westbound segments of the Trans-Pacific services which accounted for over half of the increase in revenue for the year.

Westbound liftings on the Asia/North America West Coast service grew by 4% over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal recorded a 47% increase. The Eastbound Canada/Northern Europe and US East Coast/Northern Europe services continued to perform well with a 6% growth in volume and an 18% increase in revenue.

Overall volumes grew by 8% during 2005 while the average revenue per TEU on all outbound cargoes from North America recorded a 7% increase as compared with last year.

Given a 13% increase in capacity during the year, overall load factors in the region was 3% lower than 2004.

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 2005 surpassed that of 2004 by US\$75.6 million. The Eastbound leg of the Asia/Northern Europe services, being the largest volume source for the Europe area, performed well during the year with a 5% growth in volume and a moderate increase in freight rates. The Westbound rates of the Transatlantic routes progressed further in 2005, thereby contributing to the revenue increase.

The Eastbound leg of the Asia/Northern Europe services sustained a healthy growth following the notable recovery experienced during 2004. Liftings for the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were better than those of 2004 and average revenue per TEU for both services recorded a 14% increase.

Overall load factors as a percentage of capacity available for cargo shipments from this region maintained the same level as recorded in 2004 notwithstanding a further capacity increase for the Europe area during 2005.

Average revenues per TEU on all outbound cargoes from Europe recorded an 11% increase from the 2004 levels with the continued strength demonstrated on both the Transatlantic trade lanes and a moderate recovery of rates in the Asia bound market.

Australia

Turnover from this area is principally the Northbound freight of our Asia/Australia and New Zealand services. The East Asia/Australia service is operated in consortium with ANL 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 PIL and RCL.

Liftings on the Northbound Asia/Australia and New Zealand service increased by 10% in 2005 which, together with a 4% rise in revenue per TEU, resulted in a net gain in turnover of US\$9.2 million for the year.

Operating Costs

Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax all of which were largely paid in the local currencies of the areas in which the activities were performed. The surge in oil prices in 2005 caused significant increases in terminal/transportation related costs. Consequently, although there was only an 8% growth in liftings recorded for 2005, total cargo costs rose by US\$196.0 million, or a 13% increase as a result.

Vessel costs include the operating costs and depreciation charges relating to the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the desired service levels. With the deployment of new and larger vessels, total carrying capacity increased from the 219,779 TEU of 2004 to 232,536 TEU in 2005 although the total number of vessels, either owned or chartered in and operated by OOCL, remained unchanged at 65. However, with the continued strong charter-hire rates prevailing throughout the year, total vessel costs increased by 22% for 2005.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. With bunker prices rising from an average of US\$174 per ton in 2004 to an average of US\$250 per ton during 2005, costs in this category were driven up by more than 48%.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charges relating to the fleet of containers and chassis equipment, while repositioning costs arise mainly from the relocation of empty containers from areas of low activity to high demand regions. Although the container fleet size was slightly reduced from the 514,964 TEU of 2004 to 503,945 TEU in 2005 with the disposal of retiring equipment, total equipment and repositioning costs nevertheless increased by US\$38.2 million during the year as a result of higher repositioning costs incurred to maintain the equipment flow against trade imbalances in major routes.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. With the increase in business volumes, additional offices established around the globe and headcount increases, business and administrative expenses increased by US\$49.6 million in 2005 as compared with 2004.

Other Operating Income

Compared with 2004, other operating income increased by US\$23.3 million in 2005 which principally reflected exchange gains arising from foreign currency transactions and profits on the disposal of retiring container equipment.

Share of Results of Jointly Controlled Entities and Associated Company

The share of the US\$1.4 million profit from jointly controlled entities and an associated company was attributable to the depot joint venture in Qingdao and income from jointly controlled entities engaging in agency activities. A share of US\$0.8 million profit from jointly controlled entities was recorded for 2004.

Earnings Before Finance Costs and Tax

Earnings before finance costs and tax of US\$650.2 million for the container transport and logistics business in 2005 slightly exceeded that achieved in 2004. The sharp rise in various cost items, especially bunker cost, was matched by a small increase in freight rate and the volume growth.

Container Terminals

Summary of Operating Results

US\$'000	2005	2004	Variance
Throughput (units)	2,324,871	2,116,126	208,745
Turnover	443,275	368,664	74,611
Terminal operating costs	(337,161)	(268,409)	(68,752)
Gross profit	106,114	100,255	5,859
Business and administrative expenses	(49,739)	(46,614)	(3,125)
Earnings before finance costs and tax	56,375	53,641	2,734

Container terminal activities include the Group's multi-user terminals and terminals which are used by OOCL and its alliance members namely:

TSI Terminal Systems Inc. ("TSI") a wholly owned terminal and management company which operates the Vanterm terminal with 3 berths in Vancouver, Canada and the Deltaport Terminal with 2 berths at Roberts Bank near Vancouver. These terminals are multi-user terminals and OOCL and other Grand Alliance members are their customers. In 2005 throughput handled by Vanterm and Deltaport were, respectively, 251,696 boxes and 569,859 boxes.

New York Container Terminal Inc. ("NYCTI") operates a three berth terminal facility on Staten Island, New York, USA. The terminal commenced operation in 1996 and Grand Alliance services began calling at the terminal in late 1999 and has since become a major user. Prior to 2005, the terminal was operated by the Group's subsidiary company, Howland Hook Leasing Corporation ("HHLC"). Starting from 31st December 2004, HHLC transferred the majority of its assets to NYCTI which then became the operator of the terminal. NYCTI recorded a throughput of 287,637 boxes in 2005.

Global Terminal and Container Services, Inc. ("Global") operates a two berth terminal facility in Jersey City, New Jersey, USA. These facilities are used by a number of third party carriers, OOCL and other Grand Alliance members. In 2005, Global handled a throughput of 288,519 boxes.

Long Beach Container Terminal Inc. ("LBCTI") a wholly owned subsidiary which operates a three berth terminal in Long Beach, California USA. OOCL and other Grand Alliance members are the principal customers of the terminal. LBCTI reported a throughput of 382,959 boxes for 2005.

Kaohsiung Container Terminal ("KAOCT") operates a two berth terminal facility in Kaohsiung, Taiwan. Grand Alliance members are the principal customers of the terminal. KAOCT handled a total of 544,201 throughput boxes in 2005.

Turnover

Turnover increased by US\$74.6 million in 2005 aided by the sustained recovery in the business volumes of Global. Total throughput levels surpassed last year and set another record high in 2005.

Terminal Operating Costs

Operating costs were US\$68.8 million higher than the 2004 level with an increased number of boxes handled in 2005. 2004 operating costs benefited from a US\$10.4 million government grant to HHLC which did not recur this year.

Business and Administrative Expenses

Business and administrative expenses in 2005 were US\$3.1 million above those of 2004. The level of business and administrative expenses was contained at a commendable level despite the steady growth in volumes and business activities during the year.

Earnings Before Finance Costs and Tax

Overall operating results improved in 2005 as Global further enhanced its performance. Despite some disruption to operational fluidity, TSI successfully managed to out perform expectations in 2005, and performance for the year was further enhanced by NYCTI's continued favourable operating results.

Property Investment and Development

Summary of Operating Results

US\$'000	2005	2004	Variance
Rental income	21,974	22,262	(288)
Property management costs	(10,443)	(9,073)	(1,370)
Gross profit	11,531	13,189	(1,658)
Business and administrative expenses	(3,328)	(3,982)	654
Profit from property investment	8,203	9,207	(1,004)
Profit from property developments	5,542	10,349	(4,807)
Earnings before finance costs and tax	13,745	19,556	(5,811)

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 585,000 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 these projects is Shanghai. During the year 2004, the Group successfully bid for land contracts relating to a residential and commercial plot in Kunshan, Jiangsu and for two parcels of commercial land in Huangpu, Shanghai. In 2005, another two parcels of land, one in Hengshan Lu and the other in Changning Lu, in central Shanghai were acquired.

The net rental from Wall Street Plaza provided a stable income source. The other major profit contributor was the development project “Century Metropolis”, Shanghai which constituted the majority of profit in both 2004 and 2005.

Rental Income

Rental income for the year, representing mainly the rental income derived from Wall Street Plaza, was comparable with that of last year as the building remained almost fully let in 2005 with a vacancy rate of less than 1%. The slight decrease in rental income was mainly due to the loss of income resulting from the move in and out of tenants.

Profit From Property Developments

A profit of US\$5.5 million was recorded from property developments in 2005 compared with US\$10.3 million in 2004. The majority of profit from both years arose from the Century Metropolis project in Shanghai which has now been completed and future profits from this project will be much reduced.

Unallocated Items

US\$'000	2005	2004	Variance
Portfolio investment income	14,343	11,684	2,659
Interest income	30,105	18,461	11,644
Profit on disposal of available-for-sale financial assets	29	3,720	(3,691)
Provision for impairment in available-for-sale financial assets	—	(288)	288
Others	(13,026)	(12,419)	(607)
Earnings before finance costs and tax	31,451	21,158	10,293

Investments in equities and, on a longer term basis, in bonds were managed largely by in-house managers under guidelines imposed by the Board. No investment in financial derivatives, where the Group is exposed to financial obligations larger than the amount itself invested, is allowed.

The Group invests surplus liquid funds, other than funds allocated for investments in bonds and listed equity securities, in cash and bank deposits.

Portfolio investments recorded a profit of US\$14.3 million for 2005, an increase of US\$2.7 million as compared with 2004. The portfolio investment result reflected out-performance against target benchmarks during 2005.

Interest income was US\$11.6 million higher in 2005 which was attributable to the rise in interest rates and the availability of a greater average cash balance.

Others include business and administration expenses for corporate services, exchange differences, the research costs of financial projects and other miscellaneous income and expenses.

Finance Costs

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. Finance costs also include financing charges on the asset securitisation programme, dividends on loan stocks and fees on lease administration.

With a gradual rise in interest rates during 2005, finance costs increased correspondingly by US\$17.9 million compared with 2004. The increase in indebtedness as a result of the new loans drawn upon the delivery of newbuildings in 2005 also accounted for the higher cost for the year. The average cost of finance rose from 3.7% in 2004 to 5.2% in 2005 as a whole.

Profit before Taxation

Pre-tax profit for the year was US\$690.1 million compared with last year's record profit of US\$696.3 million. The container transport and logistics business achieved yet another remarkable result for the year. The Group's result was further boosted by the sustained improvement in terminal operations and continued contributions from the property investment and development segment.

Taxation

US\$'000	2005	2004	Variance
Company and subsidiaries:			
North America	30,554	24,024	(6,530)
Europe	4,458	(142)	(4,600)
China	1,048	1,363	315
Asia and others	2,782	494	(2,288)
Total	38,842	25,739	(13,103)

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. The higher tax liabilities in North America for the year principally reflect the further improved profit level from terminal operations. The growth of business activities in Europe also increased the tax exposures there.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US\$'000	2005	2004	Variance
Property, plant and equipment	2,593,946	2,132,066	461,880
Investment property and land lease premiums	107,787	103,110	4,677
Jointly controlled entities and associated company	27,773	31,255	(3,482)
Intangible assets	21,030	16,927	4,103
Cash and portfolio investments	1,286,579	1,105,011	181,568
Accounts receivable and assets held for sale	739,999	583,402	156,597
Other non-current assets	37,802	42,831	(5,029)
TOTAL ASSETS	4,814,916	4,014,602	800,314
Accounts payable and accruals	(607,637)	(553,535)	(54,102)
Current taxation	(10,944)	(8,044)	(2,900)
TOTAL ASSETS LESS TRADING LIABILITIES	4,196,335	3,453,023	743,312
Long-term borrowings	1,650,044	1,427,690	222,354
Short-term borrowings, overdrafts and current portion of long-term borrowings	188,548	153,809	34,739
Total debt	1,838,592	1,581,499	257,093
Minority interests and deferred liabilities	73,413	62,115	11,298
Ordinary shareholders' funds	2,284,330	1,809,409	474,921
CAPITAL EMPLOYED	4,196,335	3,453,023	743,312
Debt to equity ratio	0.80	0.87	
Net debt to equity ratio	0.24	0.26	
Accounts payable as a % of turnover	12.8	13.4	
Accounts receivable as a % of turnover	8.8	8.7	
% return on average ordinary shareholders' funds	31.8	45.9	
Net asset value per ordinary share (US\$)	3.65	2.89	
Cash and portfolio investments per ordinary share (US\$)	2.06	1.77	
Share price at 31st December (US\$)	3.37	3.78	
Price earnings ratio based on share price at 31st December	3.2	3.2	

Property, Plant and Equipment

US\$'000	2005	2004	Variance
Container transport and logistics	2,293,813	1,892,122	401,691
Container terminals	300,009	239,740	60,269
Property investment and development	124	204	(80)
	2,593,946	2,132,066	461,880

Container transport and logistics remains the core business of the Group and the one in which the majority of property, plant and equipment is deployed. The assets largely comprise container vessels, containers and chassis, property, terminal and computer equipment and systems. Since 2000, the Group has ordered a total of 12 "SX" Class vessels of 8,063 TEU capacity with the first two delivered in 2003. Four were received in 2004 and two in 2005. Two each will be delivered in 2006 and 2007. In 2004, the Group placed orders for six new container vessels of approximately 4,500 TEU capacity for delivery between 2006 and 2008. During 2005, the Group placed orders for two more new container vessels of similar capacity. The increase in property, plant and equipment in 2005 principally reflects the delivery of two new "SX" Class container vessels during the year, the stage payments and capitalization of lease obligations on new vessels under construction and new container equipment acquired, offset in part by the annual depreciation charges for the year.

The increase in property, plant and equipment in container terminals in 2005 represents the additional terminal equipment, principally gantry cranes, acquired by terminals during the year.

Investment Property and Land Lease Premiums

US\$'000	2005	2004	Variance
Investment property	100,000	100,000	—
Prepayments of land lease premiums	7,787	3,110	4,677
	107,787	103,110	4,677

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US\$100.0 million at the end of 2005 by an independent valuer (2004 : US\$100.0 million).

Jointly Controlled Entities and Associated Company

US\$'000	2005	2004	Variance
Container transport, logistics and terminals	12,345	2,957	9,388
Property investment and development	15,428	28,298	(12,870)
	27,773	31,255	(3,482)

The investment in jointly controlled entities and associated company by Container Transport, Logistics and Terminals for 2005 mainly comprises a 20% interest in an associated company for the development of a new container terminal in Tianjin and the interest in a joint venture for the operation of a container depot and transportation business in Qingdao. The increase in the investments in jointly controlled entities and associated company for Container Transport, Logistics and Terminals represents the capital injection to the new terminal project in Tianjin.

For property development activities, investments in jointly controlled entities mainly represents a 47.5% interest in a housing project located at Ziyang Lu, Shanghai ("Century Metropolis") with a total gross floor area of approximately 230,000 sq m. This project was developed in phases with the first phase completed in 2001. The final phase was completed and units were mostly handed over to buyer in 2005. The reduced balances in jointly controlled entities and associated company is attributable to the dividends and progressive capital repatriations from the property development projects, offset in part by the share of profit for the year.

Intangible Assets

US\$'000	2005	2004	Variance
Container transport and logistics	18,720	15,085	3,635
Container terminals	2,310	1,842	468
	21,030	16,927	4,103

Intangible assets represent computer software development costs which will be written-off over a period of five years.

Cash and Portfolio Investments

US\$'000	2005	2004	Variance
Container transport and logistics	289,455	260,185	29,270
Container terminals	57,577	19,560	38,017
Property investment and development	73,873	19,119	54,754
Cash and portfolio investments	865,674	806,147	59,527
	1,286,579	1,105,011	181,568

The Group adopts a central treasury system under which funds surplus to planned requirements are set aside for portfolio investments in fixed income bonds or equities managed by in-house managers under guidelines imposed by the Board.

Cash and portfolio investments per ordinary share at 31st December 2005 amounted to US\$2.06 compared with US\$1.77 at 31st December 2004.

The Group's investment portfolios are largely invested in US dollar bonds, short-term cash deposits or similar instruments, and listed equities. No investments are made in derivative investment products.

Accounts Receivable and Assets Held for Sale

US\$'000	2005	2004	Variance
Container transport and logistics	347,166	293,436	53,730
Container terminals	75,688	75,534	154
Property investment and development	307,568	212,890	94,678
Others	9,577	1,542	8,035
	739,999	583,402	156,597

Accounts receivable and assets held for sale increased by US\$156.6 million to US\$740.0 million at the end of 2005, principally a reflection of an increase in trade receivables pursuant to the growth in business volumes of the container transport and logistics operations, plus further investments in the property development projects in China.

As at 31st December 2005, the Group had an 88% interest in a development project at Luwan district, Shanghai, a 100% interest in a development project at Huangpu district, Shanghai, a 100% interest in a residential and hotel project at Kunshan, Jiangsu, a 95% interest in a serviced apartment and commercial project at Changning Lu, Shanghai and a 100% interest in a serviced apartment and retail project at Hengshan Lu, Shanghai. Accounts receivables and assets held for sale in property investment and development activities also included the Group's 8% interest in Beijing Oriental Plaza.

Accounts Payable and Accruals

US\$'000	2005	2004	Variance
Container transport and logistics	535,522	516,295	19,227
Container terminals	55,160	31,467	23,693
Property investment and development	14,510	3,385	11,125
Others	2,445	2,388	57
	607,637	553,535	54,102

Accounts payable and accruals at the end of 2005 were US\$54.1 million higher than those at the end of 2004. The increase in accounts payable and accruals was largely in line with the growth in business volumes of the container transport and logistics and container terminals businesses in 2005.

Total Debt

US\$'000	2005	2004	Variance
Bank loans	477,764	719,582	(241,818)
Other secured loans	191,507	195,303	(3,796)
Finance lease obligations	1,169,239	666,529	502,710
Bank overdrafts	82	85	(3)
	1,838,592	1,581,499	257,093

Total debt increased during the year by US\$257.1 million principally as a result of the financial obligations taken on pursuant to the delivery of new container vessels during the year and the capitalization of lease obligations undertaken for new vessels under construction, offset in part by scheduled repayment of loans and bank indebtedness. The repayment profile of the Group's borrowings is set out in Note 36 to the Accounts.

Debt Profile

As at the end of 2005, over 92% (2004 : 93%) of the Group's total debt was denominated in US dollars which effectively reduces the risk of exchange fluctuations. Loans in currencies other than US dollars are hedged with a comparable amount of assets in local currencies.

Of the total US\$1,838.6 million debt outstanding at the end of 2005, US\$99.3 million was fixed rate debt comprised mainly of container and terminal equipment leases. The fixed rates range from 3.4% to 9.7% dependent upon the cost of money at the time that each transaction was entered into. The remaining US\$1,739.3 million of indebtedness 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. The Group's average cost of debt at 31st December 2005 was 5.2% (2004 : 3.7%).

Shareholders' Funds

In February 2004, the Company issued 47,000,000 new ordinary shares at a price of HK\$25.75 pursuant to a placing and subscription agreement entered into on 13th February 2004, resulting in the number of issued and outstanding shares of the Company being increased from 470,184,544 shares to 517,184,544 shares. Shareholders' funds also increased by US\$152.9 million as a result. In April 2004, the Company issued bonus shares to its shareholders on the basis of one (1) bonus share for every ten (10) ordinary shares held, thereby increasing the number of issued and outstanding shares of the Company from 517,184,544 shares to 568,902,998 shares. A similar bonus share issue was made in April 2005 which further increased the outstanding shares of the Company to 625,793,297 shares. With the continued favourable operating results for the year, the Group's shareholders' funds rose by US\$474.9 million to US\$2,284.3 million as at the end of 2005 with a net asset value per ordinary share of US\$3.65 (2004 : US\$2.89).

Net Debt to Equity Ratio

This ratio was lower at 0.24 as at the end of 2005, as against 0.26 for 2004, with the profits recorded for 2005, offset in part by dividends paid during the year. This ratio has been closely monitored in the light of the delivery and financing of new vessels ordered and forecasts for the business over the next four years. It is the Group's objective to keep this key ratio below the 1.0 threshold.

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 2006 amounted to US\$293.2 million as detailed in Note 38(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.

As at the end of 2005, the Group had outstanding capital commitments amounting to US\$744.5 million, principally represented by the orders placed for new container vessels to be delivered between 2006 and 2008 and further investments in terminal facilities.

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

US\$'000	2005	2004	Variance
Net cash inflow from operations	818,422	852,123	(33,701)
Investing and financing inflow:			
Interest and investment income	34,043	22,192	11,851
Sale of property, plant and equipment and investments	15,439	14,975	464
New loans drawdown	485,540	338,658	146,882
Cash from jointly controlled entities	18,673	3,261	15,412
Issue of new share	—	152,945	(152,945)
Others	8,719	—	8,719
	562,414	532,031	30,383
Investing and financing outflow:			
Interest paid	(63,576)	(44,973)	(18,603)
Dividends paid to shareholders	(177,595)	(134,585)	(43,010)
Taxation paid	(40,225)	(27,784)	(12,441)
Purchase of property, plant and equipment and investments	(357,935)	(426,024)	68,089
Loan repayments	(539,049)	(417,419)	(121,630)
Purchase of intangible assets	(9,239)	(6,992)	(2,247)
Others	(3,225)	(585)	(2,640)
	(1,190,844)	(1,058,362)	(132,482)
Net cash inflow	189,992	325,792	(135,800)
Beginning cash and portfolio balances	1,105,011	772,781	332,230
Changes in exchange rates	(8,424)	6,438	(14,862)
Ending cash and portfolio balances	1,286,579	1,105,011	181,568
Represented by:			
Unrestricted bank balances and deposits	962,541	755,049	207,492
Restricted bank balances and deposits	87,034	100,128	(13,094)
Portfolio investments	237,004	249,834	(12,830)
	1,286,579	1,105,011	181,568

A net cash inflow of US\$190.0 million was recorded for 2005 as compared with an inflow of US\$325.8 million for 2004. Operating cash inflow of US\$818.4 million for the year was US\$33.7 million less than that of 2004. The capital payments and corresponding loan drawdown amounts in 2005 mainly reflected the delivery of two "SX" Class vessels and further investments in terminal equipment and property development projects. The proceeds of US\$152.9 million from new shares issued in 2004 represented the issue of 47,000,000 ordinary shares of the Company at a price of HK\$25.75 pursuant to a placing and subscription agreement entered into on 13th February 2004. Total cash and portfolio balances rose to US\$1,286.6 million as at the end of 2005 compared with US\$1,105.0 million as at the end of 2004.

Liquidity

As at 31st December 2005, the Group had total cash and portfolio investment balances of US\$1,286.6 million compared with debt obligations of US\$188.5 million repayable in 2006. Total current assets at the end of 2005 amounted to US\$1,841.0 million against total current liabilities of US\$807.1 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 conservative liquidity level and the efficient investment of surplus funds.

Board of Directors



CHEE CHEN TUNG

Mr Tung, aged 63, has been appointed as Chairman and Chief Executive Officer of OOIL since October 1996. Mr Tung chairs the Executive Committee and the Remuneration Committee of the Board of OOIL. He is also the Chairman or a 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 an Independent Non-executive Director of Zhejiang Expressway Co Ltd; PetroChina Co Ltd; Wing Hang Bank, Ltd; BOC Hong Kong (Holdings) Limited; Sing Tao News Corporation Limited; Cathay Pacific Airways Limited and U-Ming Maritime Transport Corporation which are all listed public companies. Mr Tung is the brother-in-law of Mr Roger King and uncle of Mr Alan Lieh Sing Tung.



TSANN RONG CHANG

Mr Chang, aged 66, has been a Director of OOIL since 1988 and Vice Chairman since 1st December 2003. He is also a member of the Executive Committee, the Finance Committee and the Share Committee. Mr Chang is a Certified Public Accountant in Taiwan and holds a Master of Business Administration degree from Indiana State University, USA. Mr Chang has served the Group in various capacities for 37 years and was the Chief Executive Officer of Orient Overseas Container Line Limited and a Director of various OOIL subsidiaries until 31st December 2003.



ROGER KING

Mr Roger King, aged 65, has been a Director of OOIL since 1992 and is also a Director of an associated company. He became a Non-executive Director of OOIL in August 1999. He was the Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period from September 1985 to January 1987 and a Director from 1983 until 1992. 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 at Bell Telephone Laboratories. 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 an Independent Non-executive Director of China LotSynergy Holdings Limited (formerly known as WorldMetal Holdings Limited) and Sincere Watch (Hong Kong) Limited, both are listed companies 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 and the former President and Chief Executive Officer of Sa Sa International Holdings Limited, a listed company in Hong Kong. Mr King also served on a number of advisory committees, including the Hong Kong Management Association and the Zhejiang Province People's Political Consultative Conference. Mr King is the brother-in-law of Mr C C Tung and uncle of Mr Alan Lieh Sing Tung.



NICHOLAS DAVID SIMS

Mr Sims, aged 52, has been a Director, Vice President and the Chief Financial Officer of OOIL since October 2000. He serves on the OOIL Executive Committee, the Finance Committee, the Compliance Committee and the Share Committee of the Board of OOIL and is a Director of various subsidiary companies of OOIL. Mr Sims was previously the Managing Director of Wayfoong Shipping Services, a member of HSBC Group responsible for ship finance business throughout the Asia Pacific region. Mr Sims joined the HSBC Group in 1973 and served the international banking group in Hong Kong and London.



ALAN LIEH SING TUNG

Mr Tung, aged 38, has been appointed an Executive Director of OOIL since 1st May 2005. He is the Managing Director of Orient Overseas Developments Limited, a wholly-owned subsidiary of OOIL, which is the holding company for the Group's property investments. Mr Tung has been with the Group in various capacities for 13 years and is a Director of various subsidiaries of OOIL. Mr Tung graduated from Princeton University, Politics Department with a Bachelor of Arts degree. Mr Tung is the nephew of Mr C C Tung and Mr Roger King.



PHILIP YIU WAH CHOW

Mr Chow, aged 58, has been a Director of OOIL since December 2003. He is a member of the Executive Committee, the Finance Committee, the Share Committee and a Director of various subsidiary companies of OOIL. Mr Chow holds a Bachelor of Science degree in chemistry and physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has served the Group in various capacities for 30 years and is the Chief Executive Officer of Orient Overseas Container Line Limited.



SIMON MURRAY

Mr Murray, CBE, aged 65, has been an Independent Non-executive Director of OOIL since 1992 and was from 1989 until 1992 a Non-executive Director of Orient Overseas (Holdings) Limited. He serves on 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 Limited. He is also a Director of a number of listed public companies, including Hutchison Whampoa Limited, Cheung Kong Holdings Limited, Arnhold Holdings Limited, Compagnie Financiere Richemont SA, Sino-Forest Corporation and USI Holdings Limited. Mr Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.



DR VICTOR KWOK KING FUNG

Dr Victor Fung, aged 60, has been an Independent Non-executive Director of OOIL since July 1996. He is Chairman of the Audit Committee and serves on the Remuneration Committee of OOIL. Dr Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University. He is Chairman of the Li & Fung Group of companies including the publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. He is also an Independent Non-executive Director of BOC Hong Kong (Holdings) Limited, PCCW Limited, Sun Hung Kai Properties Limited, CapitaLand Limited in Singapore and Baosteel Group Corporation in the People's Republic of China. In public service, Dr Fung is Chairman of the Hong Kong Airport Authority, the Hong Kong University Council, the Greater Pearl River Delta Business Council and the Hong Kong – Japan Business Co-operation Committee. He is also a member of Chinese People's Political Consultative Conference and a member of the Executive Committee of the Commission on Strategic Development and Judicial Officers Recommendation Committee of the Government of the Hong Kong Special Administrative Region. From 1991 to 2000, he was the Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. In 2003, the Government of the Hong Kong Special Administrative Region awarded Dr Fung the Gold Bauhinia Star for distinguished service to the community.



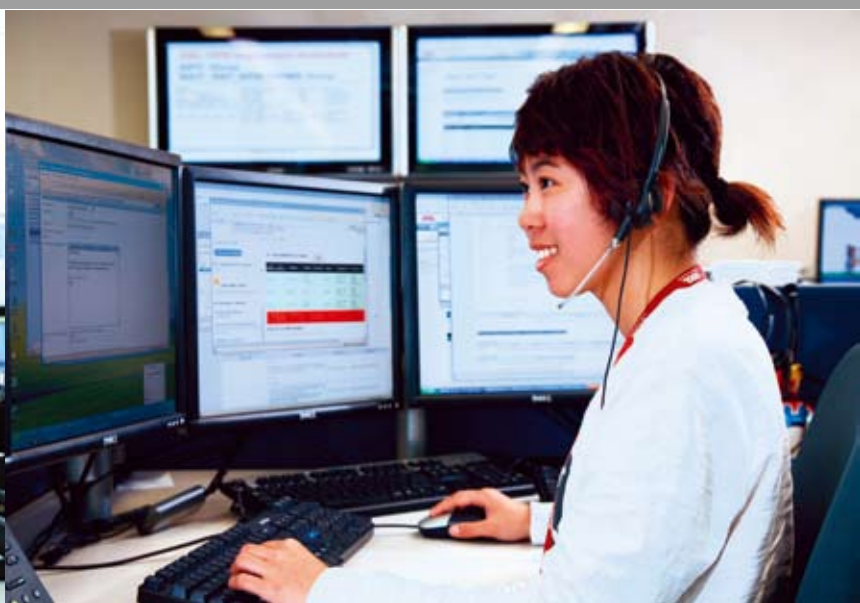
PROF RICHARD YUE CHIM WONG

Professor Wong, aged 53, has been an Independent Non-executive Director of OOIL since December 2003. He serves on the Audit Committee and the Remuneration Committee of OOIL. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions to education, housing, industry and technology development. He was appointed a Justice of the Peace in July 2000.



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Senior Management

C L Ting

Mr Ting, aged 57, has been the Managing Director of OOCL (Asia Pacific) Ltd since April 2001 and Managing Director of OOCL since October 1996. Mr Ting holds a Bachelor and Master degree from the Universite' Catholique de Louvain, in Belgium. Mr Ting joined the Group in 1974, and he has served OOCL and its subsidiaries for 32 years in various capacities.

Peter Leng

Mr Leng, aged 58, has been the President of OOCL (USA) Inc. and Director of OOCL since July 2003. Mr Leng holds a Bachelor of Arts from Soochow University, Taiwan. Mr Leng joined the Group in 1976 and has served OOCL and its subsidiaries in various capacities for 30 years.

Allan Wong

Mr Wong, aged 52, has been the Managing Director of OOCL (Asia Pacific) Ltd and Director of OOCL since October 2000. Mr Wong holds a Bachelor of Social Science degree and a Master of Business Administration degree from the Chinese University of Hong Kong. Mr Wong joined the Group in 1976 and has served OOCL and its subsidiaries in various capacities for 29 years and is the Chief Executive Officer of OOCL Logistics Ltd since June 2004.

Kenneth Chih

Mr Chih, aged 51, has been Director and Chief Information Officer of OOCL since 1997. Mr Chih holds a PhD and a Master degree from Princeton University, a Master of Science from the University of Texas at Austin, a Bachelor of Science from the National Taiwan University and a Diploma from the Political Warfare Academy in Taiwan. Mr Chih joined the Group in 1993 and has served OOCL and its subsidiaries in various capacities for 12 years.

Henry Wong

Mr Wong, aged 55, has been the Managing Director of OOCL (Europe) Ltd and Director of OOCL since January 2006. Mr Wong holds a Bachelor Degree from the Chinese University of Hong Kong. Mr Wong joined the Group in 1973 and has served OOCL and its subsidiaries in various capacities for 32 years.

Bosco Louie

Mr Louie, aged 54, has been Director of Corporate Logistics and Fleet Management of OOCL since January 2004. Mr Louie holds a Bachelor Degree from The University of Hong Kong. Mr Louie joined the Group in January 1975 and has served OOCL and its subsidiaries in various capacities for 30 years.

Andy Tung

Mr Tung, aged 41, has been Director of Corporate Planning and Marketing of OOCL since March 2006. Mr Tung holds a Bachelor Degree from Princeton University and a Master Degree of Business Administration from Stanford University in the USA. Mr Tung has worked for OOCL before between 1993 and 1999 in various management capacities.

Financial Calendar

Announcement of results for the half year ended 30th June 2005	5th August 2005
Despatch of 2005 Interim Report to shareholders	24th August 2005
Announcement of results for the year ended 31st December 2005	10th March 2006
Despatch of 2005 Annual Report to shareholders	30th March 2006
Closure of the Register of Members to determine entitlements to a final dividend for ordinary shareholders in respect of the year ended 31st December 2005	18th April 2006 to 21st April 2006 both days inclusive
2005 Annual General Meeting	21st April 2006
Payment of 2005 final ordinary dividend	8th May 2006

Shareholder Information

Ordinary shares :

Issued shares	625,793,297 shares (as at 31st December 2005)
Nominal value	US\$0.10

Annual report

This annual report is available in both English and Chinese.

Shareholders can obtain copies by writing to:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong
Attn: Company Secretary

This annual report is also available at our website at <http://www.ooilgroup.com>.

Shareholder services

Any matters relating to your shareholding, including transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8628 Facsimile: (852) 2865 0990

Shareholder enquiries

Any matters relating to shareholders' rights should be addressed in writing to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong
Attn: Company Secretary

Our enquiry hotline is operational during normal office hours:

Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

Ordinary Shareholder Information as at 31st December 2005:

Category	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
Corporate	40	3.66%	613,506,813	98.0367%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.09%	2,740	0.0004%
Individual	1,051	96.25%	12,283,744	1.9629%
	1,092	100.00%	625,793,297	100.00%

Number of Shares Held	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
1 - 10,000	980	89.75%	1,155,050	0.19%
10,001 - 100,000	88	8.06%	2,789,396	0.45%
100,001 - 1,000,000	15	1.37%	3,669,474	0.59%
1,000,001 or above	9	0.82%	618,179,377	98.77%
	1,092	100.00%	625,793,297	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2005, the interests of the 10 largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholder	Number of ordinary shares held	Percentage
Wharnclyff Limited	277,993,570	44.42%
HKSCC Nominees Limited	178,453,354	28.52%
Springfield Corporation	67,045,586	10.71%
Gala Way Company Inc.	48,462,007	7.74%
Monterrey Limited	30,765,425	4.92%
HSBC Nominees (Hong Kong) Limited	10,466,324	1.67%
Chin Yiu Tong	3,756,000	0.60%
Mok Kwun Cheung	1,237,111	0.20%
Cheng Tien Shun	619,021	0.10%
Chang Ernest Tsann Rong	612,731	0.10%

Notice of Annual General Meeting

NOTICE is hereby given that the 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 21st April 2006 at 10:00 a.m. to transact the following business:

1. To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December 2005;
2. To declare a final dividend for the year ended 31st December 2005;
3. To re-elect the following retiring Directors:
 - (i) Mr Tsann Rong Chang
 - (ii) Mr Alan Lieh Sing Tung
 - (iii) Mr Roger King
 - (iv) Dr Victor Kwok King Fung
4. To authorise the Board of Directors to fix the Directors' remuneration;
5. To re-appoint PricewaterhouseCoopers as Auditors and to authorise the Board of Directors to fix their remuneration;
6. To consider and, if thought fit, to pass, with or without modification, the following resolutions as ordinary resolutions:
 - (a) "THAT a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and otherwise deal with Shares (as hereinafter defined) 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 percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution."
 - (b) "THAT a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) 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 percent 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 passing of this resolution."

For the purposes of resolutions 6(a) and 6(b):

“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 Bermuda 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.

- (c) **“THAT** the general mandate granted to the Directors to allot Shares pursuant to the resolution set out in item 6(a) 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(b) of the notice of this meeting, provided that such amount shall not exceed ten percent of the aggregate nominal amount of the shares, or (as the case may be) conversion, subscription or purchase rights attaching to that securities, in issue as at the date of passing of this resolution.”

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a special resolution:

“THAT the existing Bye-laws of the Company be and are hereby amended in the following manner:

- (i) by deleting the existing Bye-law 19 in its entirety and substituting therefor the following:

“19. Share certificates shall be issued within the relevant time limit as prescribed by the law or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or after lodgment of a transfer with the Company, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register.”;
- (ii) by deleting the words “two Hong Kong Dollars or such other” in the first and second lines of the existing Bye-law 20(2) and substituting therefor the words “the relevant”;
- (iii) by deleting the existing Bye-law 44 in its entirety and substituting therefor the following:

“44. The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by Members without charge or by any other person, upon a maximum payment of five Bermuda dollars, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or, if appropriate, upon a maximum payment of ten dollars at the Registration Office. The Register (including any overseas or local or other branch register of Members) may, after notice has been given by advertisement in an appointed newspaper or where applicable, in any other manner as may be required or accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.”;

- (iv) by deleting the word “only” at the end of the existing Bye-law 46 and substituting therefor the words “or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time”;

- (v) by deleting the existing Bye-law 51 in its entirety and substituting therefor the following:

“51. The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper or where applicable, in any other manner as may be required or accepted by the Designated Stock Exchange to that effect, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.”;

- (vi) by deleting the existing Bye-law 66 in its entirety and substituting therefor the following:

“66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person or by proxy or by attorney or (being a corporation) is present by a representative duly authorised under Section 78 of the Act shall have one vote and on a poll every Member present in person or by proxy shall have one vote for every fully paid share of which he is the holder. A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of poll is required by the rules of the Designated Stock Exchange or is demanded pursuant to the rules of the Designated Stock Exchange or the provisions of these Bye-laws before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll. Voting by poll may be demanded:

- (a) by the Chairman; or
- (b) by at least three Members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange.

A demand for voting by poll by a person as proxy for a Member shall be deemed to be the same as a demand by the Member.”;

- (vii) by deleting the last sentence of the existing Bye-law 68 “There shall be no requirement for the Chairman to disclose the voting figures on a poll” and substituting therefor the sentence “The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange”;

-
- (viii) by deleting the words "in which case" in the fourth line of the existing Bye-law 86(1) and substituting therefor the words "or at any special general meeting or"; and
 - (ix) by deleting the word "annual" in the fifth line of the existing Bye-law 86(2) and inserting the words ", in the case of re-election at an annual general meeting," after the words "for re-election at that meeting but" in the sixth line of the existing Bye-law 86(2)."

By Order of the Board

Lammy Lee

Secretary

Hong Kong, 30th March 2006

Notes:

- (i) Any member of the Company entitled to attend and vote at the meeting (or at any adjournment thereof) 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) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) A proxy form is enclosed and in order to be valid, the proxy form must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Branch Share Registrar") 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 Annual General Meeting or any adjournment thereof.
- (iv) The register of members of the Company will be closed from 18th April 2006 to 21st April 2006, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar for registration not later than 4:00 p.m. on 13th April 2006.
- (v) With regard to item 3 in this notice, details of the retiring Directors are set out in Appendix II to the circular dated 30th March 2006 (the "Circular").
- (vi) An explanatory statement containing information regarding the ordinary resolutions in item 6 and the detailed information regarding the special resolution in item 7 of this notice are set out in Appendix I and Appendix III to the Circular.
- (vii) The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (viii) As at the date hereof, our Executive Directors are Messrs Chee Chen TUNG, Tsann Rong CHANG, Nicholas David SIMS, Philip Yiu Wah CHOW and Alan Lieh Sing TUNG; our Non-Executive Director is Mr Roger KING; and our Independent Non-Executive Directors are Mr Simon MURRAY, Dr Victor Kwok King FUNG and Prof Richard Yue Chim WONG.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Board of Directors of the Company (the “Board”) has adopted its own code on corporate governance practices (the “CG Code”) which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the “SEHK Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), also incorporates the local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries (the “Group”) and the Company considers that effective corporate governance makes an important contribution to corporate success and to enhancement of shareholders value.

Throughout the year 2005, the Company has complied with the SEHK Code, except for the following:

- Code Provision

Code provision of the SEHK Code	Deviation	Considered reason for deviation
Separation of the role of Chairman and Chief Executive Officer of a listed issuer.	Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company.	The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

- Recommended Best Practice

- a nomination committee has not been established
- the remuneration of senior management is disclosed in a band
- the announcement and publication of quarterly operational results instead of financial results

This report also provides the status of the Company's compliance with Appendix 23 to the Listing Rules as follows:

A. BOARD OF DIRECTORS

1. Board Composition

The Board currently comprises five Executive Directors, one Non-Executive Director and three Independent Non-Executive Directors.

Executive Directors

Mr Chee Chen TUNG (*Chairman, President and Chief Executive Officer*)

Mr Tsann Rong CHANG (*Vice Chairman*)

Mr Nicholas David SIMS (*Vice President and Chief Financial Officer*)

Mr Philip Yiu Wah CHOW

Mr Alan Lieh Sing TUNG

Non-Executive Director

Mr Roger KING

Independent Non-Executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Professor Richard Yue Chim WONG

The list of Directors including their name, title and biography are set out on its website at <http://www.ooilgroup.com>.

The Directors other than those with service contracts, have formal letters of appointment, setting out the key terms and conditions of their appointment, and are for a fixed term of three years, renewable or extendable automatically by three years on the expiry of such initial term and every successive period of three years and are subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group. The Independent Non-Executive Directors bring independent judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between executive and non-executive Directors and has provided adequate checks and balances for safeguarding the interests of shareholders and the Group.

The Board has received from each Independent Non-Executive Director a written confirmation of their independence and considers the Independent Non-Executive Directors to be independent of the Group.

During 2005, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Mr Roger KING is the brother-in-law of Mr Chee Chen TUNG, and Mr Alan Lieh Sing TUNG is the nephew of both Mr Chee Chen TUNG and Mr Roger KING.

The Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Company and directors and officers of its subsidiaries.

2. Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

The Board has fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategy and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions and certain specific responsibilities to six committees (Executive, Audit, Remuneration, Finance, Share and Compliance). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations, (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company.

3. Chairman and Chief Executive Officer

Mr Chee Chen TUNG is the Chairman and the Chief Executive Officer of the Company with the respective roles set out in writing.

- a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:
 - ensure that Directors are briefed and have received accurate, complete, timely and clear information on issues to be discussed at Board meetings;
 - ensure that the Board has considered all key and appropriate issues in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;
 - approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matters proposed by other Directors for inclusion in the agenda;
 - encourage Directors to contribute fully and actively in the affairs of the Company and the Group and take lead to ensure that the Board acts in the best interests of the Company and the Group;

- at least annually to hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors to facilitate the effective contribution of those Non-Executive Directors and Independent Non-Executive Directors (in particular) and to promote a constructive relationship amongst Executive Directors, Non-Executive Directors and Independent Non-Executive Directors;
- ensure effective communication with shareholders and that the views of shareholders are communicated to the Board; and
- attend the annual general meetings and arrange for the chairman of the Audit Committee, or in the absence of the chairman of Audit Committee, other members of the Audit Committee, to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meetings, whether on a show of hands or by poll, the Chairman shall be entitled to a second or casting vote.

b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and Group business. These duties include to:

- provide leadership and supervise the effective management of the principal divisions of the Group;
- monitor and control the operational and financial performance of the various principal divisions of the Group;
- implement and report to the Board on the adoption of the Company's strategy, policies and objectives by the principal divisions of the Group;
- provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the various principal divisions of the Group; and
- set up programmes for management development and succession planning for the principal divisions of the Group.

4. Board Meetings

The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

During 2005, five Board meetings were held with an average attendance rate of 91.1%. The individual attendance record of each Director is as follows:

Directors	No. of meetings attended	Attendance rate
<i>Executive Directors</i>		
Mr Chee Chen TUNG	5 out of 5	100%
Mr Tsann Rong CHANG	5 out of 5	100%
Mr Nicholas David SIMS	5 out of 5	100%
Mr Philip Yiu Wah CHOW	5 out of 5	100%
Mr Alan Lieh Sing TUNG*	3 out of 3	100%
<i>Non-Executive Director</i>		
Mr Roger KING	5 out of 5	100%
<i>Independent Non-Executive Directors</i>		
Mr Simon MURRAY	3 out of 5	60%
Dr Victor Kwok King FUNG	5 out of 5	100%
Professor Richard Yue Chim WONG	3 out of 5	60%

* appointed on 1st May 2005

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is not dealt with by way of written resolution or by a committee (except if that committee was specifically established for such purpose by the Board or by the terms of reference of such committee). If considered appropriate, the Board meeting shall be attended by Independent Non-Executive Directors who have no material interest in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their record.

5. Supply of and Access to Information

All Directors have access to Board and Committees papers and other material either from the Company Secretary or Chairman so that they are able to make informed decisions on matters placed before them.

6. Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

During 2005, Mr Alan Lieh Sing TUNG, the managing director of Orient Overseas Development Limited, a wholly owned subsidiary of the Company and holding company of the Group's property division, was appointed an Executive Director on 1st May 2005. Mr TUNG's appointment was approved by the Board at the Board meeting held on 10th March 2005.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

At the annual general meeting of the Company held on 22nd April 2005 (the "2004 AGM"), Mr Chee Chen TUNG, Mr Nicholas David SIMS and Mr Simon MURRAY were re-elected as Directors of the Company. Mr MURRAY has served the Company for more than nine years and was re-elected by a separate shareholders' resolution.

7. Board Committees

In addition to the Audit Committee and Remuneration Committee, established in compliance with the Listing Rules, the other committees comprise the Executive Committee, Finance Committee, Share Committee and Compliance Committee. Each Committee has its own defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a request in writing from the shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the Directors for their record.

a. Executive Committee

The Executive Committee currently comprises Mr Chee Chen TUNG (Chairman), Mr Tsann Rong CHANG, Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

- formulate strategy and policies and to set corporate and management targets and operational initiatives and policies on risk management for the principal divisions of the Group and plans and operational directions for the Group;
- monitor, control and manage operational and financial performance and the business affairs of the principal divisions of the Group;
- review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including price sensitive and financial information) required to be disclosed pursuant to Listing Rules, regulatory or statutory requirements; (ii) submissions from the Finance Committee, the Share Committee and the Compliance Committee and, if appropriate, to recommend to the Board for consideration and approval;
- approve capital expenditure for a specified amount; and to
- liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board of the Company for consideration, approval and/or ratification, if necessary.

During 2005, fifteen meetings were held by the Executive Committee with an average attendance rate of 96.65%. The individual attendance record of each member of the Executive Committee is as follows:

Members	No. of meetings attended	Attendance rate
Mr Chee Chen TUNG	15 out of 15	100%
Mr Tsann Rong CHANG	13 out of 15	86.66%
Mr Nicholas David SIMS	15 out of 15	100%
Mr Philip Yiu Wah CHOW	15 out of 15	100%

b. Audit Committee

The Audit Committee currently comprises three members, all of whom are Independent Non-Executive Directors, namely, Dr Victor Kwok King FUNG (chairman), Mr Simon MURRAY and Professor Richard Yuen Chim WONG with Mr Vincent FUNG, the Head of Internal Audit as the secretary and Ms Lammy LEE as the assistant secretary of the Audit Committee.

The primary duties of the Audit Committee include to:

- make recommendation to the Board on the appointment and removal of external auditors and to assess their independence and performance;
- review the effectiveness of financial reporting processes and internal control systems of the Group and to monitor the integrity thereof;
- review the completeness, accuracy and fairness of the Company's financial statements before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews;
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure; and to
- establish procedures for and to monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

During 2005, two meetings were held by the Audit Committee with an average attendance rate of 83.33%. The individual attendance record of each member of the Audit Committee is as follows:

Members	No. of meetings attended	Attendance rate
Mr Simon MURRAY	1 out of 2	50%
Dr Victor Kwok King FUNG	2 out of 2	100%
Professor Richard Yue Chim WONG	2 out of 2	100%

The external auditors, the Chief Financial Officer, the Group Financial Controller, the General Manager – Finance of Orient Overseas Container Line Limited also attend the Audit Committee meetings at the invitation of the Audit Committee.

During 2005, the work performed by the Audit Committee included:

- (i) the review of the annual accounts for 2004 with a recommendation to the Board for approval;
- (ii) the review of significant audit and accounting issues arising from the external auditors' statutory audit of the annual accounts for 2004 including issues arising from the review of the interim accounts for 2005;
- (iii) the review of the interim accounts for 2005 with a recommendation to the Board for approval;
- (iv) the review of the external auditors' audit strategy and approach;
- (v) the review of the Internal Audit Department's annual audit objectives and areas of coverage;
- (vi) the review of the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group;
- (vii) the review of the impact of the new and revised accounting standards on the Company;
- (viii) the review of the effectiveness of the internal control systems;
- (ix) the review of the revised terms of reference of the Audit Committee to conform with the SEHK Code; and
- (x) the review of the continuing connected transactions prior to the review and confirmation by the Independent Non-Executive Directors, as required under the conditions of the waiver granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

c. Remuneration Committee

The Remuneration Committee currently comprises Mr Chee Chen TUNG (Chairman) and two (2) Independent Non-Executive Directors of the Company, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG, with Ms Lammy LEE, as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

- establish and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including performance-based bonus scheme;
- review from time to time and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme; and to
- review and recommend for the Board's consideration remuneration packages and compensation arrangements for loss of office of Executive Directors and senior management of the Company.

During 2005, two meetings were held by the Remuneration Committee with an average attendance rate of 83.33%. The individual attendance record of each member of the Remuneration Committee is as follows:

Members	No. of meetings attended	Attendance rate
Mr Chee Chen TUNG	1 out of 2	50%
Dr Victor Kwok King FUNG	2 out of 2	100%
Professor Richard Yue Chim WONG	2 out of 2	100%

During 2005, a consultant was appointed to advise the Remuneration Committee in relation to the Executive Directors' emolument arrangements with the objective of developing a fair and competitive compensation package and maintaining a high degree of motivation for the benefit of the Company and its subsidiaries.

The Board accepted the recommendations of the Remuneration Committee that the emoluments of the Executive Directors of the Company for 2005 shall continue to be comprised of their respective remunerations as determined by reference to market terms, their individual experience, duties and responsibilities within the Company and its subsidiaries (if applicable) and the Executive Directors also participate in a performance-based discretionary bonus scheme determined by reference to the Company's and the individual's performance. No Director is involved in determining his own remuneration.

d. Finance Committee

The Finance Committee currently comprises Mr Tsann Rong CHANG (Chairman), Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

- assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties, equipment and the financing of the business operations of the Group;
- report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken; and to
- discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company, for its approval.

During 2005, nine meetings were held by the Finance Committee with an average attendance rate of 92.59%. The individual attendance record of each member of the Finance Committee is as follows:-

Members	No. of meetings attended	Attendance rate
Mr Tsann Rong CHANG	9 out of 9	100%
Mr Nicholas David SIMS	8 out of 9	88.88%
Mr Philip Yiu Wah CHOW	8 out of 9	88.88%

e. Share Committee

The Share Committee currently comprises Mr Tsann Rong CHANG (Chairman), Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW with Ms Lammy LEE, as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

- deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;
- deal with share transactions including, but not limited to, share repurchases, the issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and the placement of the Company's shares;
- give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to
- discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

No meeting was held by the Share Committee in the year 2005.

f. Compliance Committee

The Compliance Committee currently comprises Ms Lammy LEE (Chairperson), Mr Nicholas David SIMS, Mr Kit Man FUNG and Mr Vincent FUNG.

The primary duties of the Compliance Committee is to ensure the Company's and its subsidiaries' compliance with disclosure obligation pursuant to the Listing Rules on notifiable transactions, connected transactions and continuing connected transactions; advance to an entity, financial assistance and guarantees to affiliated companies of the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules and corporate governance compliance and reporting pursuant to Appendix 14 and Appendix 23 to the Listing Rules.

During the year 2005, three meetings were held by the Compliance Committee with an average attendance rate of 88.89%. The individual attendance record of each member of the Compliance Committee is as follows:

Members	No. of meetings attended	Attendance rate
Ms Lammy LEE	3 out of 3	100%
Mr Nicholas David SIMS	2 out of 3	66.67%
Mr Kit Man FUNG	3 out of 3	100%
Mr Vincent FUNG	3 out of 3	100%

8. Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2005.

9. Share Interests of Directors and Senior Management

a) Directors

Directors' interests in the shares of the Company are set out on pages 73 and 74 in this annual report.

b) Senior Management's Share Interests

As at 31st December 2005, the senior management of the Company had the following interests in the shares of the Company:

Name	Number of shares interested
Mr Ted Ching Yu WANG	110,000
Mr Moustapha Cheng-Lung TING	—
Mr Peter Pan Shih LENG	—
Mr Allan Tak Sing WONG	150,500
Mr Kenneth Ching Kang CHIH	—

10. Emoluments of Directors and Senior Management

a) Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2005 are set out on page 115 of this annual report.

b) Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2005 are set out below:

Emoluments bands (US\$)	No. of individual(s)
1,346,001-1,410,000 (HK\$10,500,001-HK\$11,000,000)	1
1,474,001-1,538,000 (HK\$11,500,001-HK\$12,000,000)	1
1,602,501-1,666,600 (HK\$12,500,001-HK\$13,000,000)	2
1,923,001-1,987,100 (HK\$15,000,001-HK\$15,500,000)	1
	5

B. ACCOUNTABILITY AND AUDIT

1. External Auditors

PricewaterhouseCoopers have been re-appointed as the Company's external auditor by shareholders at the 2004 AGM until the conclusion of the next annual general meeting.

The fee in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 31st December 2005 is set out on page 118 note 11 to the consolidated accounts of this annual report.

2. Directors' and Auditors' acknowledgement

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st December 2005.

Messrs PricewaterhouseCoopers, the auditors of the Company, acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31st December 2005.

3. Internal Controls

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal divisions and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for the reliability of financial information used within the business or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

- A distinct organisational structure for each principal division with defined authority responsibilities and control/measures.
- An annual budget for each principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for each principal division is approved by the Board on an annual basis.
- A comprehensive management accounting system for each principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purpose. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary.
- Systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Committee and the management of the respective principal divisions.
- Clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio.
- The Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal divisions. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on higher risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal divisions. The management of the Company and the relevant principal divisions including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations. Significant internal control weaknesses are brought to the attention of the Audit Committee.

To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. No suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations have been brought to the Board's attention to cause the Board believe that the systems of internal control are inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2005.

The Company has implemented the following procedures and internal controls for the handling and dissemination of price sensitive information:

- a) it monitors any price sensitive information and makes appropriate announcement as required by the Listing Rules;
- b) it conduct its affairs by reference to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange;
- c) it has established procedures for handling external affairs about the Group; and
- d) it has established guidelines to be followed by senior management and employees in dealing with confidential and insider information.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairman of the Audit Committee, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meeting.

The most recent shareholders' meeting was the 2004 AGM held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong, at which the following resolutions were passed with the voting results as follows:

	Resolutions	Ordinary/Special	Number of votes by poll (%)	
			For	Against
1.	To adopt the audited financial statements for the financial year ended 31st December 2004.	Ordinary	439,525,701 (99.9973 %)	12,000 (0.0027 %)
2.	To declare the final dividend.	Ordinary	441,107,254 (99.9973 %)	12,000 (0.0027 %)
3.	To allot and issue bonus shares.	Ordinary	441,948,101 (99.9973 %)	12,000 (0.0027 %)
4(a)(i).	To re-elect Mr Chee Chen TUNG as a Director.	Ordinary	440,381,901 (99.6499 %)	1,547,200 (0.3501 %)
4(a)(ii).	To re-elect Mr Nicholas David SIMS as a Director.	Ordinary	440,376,717 (99.6499 %)	1,547,200 (0.3501 %)
4(a)(iii).	To re-elect Mr Simon Murray as an Independent Non-Executive Director.	Ordinary	440,376,717 (99.6499 %)	1,547,200 (0.3501 %)
4(b).	To authorise the Board to fix the remuneration of Directors.	Ordinary	440,470,701 (99.6700 %)	1,458,400 (0.3300 %)
5.	To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company.	Ordinary	440,764,101 (99.7109 %)	1,278,000 (0.2891 %)
6(a).	To grant a general mandate to Directors to issue additional shares in the Company.	Ordinary	396,393,826 (89.6425 %)	45,800,474 (10.3575 %)
6(b).	To grant a general mandate to Directors to repurchase shares of the Company.	Ordinary	441,891,501 (99.9659 %)	150,600 (0.0341 %)
6(c).	To extend the general mandate to issue shares of the Company.	Ordinary	441,931,100 (99.9952 %)	21,000 (0.0048 %)
7.	To amend the Bye-laws of the Company.	Special	442,030,088 (99.9973 %)	12,012 (0.0027 %)

Shareholders who wish to put forward proposals at shareholders' meetings or who have enquiries to put to the Board of the Company may write to the Company Secretary at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The procedures for shareholders to convene a special general meeting are available on our website or on request to the Company Secretary in writing.

D. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

1. Significant changes in Bye-laws

The Bye-laws of the Company were amended and approved by shareholders at the 2004 AGM to align them with the changes of the Listing Rules. Except for the above, there were no significant changes to the Company's Bye-laws.

2. Shareholdings Information

As at 31st December 2005:

Authorised share capital: US\$205,000,000, comprising 900,000,000 ordinary shares of US\$0.1 each, 65,000,000 convertible redeemable preferred shares of US\$1 each and 50,000,000 redeemable preferred shares of US\$1 each.

Issued and fully-paid up capital: US\$62,579,329.7 comprising 625,793,297 ordinary shares of US\$0.1 each.

Details of shareholding of the ordinary shares of the Company by category as at 31st December 2005 are as follows:

Category	Number of shareholders	Shareholders % of total	Number of shares
Corporate	40	3.66%	613,506,813
Untraceable Shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.09%	2,740
Individual	1,051	96.25%	12,283,744
Total	1,092	100.00%	625,793,297

Details of shareholding of the ordinary shares of the Company by range as at 31st December 2005 are as follows:-

Number of Shares held	Number of shareholders	Shareholders % of total
1-10,000	980	89.75%
10,001-100,000	88	8.06%
100,001-1,000,000	15	1.37%
1,000,001 or above	9	0.82%
Total	1,092	100.00%

3. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeds 25% as at 31st December 2005.

4. Financial Calendar

Important dates for the coming financial year are set out on page 49 of this annual report.

Report of the Directors

The Directors of the Company present their report together with the audited accounts of the Company for the year ended 31st December 2005.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated company and jointly controlled entities are set out on pages 155 to 166 of this annual report.

Group Results

The consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") are set out on page 81 of this annual report.

Dividends

The Directors of the Company have recommended a final dividend for the year ended 31st December 2005 of US15 cents (HK\$1.17) per ordinary share to be paid on 8th May 2006 to the shareholders of the Company whose names appear on the register of members of the Company on 21st April 2006. Shareholders who wish to receive dividend in US Dollars should complete the US Dollars Election Form and return it to the Company's Branch Registrar no later than 4:00 p.m. on 26th April 2006.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr Chee Chen TUNG (*Chairman*)

Mr Tsann Rong CHANG

Mr Nicholas David SIMS

Mr Philip Yiu Wah CHOW

Mr Alan Lieh Sing TUNG (appointed on 1st May 2005)

Non-Executive Director

Mr Roger KING

Independent Non-Executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Prof Richard Yue Chim WONG

In accordance with the provisions of the Company's Bye-laws, Mr Alan Lieh Sing Tung, appointed as an Executive Director of the Company on 1st May 2005, will retire at the annual general meeting of the Company to be held on 21st April 2006 (the "Annual General Meeting") and, being eligible, will offer himself for re-election; and Mr Tsann Rong Chang, Mr Roger King and Dr Victor Kwok King Fung will retire by rotation at the Annual General Meeting and being eligible, will offer themselves for re-election.

Mr Tsann Rong Chang and Mr Nicholas David Sims have service contracts with the Company which expire on 30th June 2006 and 21st October 2006 respectively. None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers all of the Independent Non-Executive Directors are independent.

Directors' and Chief Executive's Rights to Acquire Shares and Debt Securities

During the year and as at 31st December 2005, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) was granted any right to acquire shares in or debt securities of the Company.

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, Shinagawa-ku, Tokyo, Japan on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and Island Navigation Corporation ("INC") respectively, both owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL and INC to the Group for the year ended 31st December 2005 was approximately US\$360,650.

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.

2. Shares

As at 31st December 2005, the issued share capital of the Company (the "Issued Capital") consisted of 625,793,297 ordinary shares (the "Shares") and the interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:-

Name	Direct Interests	Other Interests		Total Number of Shares Interested (in Long Position)	Percentage
		Beneficial	Voting		
Chee Chen Tung	—	97,811,011 (Note 1)	326,455,577 (Notes 2 & 3)	424,266,588	67.79%
Roger King	—	97,811,011 (Note 1)	—	97,811,011	15.62%
Tsann Rong Chang	612,731	—	—	612,731	0.09%
Nicholas David Sims	55,660	—	—	55,660	0.01%
Philip Yiu Wah Chow	79,600	—	—	79,600	0.01%
Simon Murray	—	57,200 (Note 4)	—	57,200	0.01%

Notes:

1. Mr Chee Chen Tung and Mr Roger King have an interest in a trust which, through Springfield Corporation ("Springfield"), holds 97,811,011 Shares. Of such Shares, Springfield has an indirect interest in 30,765,425 Shares in which Monterrey Limited ("Monterrey"), a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 67,045,586 Shares.
2. Wharnclyff Limited ("Wharnclyff"), a company owned by a discretionary trust established by Mrs Shirley Shiao Ping Peng, sister of Mr Chee Chen Tung, sister-in-law of Mr Roger King and aunt of Mr Alan Lieh Sing Tung, holds 277,993,570 Shares and the voting rights in respect of such holdings are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc. Gala Way Company Inc. ("Gala Way"), a company owned by the discretionary trust established by Mrs Shirley Shiao Ping Peng, holds 48,462,007 Shares and the voting rights in respect of such holdings are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc.
3. Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.
4. Mr Simon Murray has gifted 57,200 shares to the Simon Murray Family 1985 Trust, a discretionary trust of which he is the settlor.

As at 31st December 2005, none of the Directors or the Chief Executive of the Company is a director or employee of a company which had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31st December 2005, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. Directors' Interests in Competing Business

As at 31st December 2005, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

Substantial Shareholders' Share Interest

As at 31st December 2005, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Bermuda Trust Company Limited	Trustee	424,266,588 (Note 1)	67.79%
Shirley Shiao Ping Peng	Founder of a discretionary trust	326,455,577 (Note 2)	52.16%
Fortune Crest Inc.	Indirect	326,455,577 (Note 2)	52.16%
Winfield Investment Limited	Indirect	326,455,577 (Notes 2 & 3)	52.16%
Tung Holdings (Trustee) Inc.	Voting	326,455,577 (Note 4)	52.16%
Wharnclyff Limited	Direct	277,993,570 (Notes 2 & 5)	44.42%
Chee Hwa Tung	Indirect	97,836,242 (Note 6)	15.63%
Springfield Corporation	Direct and Indirect	97,811,011 (Note 6)	15.62%
Archduke Corporation	Beneficiary of a trust	97,811,011 (Note 7)	15.62%
Phoenix Corporation	Beneficiary of a trust	97,811,011 (Note 7)	15.62%
Archmore Limited	Beneficiary of a trust	97,811,011 (Note 8)	15.62%
Edgemont Investment Limited	Indirect	97,811,011 (Note 9)	15.62%
Javier Associates Limited	Indirect	97,811,011 (Note 10)	15.62%
Gala Way Company Inc.	Direct	48,462,007 (Notes 2 & 5)	7.74%
Monterrey Limited	Direct	30,765,425 (Notes 6 & 11)	4.91%

Notes:

1. Bermuda Trust Company Limited has an indirect interest in the same Shares in which Fortune Crest Inc. ("Fortune Crest") and Springfield, wholly-owned subsidiaries of Bermuda Trust Company Limited, have an interest.
2. Mrs Shirley Shiao Ping Peng, sister of Mr Chee Chen Tung, sister-in-law of Mr Roger King and aunt of Mr Alan Lieh Sing Tung, established the discretionary trust which, through Winfield Investment Limited ("Winfield"), a wholly-owned subsidiary of Fortune Crest, holds 326,455,577 Shares, 277,993,570 of which are owned by Wharnclyff, a wholly-owned subsidiary of Winfield, and 48,462,007 of which are owned by Gala Way, a wholly-owned subsidiary of Winfield.
3. Winfield has an indirect interest in the same Shares in which Wharnclyff and Gala Way, wholly-owned subsidiaries of Winfield, have an interest.
4. Tung Holdings (Trustee) Inc. is a company wholly-owned by Mr Chee Chen Tung.
5. Wharnclyff and Gala Way are wholly-owned subsidiaries of Winfield.
6. Mr Chee Hwa Tung, brother of Mr Chee Chen Tung, brother-in-law of Mr Roger King and father of Mr Alan Lieh Sing Tung, has an interest in the trust which, through Springfield, holds 97,811,011 Shares. Of such Shares, Springfield has an indirect interest in the same 30,765,425 Shares in which Monterrey, a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 67,045,586 Shares. Mrs Betty Hung Ping Tung, the spouse of Mr Chee Hwa Tung, owns 25,231 Shares.
7. Archduke Corporation and Phoenix Corporation, companies which are wholly-owned by Mr Chee Chen Tung, have an interest in the trust which, through Springfield, holds 97,811,011 Shares.
8. Archmore Limited, a company which is wholly-owned by Edgemont Investment Limited ("Edgemont"), has an interest in the trust which, through Springfield, holds 97,811,011 Shares.
9. Edgemont has an indirect interest in the same Shares in which Archmore Limited, a wholly-owned subsidiary of Edgemont, has an interest.
10. Javier Associates Limited ("Javier"), a company which is wholly-owned by Mr Chee Chen Tung, has an indirect interest in the same Shares in which Edgemont, a wholly-owned subsidiary of Javier, has an interest.
11. Monterrey is a wholly-owned subsidiary of Springfield.

Save as disclosed herein, as at 31st December 2005, the Company had not been notified by any person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Connected Transactions

During the year ended 31st December 2005, OOCL (Taiwan) Co. Ltd. ("OTWL"), the Group's Taiwanese subsidiary and acting as the general agent for the carrier of the Group in Taiwan, had entered into the following continuing connected transactions (the "Continuing Connected Transactions"):

a) CMTL Master Agreement

On 29th June 2005, OTWL entered into a master agreement with Chinese Maritime Transport Ltd. ("CMTL") pursuant to which CMTL agreed to provide and to procure members of the CMTL group to provide various services to OTWL in Taiwan including (i) trucking service; (ii) leasing of equipment (including chassis and tractors); (iii) maintenance and repair services for generator sets and chassis; (iv) freight station depot and container storage facilities; (v) container yard and gate services; (vi) crew manning services; and (vii) container inspection services for a period of three years commencing from 1st January 2005, which is renewable for successive periods of three years upon mutual agreement of the parties and subject to the annual caps of not exceeding US\$24,000,000 for the years 2005, 2006 and 2007 respectively. During the year, US\$21,194,000 was paid by OTWL to the CMTL group for the aforesaid services.

b) AIC Master Agreement

On 29th June 2005, OTWL entered into a master agreement with Associated Industries China Inc. ("AIC") pursuant to which AIC agreed to provide and to procure members of the AIC group to provide various services to OTWL in Taiwan including (i) freight station depot and container storage facilities; (ii) container inspection services; (iii) sale of containers; and (iv) computer maintenance services for gantry cranes for a period of three years commencing from 1st January 2005, which is renewable for successive periods of three years upon mutual agreement of the parties and subject to the annual caps of not exceeding US\$100,000 for the years 2005, 2006 and 2007 respectively. During the year, US\$33,000 was paid by OTWL to the AIC group for the aforesaid services.

c) All Master Agreement

On 29th June 2005, OTWL entered into a master agreement with Associated International Inc. ("All") pursuant to which All agreed to provide and to procure members of the All group to provide various services to OTWL in Taiwan including (i) provision of office premises and office equipment; and (ii) freight station depot and container storage facilities for a period of three years commencing from 1st January 2005, which is renewable for successive periods of three years upon mutual agreement of the parties subject to the annual caps of not exceeding US\$2,500,000 for the years 2005, 2006 and 2007 respectively. During the year, US\$2,102,000 was paid by OTWL to All group for all of the aforesaid services.

Mr John Peng is the controlling shareholder of CMTL, AIC and All and is the brother-in-law of Mr Chee Chen Tung, the Chairman of the Company and the uncle of Mr Alan Lieh Sing Tung, an Executive Director of the Company. Mr Peng's wife is the sister of the wife of Mr Roger King, who is also a Non-Executive Director of the Company.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-Executive Directors of the Company, namely Mr Simon Murray, Dr Victor Kwok King Fung and Prof Richard Yue Chim Wong, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditors of the Company, have also performed certain agreed-upon procedures on the above Continuing Connected Transactions and confirmed that the transactions entered into:

- (i) were approved by the Board of Directors of the Company;
- (ii) have been entered into in accordance with the relevant agreements governing the transactions; and
- (iii) have not exceeded the respective annual caps.

Purchase, Sale or Redemption of Shares

During the year, the Company has not redeemed any of its Shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

Pre-emptive Rights

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

Share Capital

During the accounting period covered by this annual report, the number of issued ordinary shares of the Company increased from 568,902,998 shares to 625,793,297 shares following the allotment and issue of new ordinary shares of the Company on the basis of one (1) new share of US\$0.10 for every ten (10) issued ordinary shares in May 2005. These bonus shares rank *pari passu* in all respects with the existing issued ordinary shares of the Company.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 35 to the consolidated accounts on pages 143 to 144 of this annual report.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. The Board had adopted its own code on corporate governance practices ("the CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates the local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries and the Company considers that effective corporate governance makes an important contribution to corporate success and to enhancement of shareholders value. Further information on the CG Code is set out in the corporate governance report (the "Corporate Governance Report") on pages 56 to 71 of this annual report.

Throughout the year 2005, the Company has complied with the SEHK Code except as set out in the Corporate Governance Report on page 56.

The Board of Directors of the Company, 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.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

Amendments to Bye-laws

The Board of Directors of the Company proposes to put forward to the shareholders of the Company for approval at the Annual General Meeting of a special resolution to amend the Bye-laws of the Company to, inter alia, reflect the SEHK Code and the Listing Rules, and to ensure consistency with the other provisions of the Bye-laws. Certain minor amendments to the Bye-laws will also be proposed.

The proposed amendments to the Bye-laws of the Company are included in the notice of the Annual General Meeting set out on pages 52 to 55 of this annual report.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment are set out in note 16 to the consolidated accounts on pages 122 to 124 of this annual report.

Donations

Donations made by the Group during the year amount to US\$344,000.

Annual General Meeting

The notice of Annual General Meeting is set out on pages 52 to 55 of this annual report.

A circular, setting out details of biographical details of the retiring Directors to be re-elected at the Annual General Meeting, proposed amendments to the Bye-laws and 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 and the general mandate to authorise the repurchase of the Company's securities (all as set out in the notice of Annual General Meeting), is dispatched to the shareholders of the Company with this annual report.

Secretary and Qualified Accountant

The Secretary of the Company is Ms Lammy Chee Fun Lee, Barrister and the Qualified Accountant of the Company is Mr Kit Man Fung, a member of The Hong Kong Institute of Certified Public Accountants.

Auditors

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

On behalf of the Board

Chee Chen Tung

Chairman

Hong Kong, 10th March 2006

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 81 to 166 which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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, solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public 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 of the Group as at 31st December 2005 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, 10th March 2006

Consolidated Profit and Loss Account

For the year ended 31st December 2005

US\$'000	Note	Restated	
		2005	2004
Turnover	5	4,696,241	4,140,328
Operating costs	6	(3,534,302)	(3,012,758)
Gross profit		1,161,939	1,127,570
Other operating income	7	76,294	37,090
Other operating expenses	8	(493,307)	(435,652)
Operating profit	11	744,926	729,008
Finance costs	12	(61,659)	(43,787)
Share of profits less losses of jointly controlled entities	20	6,950	11,116
Share of loss of an associated company	21	(84)	—
Profit before taxation		690,133	696,337
Taxation	13	(38,842)	(25,739)
Profit for the year		651,291	670,598
Attributable to:			
Equity holders of the Company		650,854	670,449
Minority interests		437	149
		651,291	670,598
Dividends	15	169,130	170,688
Earnings per ordinary share (US cents)			
Basic and diluted	14	104.0	108.5

Year 2004 figures have been restated or reclassified in accordance with the presentation as required under the new HKFRS applicable as from 1st January 2005.

Consolidated Balance Sheet

As at 31st December 2005

			Restated
US\$'000	Note	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,593,946	2,132,066
Investment property	17	100,000	100,000
Prepayments of lease premiums	18	7,787	3,110
Jointly controlled entities	20	19,857	31,255
Associated company	21	7,916	—
Intangible assets	22	21,030	16,927
Deferred taxation assets	23	8,203	15,352
Pension and retirement assets	24	6,683	5,796
Available-for-sale financial assets	25	13,021	3,508
Restricted bank balances and other deposits	26	101,859	111,953
Other non-current assets	27	93,569	102,288
		2,973,871	2,522,255
Current assets			
Properties under development and for sale	28	181,545	97,959
Inventories	29	44,511	30,008
Debtors and prepayments	30	415,090	359,497
Portfolio investments	31	237,004	249,834
Derivative financial instruments	32	354	—
Cash and bank balances	33	962,541	755,049
		1,841,045	1,492,347
Total assets		4,814,916	4,014,602

As at 31st December 2005

			Restated
US\$'000	Note	2005	2004
EQUITY			
Equity holders			
Share capital	34	62,579	56,890
Reserves	35	2,221,751	1,752,519
		2,284,330	1,809,409
Minority interests		8,129	7,808
Total equity		2,292,459	1,817,217
LIABILITIES			
Non-current liabilities			
Borrowings	36	1,650,044	1,427,690
Deferred taxation liabilities	23	50,204	40,166
Pension and retirement liabilities	24	15,080	14,141
		1,715,328	1,481,997
Current liabilities			
Creditors and accruals	37	603,045	553,535
Derivative financial instruments	32	4,592	—
Borrowings	36	188,548	153,809
Current taxation		10,944	8,044
		807,129	715,388
Total liabilities		2,522,457	2,197,385
Total equity and liabilities		4,814,916	4,014,602
Net current assets		1,033,916	776,959
Total assets less current liabilities		4,007,787	3,299,214

Year 2004 figures have been restated or reclassified in accordance with the presentation as required under the new HKFRS applicable as from 1st January 2005.

C C Tung

Nicholas D Sims

Directors

Balance Sheet

As at 31st December 2005

US\$'000	Note	2005	Restated 2004
ASSETS			
Non-current assets			
Subsidiaries	19	169,482	169,482
Restricted bank balances and deposits		91	75
		169,573	169,557
Current assets			
Prepayments		53	107
Amounts due from subsidiaries	19	1,195,708	1,012,308
Cash and bank balances	33	2,505	8,515
		1,198,266	1,020,930
Total assets		1,367,839	1,190,487
EQUITY			
Equity holders			
Share capital	34	62,579	56,890
Reserves	35	459,773	424,768
Total equity		522,352	481,658
LIABILITIES			
Current liabilities			
Accruals		1,587	1,604
Amounts due to subsidiaries	19	843,900	707,225
Total liabilities		845,487	708,829
Total equity and liabilities		1,367,839	1,190,487
Net current assets		352,779	312,101
Total assets less current liabilities		522,352	481,658

C C Tung
Nicholas D Sims
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2005

US\$'000	Note	Restated	
		2005	2004
Cash flows from operating activities			
Cash generated from operations	40(a)	818,422	852,123
Interest paid		(25,139)	(21,308)
Interest element of finance lease rental payments		(32,521)	(17,153)
Dividend on preference shares		(5,916)	(6,512)
Hong Kong profits tax paid		(661)	—
Overseas tax paid		(39,564)	(27,784)
Net cash from operating activities		714,621	779,366
Cash flows from investing activities			
Sale of property, plant and equipment		15,089	7,679
Sale of available-for-sale financial assets		350	5,394
Sale of a jointly controlled entity		—	1,765
Sale of prepayments of lease premiums		—	137
Purchase of property, plant and equipment		(302,790)	(425,763)
Purchase of available-for-sale financial assets		(6,743)	(163)
Investment in jointly controlled entities		(187)	(98)
Investment in an associated company		(8,000)	—
Payment of lease premiums		(4,918)	—
Acquisition of a subsidiary company, net of cash acquired	40(c)	(35,297)	—
Decrease/(increase) in amounts due by jointly controlled entities		18,165	(15,260)
Decrease in bank deposits maturing more than three months from the date of placement		8,621	2,169
Increase in other deposits		(3,000)	—
Purchase of intangible assets		(9,239)	(6,992)
Decrease/(increase) in other non-current assets		8,719	(394)
Interest received		32,748	20,919
Dividends received from portfolio investments		1,277	1,224
Income from available-for-sale financial assets		18	49
Dividends received from jointly controlled entities		508	18,521
Net cash used in investing activities		(284,679)	(390,813)
Cash flows from financing activities			
New loans		449,605	338,658
Repayment of loans		(477,276)	(269,900)
Redemption of preference shares		(8,511)	(7,908)
Capital element of finance lease rental payments		(53,259)	(100,738)
Increase/(decrease) in short-term bank loans		35,935	(23,908)
Issue of new shares		—	152,945
Dividends paid to shareholders		(177,595)	(134,585)
Dividend paid to minority interests		(225)	(191)
Net cash used in financing activities		(231,326)	(45,627)
Net increase in cash and cash equivalents		198,616	342,926
Cash and cash equivalents at beginning of year		994,182	644,818
Currency translation adjustments		(8,424)	6,438
Cash and cash equivalents at end of year	40(d)	1,184,374	994,182

Year 2004 figures have been restated or reclassified in accordance with the presentation as required under the new HKFRS applicable as from 1st January 2005.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2005

US\$'000	Equity holders			Minority interests	Total
	Share capital	Reserves	Sub-total		
At 31st December 2003	47,018	1,063,736	1,110,754	7,850	1,118,604
Currency translation adjustments	—	9,846	9,846	—	9,846
Issue of new shares (note 34)	4,700	148,245	152,945	—	152,945
Bonus issue (note 34)	5,172	(5,172)	—	—	—
Profit for the year	—	670,449	670,449	149	670,598
2003 final dividend	—	(66,231)	(66,231)	—	(66,231)
2004 interim dividend	—	(68,354)	(68,354)	—	(68,354)
Dividend paid to minority interests	—	—	—	(191)	(191)
At 31st December 2004	56,890	1,752,519	1,809,409	7,808	1,817,217
Currency translation adjustments	—	(1,472)	(1,472)	109	(1,363)
Bonus issue (note 34)	5,689	(5,689)	—	—	—
Change in fair value	—	3,134	3,134	—	3,134
Profit for the year	—	650,854	650,854	437	651,291
2004 final dividend	—	(102,334)	(102,334)	—	(102,334)
2005 interim dividend	—	(75,261)	(75,261)	—	(75,261)
Dividend paid to minority interests	—	—	—	(225)	(225)
At 31st December 2005	62,579	2,221,751	2,284,330	8,129	2,292,459

Notes to the Consolidated Accounts

1. General information

Orient Overseas (International) Limited ("the Company") is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain plant and equipment, available-for-sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of new HKFRS below, which are relevant to its operations. The 2004 comparatives are amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 3	Revenue – Pre-completion Contracts for the sale of Development Properties
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKAS-Int 27	Evaluating the substance of Transaction involving the Legal Form of a Lease
HKFRS 3	Business Combinations

(a) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 21, 23, 24, 27, 28, 31, 33, 36 and HKAS-Int 3, 12, 15, 21, 27 and HKFRS 3 does not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and associated company and other disclosures. Interest and investment income previously included under net financing charges are classified under other operating income, whereas non-returnable proceeds received from assignment of trade debtors previously presented under net trade receivables and restricted bank deposits under the put options of the redeemable preference shares and premium previously presented in net balance are both reclassified to borrowings.
- HKASs 2, 7, 8, 10, 21, 23, 27, 28, 31, 33, 36 and HKAS-Int 12, 15, 21 and 27 have no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) The adoption of HKAS 16 has resulted in a change in the accounting policy relating to recognition of dry-docking costs as a component of vessels and depreciated over the period to the next estimated dry-docking date. In previous years, dry-docking costs for vessels were charged to the profit and loss account as incurred. Since the resulting impact is not material as a whole, this change has not been applied retrospectively and a prior period adjustment has not been made.

In addition, HKAS 16 has required that residual value and the useful life of a fixed asset shall be reviewed at least at each financial year end and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate prospectively.

- (c) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment and properties under development and for sale to operating leases. The up-front payments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease unless the property is under development or when there is an impairment, the impairment is expensed in the profit and loss account. In previous years, for those classified as leasehold land and buildings included in property, plant and equipment, they were depreciated over the period of the lease, whereas those properties under development and for sale were stated at cost, including land and construction costs, less provisions for foreseeable losses. The resulting impact is not material and therefore a prior period adjustment has not been made.

- (d) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets and portfolio investments and change in the recognition and measurement of loans and receivables, held-to-maturity investments, borrowings and hedging activities. In addition, derivative financial instruments are categorised as trading unless they are designated as hedges. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using effective interest method.

In previous years, the Group classified its investments, other than subsidiaries and jointly controlled entities, as long-term investments and portfolio investments. Long-term investments and portfolio investments were carried at cost less provision and realisable values, respectively. In addition, financing charges related to long-term borrowings were deferred and amortised on a straight-line basis over the relevant tenure of the loan. The resulting impact from this change is not material and therefore a prior period adjustment has not been made.

- (e) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account. In previous years, a deficit in valuation was charged to the profit and loss account; an increase was first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter was credited to the assets revaluation reserve. As at 31st December 2004, the valuation of investment properties was less than their original costs and the revaluation deficits had already been charged to the profit and loss account in previous years and there was no investment properties revaluation reserve. Consequently, no prior period adjustment on the retained profit and investment properties revaluation reserve is required.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (f) The adoption of HKAS-Int 3 has resulted in a change in accounting policy of which sales of properties are recognised when the risk and rewards of the property have been passed to the customers. In previous years, sales of properties under construction were recognised over the course of the development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. The Group has elected to adopt the transitional provision and change the recognition policy in relation to sales of properties occurred on or after 1st January 2005.
- (g) The adoption of HKFRS 3 and HKAS 38 results in a change in the accounting policy for excess of fair value of net assets acquired over the cost of acquisition. In previous years, goodwill was 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 were recognised as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets. The carrying amount of goodwill was reviewed annually and provision was only made where, in the opinion of the Directors, there was impairment in value other than temporary in nature. Effective from 1st January 2005, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On the other hand, the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in the profit and loss account. HKFRS 3 has been applied to the Group's acquisitions occurred on or after 1st January 2005.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective HKFRS. All standards adopted by the Group require retrospective application other than HKFRS 3 and HKAS-Int 3 which is applied prospectively on or after 1st January 2005.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The following table discloses the adjustments made in accordance with the transitional provisions of the respective HKFRS as set out in (a) to (g) above to each of the items of the consolidated balance sheet as previously reported as at 31st December 2004.

Consolidated balance sheet as at 31st December 2004:

	As previously reported	HKAS 1 Note (a)	HKAS 17 Note (c)	HKAS 39 Note (d)	HKAS 40 Note (e)	As restated
US\$'000						
ASSETS						
Non-current assets						
Property, plant and equipment	2,235,176		(3,110)		(100,000)	2,132,066
Investment property	—				100,000	100,000
Prepayments of lease premiums	—		3,110			3,110
Jointly controlled entities	31,255					31,255
Long-term investments	95,938			(95,938)		—
Intangible assets	33,315	(9,858)		(6,530)		16,927
Deferred taxation assets	—	15,352				15,352
Pension and retirement assets	—	5,796				5,796
Available-for-sale financial assets	—			3,508		3,508
Restricted bank balances and other deposits	—	111,953				111,953
Other non-current assets	43,515	(33,657)		92,430		102,288
	2,439,199					2,522,255
Current assets						
Properties under development and for sale	97,959					97,959
Inventories	—	30,008				30,008
Debtors and prepayments	301,830	57,667				359,497
Portfolio investments	249,834					249,834
Cash and bank balances	749,245	5,804				755,049
	1,398,868					1,492,347
Total assets	3,838,067					4,014,602

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Consolidated balance sheet as at 31st December 2004:

US\$'000	As previously reported	HKAS 1 Note (a)	HKAS 17 Note (c)	HKAS 39 Note (d)	HKAS 40 Note (e)	As restated
EQUITY						
Share capital	56,890					56,890
Reserves	1,752,519					1,752,519
Shareholders' funds	1,809,409					1,809,409
Minority interests	7,808					7,808
Total equity	1,817,217					1,817,217
LIABILITIES						
Non-current liabilities						
Borrowings	1,258,953	174,251		(5,514)		1,427,690
Deferred taxation liabilities	—	40,166				40,166
Pension and retirement liabilities	—	14,141				14,141
Other non-current liabilities	54,307	(54,307)				—
	1,313,260					1,481,997
Current liabilities						
Creditors and accruals	553,535					553,535
Borrowings	145,926	8,899		(1,016)		153,809
Bank overdrafts and short-term loans	85	(85)				—
Current taxation	8,044					8,044
	707,590					715,388
Total liabilities	2,020,850					2,197,385
Total equity and liabilities	3,838,067					4,014,602

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted, as follows:

- HKAS 19 (Amendment), Employee Benefits (effective from 1st January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group has not decided whether to change the accounting policy for recognition of actuarial gains and losses and does not participate in any multi-employer plans, the impact of adoption of this amendment cannot be ascertained for the time being. The Group will apply this amendment from accounting periods beginning 1st January 2006.
- HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1st January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated accounts, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated accounts as at 31st December 2005 and 2004.
- HKAS 39 (Amendment), The Fair Value Option (effective from 1st January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will apply this amendment from accounting periods beginning 1st January 2006.
- HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1st January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Company regards its financial guarantees provided to its subsidiaries as insurance contracts.
- HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1st January 2007). HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from accounting periods beginning 1st January 2007.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1st January 2006). HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the Group's operations.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

(b) 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.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost or valuation less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

No depreciation is provided for vessels under construction and freehold land.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment and improvements	10 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	3 to 10 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

During the year, the residual values of property, plant and equipment were reassessed, and accordingly, depreciation charge of property, plant and equipment for the year ended 31st December 2005 has been calculated based on the revised estimated residual values. This represents a change in accounting estimate and the depreciation charge for the year has been reduced by US\$26.2 million.

Gains and losses on disposals 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.

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out annually by Directors or independent external valuers. Changes in fair values are recognised in the profit and loss account.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the effective date of acquisition and, in respect of an increase in holding in a subsidiary company, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities is included in investments in associated companies or jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(b) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Investments

The Group classifies its investments in the following categories: portfolio investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.9 Properties under development and for sale

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in profit and loss account immediately. In all other respects, inventories in respect of property development activities are carried at the lower of cost and net realisable value.

2.10 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on first-in-first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2. Summary of significant accounting policies (Continued)

2.11 Debtors and prepayments

Debtors and prepayments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors and prepayments is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the equity holders of the Company and all the shares are cancelled.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2. Summary of significant accounting policies (Continued)

2.15 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where require.

For defined benefit pension plans, 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. Such pension costs are assessed using the projected unit method, under which, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the profit and loss account over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

2.18 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.19 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2. Summary of significant accounting policies (Continued)

2.19 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.20 Revenue recognition

Revenue comprises the fair value for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (a) Freight revenues from the operation of the container transport and logistics business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.
- (b) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accruals basis.
- (c) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.
- (d) Sales of properties are recognised when the risk and rewards of the property have been passed to the customers.
- (e) Interest income is recognised on a time-proportion basis using the effective interest method.
- (f) Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (Continued)

2.21 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.22 Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying assets commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.23 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the profit and loss account.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rate of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified either as available-for-sale financial assets or as portfolio investments. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents.

(d) Cash flow and fair value interest rate risk

The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing borrowings. These exposures are managed through the use of derivative financial instruments such as interest rate swap.

3. Financial risk management (Continued)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the balance sheet date.

The fair values of debtors and prepayments, cash and cash equivalents, creditors and accruals and current borrowings are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Investment property

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4. Critical accounting estimates and judgements (Continued)

(c) Pension

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumptions is determined on an uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximately the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

(d) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(e) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost, are recognised on a percentage of completion basis as set out in note 2.20(a). Invoices in relation to these expenses are received approximately up to six months after the expenses have been incurred. Consequently, recognition of operating costs is based on the rendering of services as well as the latest tariff agreed with vendors.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

5. Turnover and segment information

(a) Turnover

US\$'000	2005	2004
Container transport and logistics	4,229,937	3,748,414
Container terminals	443,275	368,664
Property investment and development	23,029	23,250
	4,696,241	4,140,328

The principal activities of the Group are container transport and logistics, container terminals, property investment and development.

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

(b) Segment reporting

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

For the geographical segment reporting, freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the container transport 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 container transport and logistics business are not presented.

Unallocated assets under business segment reporting primarily include available-for-sale financial assets, portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable and cash and bank balances. While unallocated segment liabilities include borrowings, derivative financial instruments, current and deferred taxation liabilities.

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment

The segment results for the year ended 31st December 2005 are as follows:

US\$'000	Container	Property		Unallocated	Elimination	Group
	transport and logistics	Terminal	investment and development			
Turnover	4,229,937	486,711	23,932	—	(44,339)	4,696,241
Operating profit	648,829	56,375	8,271	31,451	—	744,926
Finance costs (note 12)						(61,659)
Share of profits less losses of jointly controlled entities (note 20)						6,950
Share of loss of an associated company (note 21)						(84)
Profit before taxation						690,133
Taxation						(38,842)
Profit for the year						651,291
Capital expenditure	540,934	94,489	71	—	—	635,494
Depreciation	122,638	34,607	57	—	—	157,302
Amortisation	4,529	1,234	1,058	—	—	6,821

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment results for the year ended 31st December 2004 are as follows:

US\$'000	Container transport and logistics		Property investment and development		Unallocated	Elimination	Group
	Terminal						
Turnover	3,748,414	402,837	23,933	—	(34,856)		4,140,328
Operating profit	644,997	53,641	9,212	21,158	—		729,008
Finance costs (note 12)							(43,787)
Share of profits less losses of jointly controlled entities (note 20)							11,116
Profit before taxation							696,337
Taxation							(25,739)
Profit for the year							670,598
Capital expenditure	761,114	45,286	91	—	—		806,491
Depreciation	120,645	24,124	91	—	—		144,860
Amortisation	5,594	572	174	—	—		6,340

Inter-segment transfers or transactions are conducted at prices and terms mutually agreed amongst those business segments.

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2005 are as follows:

	Container transport and logistics	Terminal	Property investment and development	Unallocated	Group
US\$'000					
Segment assets					
Property, plant and equipment	2,293,813	300,009	124	—	2,593,946
Jointly controlled entities	4,429	—	15,428	—	19,857
Associated company	—	7,916	—	—	7,916
Other assets	380,232	74,363	411,315	1,327,287	2,193,197
Total assets					4,814,916
Segment liabilities					
Creditors and accruals	(530,930)	(55,160)	(14,510)	(2,445)	(603,045)
Other liabilities	(11,352)	(3,728)	—	(1,904,332)	(1,919,412)
Total liabilities					(2,522,457)

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2004 are as follows:

US\$'000	Container transport and logistics	Terminal	Property investment and development	Unallocated	Group
Segment assets					
Property, plant and equipment	1,892,122	239,740	204	—	2,132,066
Jointly controlled entities	2,957	—	28,298	—	31,255
Other assets	322,232	79,830	321,330	1,127,889	1,851,281
Total assets					4,014,602
Segment liabilities					
Creditors and accruals	(504,335)	(43,427)	(3,385)	(2,388)	(553,535)
Other liabilities	(10,706)	(3,435)	—	(1,629,709)	(1,643,850)
Total liabilities					(2,197,385)

5. Turnover and segment information (Continued)**(b) Segment reporting (Continued)****Secondary reporting – geographical segment**

The Group's three business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

US\$'000	Turnover	Operating profit/(loss)	Capital expenditure
Year ended 31st December 2005			
Asia	3,023,294	468	39,333
North America	1,043,771	66,908	90,888
Europe	556,054	—	751
Australia	73,122	—	337
Unallocated*	—	677,550	504,185
	4,696,241	744,926	635,494
Year ended 31st December 2004			
Asia	2,710,669	(1,668)	20,811
North America	885,326	67,571	61,069
Europe	480,450	—	1,715
Australia	63,883	—	70
Unallocated*	—	663,105	722,826
	4,140,328	729,008	806,491

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Secondary reporting – geographical segment (Continued)

	31st	31st
	December	December
US\$'000	2005	2004
Total assets		
Asia	379,907	240,211
North America	540,467	497,820
Europe	21,262	15,308
Australia	627	342
Unallocated*	3,872,653	3,260,921
	4,814,916	4,014,602

* Operating profit comprises results from container transport and logistics and investment activities. Whereas total assets mainly comprise vessels, containers, intangible assets, available-for-sale financial assets, portfolio investments, derivative financial instruments, inventories, deferred taxation assets, tax recoverable, cash and bank balances while capital expenditure mainly comprises additions to vessels, containers and intangible assets.

6. Operating costs

US\$'000	2005	2004
Cargo	1,683,380	1,487,425
Vessel and voyage	965,406	748,095
Equipment and repositioning	537,912	499,756
Terminal operating	337,161	268,409
Property management and development	10,443	9,073
	3,534,302	3,012,758

7. Other operating income

US\$'000	2005	2004
Income from available-for-sale financial assets		
- profit on disposal	18	1,862
- dividend income	18	49
Interest income from banks	30,105	18,461
Portfolio investment income		
- fair value gain (realised and unrealised)	10,344	8,183
- interest income	2,722	2,277
- dividend income	1,277	1,224
Gain on interest rate swap contracts	5,152	—
Profit on disposal of a jointly controlled entity	—	770
Profit on disposal of property, plant and equipment	8,709	1,768
Exchange gain	13,287	1,587
Others	4,662	909
	76,294	37,090

The investment income from listed and unlisted investments for the year are US\$2.7 million (2004: US\$2.7 million) and US\$1.3 million (2004: US\$0.8 million), respectively.

8. Other operating expenses

US\$'000	2005	2004
Business and administrative	476,870	423,759
Corporate	11,845	11,893
Loss on foreign exchange forward contracts	4,592	—
	493,307	435,652

9. Employee benefit expense

US\$'000	2005	2004
Wages and salaries		
- General and administrative staff	302,303	295,526
- Terminal workers	268,439	226,158
- Crew and seamen	25,696	21,547
	596,438	543,231
Pension and retirement benefits		
- Defined contribution plans (note 24)	15,296	14,309
- Defined benefit plans (note 24)	7,410	6,908
	619,144	564,448

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below:

Name of Director					Employer's contribution to provident fund scheme	Total
US\$'000	Fees	Salary	Discretionary bonuses	Other benefits		
For the year ended 31st December 2005						
Mr C C Tung	106	539	995	—	154	1,794
Mr Tsann Rong Chang	—	64	—	—	—	64
Mr Roger King	—	54	—	—	5	59
Mr Nicholas D Sims	115	136	697	108	53	1,109
Mr Philip Chow	—	456	2,396	—	285	3,137
Mr Alan Tung	—	160	—	—	16	176
Mr Simon Murray	19	—	—	—	—	19
Dr Victor K Fung	32	—	—	—	—	32
Prof Richard Wong	26	—	—	—	—	26

10. Directors' and management's emoluments (Continued)**(a) Directors' emoluments (Continued)**

					Employer's	
					contribution	
Name of Director		Discretionary	Other	to provident		
US\$'000	Fees	Salary	bonuses	benefits	fund scheme	Total
For the year ended 31st December 2004						
Mr C C Tung	106	539	428	—	97	1,170
Mr Tsann Rong Chang	—	299	1,167	—	141	1,607
Mr Roger King	—	54	—	—	6	60
Mr Nicholas D Sims	115	126	277	108	31	657
Mr Philip Chow	—	450	1,167	120	141	1,878
Mr Robert Suan	—	229	113	—	16	358
Mr Simon Murray	19	—	—	—	—	19
Dr Victor K Fung	26	—	—	—	—	26
Prof Richard Wong	19	—	—	—	—	19

None of the Directors has waived the right to receive their emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: two) individuals are as follows:

US\$'000	2005	2004
Basic salaries, housing allowances, other allowances and benefits in kind	921	653
Discretionary bonuses	3,834	1,167
Pension costs - defined contribution plans	475	182
	5,230	2,002

10. Directors' and management's emoluments (Continued)

(b) Five highest paid individuals (Continued)

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

Emolument bands (US\$)		Number of individuals	
		2005	2004
833,301 ~ 897,400	(HK\$6,500,001 ~ HK\$7,000,000)	—	1
1,153,801 ~ 1,218,000	(HK\$9,000,001 ~ HK\$9,500,000)	—	2
1,602,501 ~ 1,666,600	(HK\$12,500,001 ~ HK\$13,000,000)	2	1
1,730,701 ~ 1,794,900	(HK\$13,500,001 ~ HK\$14,000,000)	1	—
1,858,901 ~ 1,923,000	(HK\$14,500,001 ~ HK\$15,000,000)	—	1
1,923,001 ~ 1,987,100	(HK\$15,000,001 ~ HK\$15,500,000)	1	—
3,076,901 ~ 3,141,000	(HK\$24,000,001 ~ HK\$24,500,000)	1	—
		5	5

(c) Key management compensation

US\$'000	2005	2004
Salaries and other short-term employee benefits	11,792	8,563
Pension costs - defined contribution plans	1,109	757
	12,901	9,320

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit

US\$'000	2005	2004
Operating profit is arrived at after crediting:		
Operating lease rental income		
Land and buildings	21,974	22,262
and after charging:		
Depreciation		
Owned assets	117,413	95,076
Leased assets	39,889	49,784
Operating lease rental expense		
Vessels and equipment	405,442	399,126
Land and buildings	47,473	43,402
Rental outgoings in respect of an investment property	14,223	11,231
Amortisation of intangible assets	5,260	5,844
Amortisation of prepayments of lease premiums	1,561	496
Less: Amount capitalised under properties under development and for sale	(1,057)	(58)
	504	438
Auditors' remuneration		
Audit	2,327	1,960
Non-audit	1,559	926

12. Finance costs

US\$'000	2005	2004
Interest expense		
Bank loans, overdrafts and other loans		
Wholly repayable within five years	17,133	13,122
Not wholly repayable within five years	12,994	8,641
Finance lease obligations		
Wholly payable within five years	9,528	11,201
Not wholly payable within five years	23,484	7,272
	63,139	40,236
Amount capitalised under assets	(7,082)	(2,661)
Net interest expense	56,057	37,575
Dividend on preference shares	5,602	6,212
	61,659	43,787

The borrowing cost of the loans to finance the vessels under construction (note 16) and properties under development and for sale (note 28) represents an average capitalisation rate of approximately 3.9% (2004: 2.8%).

13. Taxation

US\$'000	2005	2004
Current taxation		
Hong Kong profits tax	1,026	—
Overseas taxation	25,509	28,784
	26,535	28,784
Deferred taxation		
Hong Kong profits tax	1,866	(1,981)
Overseas taxation	10,441	(1,064)
	38,842	25,739

13. Taxation (Continued)

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 3% to 52% (2004: 10% to 53%) and the rate applicable for Hong Kong profits tax is 17.5% (2004: 17.5%).

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US\$'000	2005	2004
Profit before taxation	690,133	696,337
Share of profits less losses of jointly controlled entities	(6,950)	(11,116)
Share of loss of an associated company	84	—
	683,267	685,221
Tax calculated at applicable tax rate	149,084	134,033
Income not subject to tax	(119,911)	(112,470)
Expenses not deductible for tax purposes	18,100	9,913
Tax losses not recognised	2,193	2,768
Temporary differences not recognised	(2,640)	(57)
Utilisation of previously unrecognised tax losses	(4,434)	(7,403)
Utilisation of previously unrecognised temporary differences	(2,761)	(665)
Recognition of previously unrecognised deferred tax assets	—	(1,981)
Recognition of previously unrecognised temporary differences	11	(156)
Change in tax rates	(793)	—
Withholding tax	198	1,381
Other items	(205)	376
	38,842	25,739

14. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the profit attributable to equity holders of US\$650.9 million (2004: US\$670.4 million) and the weighted average number of 625.8 million (2004: 618.0 million after adjusting for the bonus issue) ordinary shares in issue during the year.

The basic and diluted earnings per ordinary share are the same since there are no potential dilutive shares.

15. Dividends

US\$'000	2005	2004
Interim paid of US12.00 cents (2004: US10.91 cents) per ordinary share	75,261	68,354
Proposed final of US15.00 cents (2004: US16.36 cents) per ordinary share	93,869	102,334
	169,130	170,688

The Board of Directors proposes a final dividend in respect of 2005 of US15.00 cents per ordinary share (2004: US16.36 cents after adjusting for the bonus issue). This dividend will be accounted for as an appropriation of retained profit in the year ending 31st December 2006.

16. Property, plant and equipment

US\$'000	Container					Buildings			
	vessels and					Freehold	under	Vehicles,	
	capitalised					land and	medium-term	furnitures,	
	dry-docking		Vessels	equipment		buildings	leasehold	computer	
	costs	construction	Containers	Chassis	improvements	outside	land outside	and other	Total
Group									
Cost or valuation									
At 31st December 2004	1,364,106	380,250	618,983	137,758	334,674	53,633	19,799	126,523	3,035,726
Currency translation adjustments	—	—	—	272	6,727	(73)	439	(244)	7,121
Additions	18,099	389,789	87,311	13,462	78,927	2,437	4,704	26,608	621,337
Reclassification	145,026	(145,026)	—	—	—	—	—	—	—
Disposals	—	—	(16,953)	(1,458)	(10,504)	(167)	(67)	(6,828)	(35,977)
At 31st December 2005	1,527,231	625,013	689,341	150,034	409,824	55,830	24,875	146,059	3,628,207
Accumulated depreciation									
At 31st December 2004	354,361	—	212,507	92,595	128,729	26,777	7,163	81,528	903,660
Currency translation adjustments	—	—	—	134	2,745	(33)	138	(88)	2,896
Charge for the year	60,352	—	40,945	7,916	28,134	1,974	1,274	16,707	157,302
Disposals	—	—	(14,151)	(385)	(8,381)	—	(67)	(6,613)	(29,597)
At 31st December 2005	414,713	—	239,301	100,260	151,227	28,718	8,508	91,534	1,034,261
Net book amount									
At 31st December 2005	1,112,518	625,013	450,040	49,774	258,597	27,112	16,367	54,525	2,593,946
At 31st December 2004	1,009,745	380,250	406,476	45,163	205,945	26,856	12,636	44,995	2,132,066
Net book amount of leased assets									
At 31st December 2005	510,307	534,749	54,982	17,708	76,768	—	—	1,819	1,196,333
At 31st December 2004	384,188	144,620	61,608	23,449	68,071	—	—	352	682,288

16. Property, plant and equipment (Continued)

US\$'000	Container					Buildings			
	vessels and					Freehold	under	Vehicles,	
	capitalised					land and	medium-term	furnitures,	
	dry-docking		Vessels		Terminal	buildings	leasehold	computer	
	costs	construction	Containers	Chassis	equipment	outside	land outside	and other	Total
Group									
Cost or valuation									
At 31st December 2003	1,043,812	172,284	442,865	120,178	287,861	53,607	20,359	108,319	2,249,285
Currency translation adjustments	—	—	—	485	10,300	26	90	2,155	13,056
Additions	—	528,260	189,946	17,610	38,916	—	—	24,767	799,499
Reclassification	320,294	(320,294)	—	—	—	—	—	—	—
Disposals	—	—	(13,828)	(515)	(2,403)	—	(650)	(8,718)	(26,114)
At 31st December 2004	1,364,106	380,250	618,983	137,758	334,674	53,633	19,799	126,523	3,035,726
Accumulated depreciation									
At 31st December 2003	307,446	—	168,538	84,485	105,672	24,872	6,425	75,448	772,886
Currency translation adjustments	—	—	—	194	4,489	16	32	1,386	6,117
Charge for the year	46,915	—	55,518	8,187	20,085	1,889	1,356	10,910	144,860
Disposals	—	—	(11,549)	(271)	(1,517)	—	(650)	(6,216)	(20,203)
At 31st December 2004	354,361	—	212,507	92,595	128,729	26,777	7,163	81,528	903,660
Net book amount									
At 31st December 2004	1,009,745	380,250	406,476	45,163	205,945	26,856	12,636	44,995	2,132,066
At 31st December 2003	736,366	172,284	274,327	35,693	182,189	28,735	13,934	32,871	1,476,399
Net book amount of leased assets									
At 31st December 2004	384,188	144,620	61,608	23,449	68,071	—	—	352	682,288
At 31st December 2003	153,073	—	125,867	26,913	77,620	—	—	607	384,080

16. Property, plant and equipment (Continued)

- (a) Container vessels include three (2004: 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 80A of Hong Kong Accounting Standard 16 "Property, plant and equipment". Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US\$1.9 million (2004: US\$2.3 million).
- (b) Apart from the container vessels mentioned under (a) above, all other property, plant and equipment are carried at cost.
- (c) The aggregate net book amount of assets pledged as securities for loans amounts to US\$447.0 million (2004: US\$906.3 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.
- (d) Interest costs of US\$4.5 million (2004: US\$1.3 million) during the year were capitalised as part of vessels under construction.
- (e) Depreciation charge of US\$137.4 million (2004: US\$130.7 million) during the year has been expensed in operating cost and US\$19.9 million (2004: US\$14.2 million) in business and administrative expenses.

17. Investment property**Group**

US\$'000	2005	2004
Balance at beginning and end of year	100,000	100,000

The investment property, "Wall Street Plaza", a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066. The property is stated at Directors' valuation of US\$100.0 million (2004: US\$100.0 million), by reference to a professional valuation made by an independent valuer, in December 2005 on an open market basis.

The investment property is pledged for bank borrowings for 2004 and 2005.

18. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

US\$'000	2005	2004
Group		
Medium-term lease outside Hong Kong	7,787	3,110
Balance at beginning of year	3,110	3,399
Currency translation adjustments	263	286
Additions	4,918	—
Disposals	—	(137)
Amortisation	(504)	(438)
Balance at end of year	7,787	3,110

Amortisation of US\$0.5 million (2004: US\$0.4 million) is included in "other operating expenses" in the profit and loss account.

19. Subsidiaries

US\$'000	2005	2004
Company		
Unlisted shares, at cost less provision	169,482	169,482
Amounts due from subsidiaries	1,195,708	1,012,308
Amounts due to subsidiaries	843,900	707,225

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment.

Particulars of the principal subsidiaries at 31st December 2005 are shown on pages 155 to 165.

20. Jointly controlled entities

US\$'000	2005	2004
Group		
Beginning of the year	14,796	12,558
Share of jointly controlled entities' results		
- Profit before taxation	10,043	15,518
- Taxation	(3,093)	(4,402)
	21,746	23,674
Currency translation adjustments	138	(1)
Additions	187	98
Disposals	—	9,546
Dividend received	(508)	(18,521)
End of the year	21,563	14,796
Share of net assets	21,563	14,796
Amounts (payable)/receivable	(1,706)	16,459
	19,857	31,255

The amounts payable and receivable are unsecured, interest free and have no specific repayment terms.

20. Jointly controlled entities (Continued)

The Group's share of assets, liabilities and results of the jointly controlled entities is summarised below :

US\$'000	2005	2004
Non-current assets	870	957
Current assets	53,755	63,121
Current liabilities	(33,062)	(48,247)
Non-current liabilities	—	(1,035)
	21,563	14,796
Income	22,584	44,565
Expenses	(15,634)	(33,449)
Capital commitment	28	34

Particulars of the principal jointly controlled entities at 31st December 2005 are shown on page 166.

21. Associated company

US\$'000	2005	2004
Group		
Share of net assets		
Additions	8,000	—
Share of associated company's results		
- Loss for the year	(84)	—
End of the year	7,916	—

21. Associated company (Continued)

The Group's share of assets, liabilities and results of the associated company is summarised as follows :

US\$'000	2005	2004
Non-current assets	6,905	—
Current assets	1,020	—
Current liabilities	(9)	—
	7,916	—
Income	4	—
Expenses	(88)	—
Capital commitment	20,422	—

Particulars of the associated company at 31st December 2005 are shown on page 166.

22. Intangible assets

US\$'000	Computer software development costs
Group	
At 1st January 2004	
Cost	48,336
Accumulated amortisation	(32,516)
Net book amount	15,820
Year ended 31st December 2004	
Opening net book amount	15,820
Currency translation adjustments	1
Additions	6,992
Write-off	(42)
Amortisation	(5,844)
Closing net book amount	16,927

22. Intangible assets (Continued)

US\$'000	Computer software development costs
At 31st December 2004	
Cost	55,287
Accumulated amortisation	(38,360)
Net book amount	16,927
Year ended 31st December 2005	
Opening net book amount	16,927
Currency translation adjustments	124
Additions	9,239
Amortisation	(5,260)
Closing net book amount	21,030
At 31st December 2005	
Cost	64,339
Accumulated amortisation	(43,309)
Net book amount	21,030

Computer software development costs mainly comprise internally generated capitalised software development costs.

Amortisation of US\$5.3 million (2004: US\$5.8 million) is included in "other operating expenses" in the profit and loss account.

23. Deferred taxation assets/(liabilities)

US\$'000	2005	2004
Group		
Deferred taxation assets	8,203	15,352
Deferred taxation liabilities	(50,204)	(40,166)
	(42,001)	(24,814)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US\$'000	2005	2004
Deferred taxation assets to be recovered after more than twelve months	3,568	10,178
Deferred taxation liabilities to be settled after more than twelve months	(49,913)	(39,699)

23. Deferred taxation assets/(liabilities) (Continued)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

	Revenue	Tax		
US\$'000	expenditure	losses	Pensions	Total
Deferred taxation assets				
At 31st December 2003	7,330	3,880	1,541	12,751
Currency translation adjustments	140	(83)	—	57
Credited/(charged) to profit and loss account	5,880	1,112	(333)	6,659
At 31st December 2004	13,350	4,909	1,208	19,467
Currency translation adjustments	(336)	(184)	—	(520)
Change in tax rates	85	—	23	108
Credited/(charged) to profit and loss account	(6,118)	(3,672)	662	(9,128)
At 31st December 2005	6,981	1,053	1,893	9,927

	Depreciation			
US\$'000	allowances	Revaluation	Pensions	Total
Deferred taxation liabilities				
At 31st December 2003	19,271	19,413	731	39,415
Currency translation adjustments	1,193	—	59	1,252
Charged/(credited) to profit and loss account	3,319	384	(89)	3,614
At 31st December 2004	23,783	19,797	701	44,281
Currency translation adjustments	1,350	—	—	1,350
Change in tax rates	(685)	—	—	(685)
Acquisition of a subsidiary	—	3,803	—	3,803
Charged to profit and loss account	1,759	1,420	—	3,179
At 31st December 2005	26,207	25,020	701	51,928

23. Deferred taxation assets/(liabilities) (Continued)

Deferred taxation assets of US\$19.9 million (2004: US\$21.0 million) arising from unused tax losses of US\$100.1 million (2004: US\$101.2 million) have not been recognised in the accounts. Unused tax losses of US\$91.7 million (2004: US\$94.8 million) have no expiry date and the balance will expire at various dates up to and including 2010.

Deferred taxation liabilities of US\$18.5 million (2004: US\$11.5 million) on temporary differences associated with investments in subsidiaries of US\$180.1 million (2004: US\$133.8 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies.

24. Pension and retirement benefits

The Group operates a number of defined benefits and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the profit and loss account for the year were US\$22.7 million (2004: US\$21.2 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. These schemes cover approximately 76% of the Group's employees. 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's 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 charges for the defined contribution schemes to the profit and loss account during the year are as follows:

US\$'000	2005	2004
Group		
Contributions to the schemes	15,364	14,346
Forfeitures utilised	(68)	(37)
	15,296	14,309

Contributions totalling US\$2.8 million (2004: US\$2.2 million) were payable to the fund at the balance sheet date.

Defined benefit schemes

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 11% of the Group's employees and are fully funded, with the exception of two smaller schemes and certain post retirement benefits. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance 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. Actuary valuations for these schemes are carried out by independent professionally qualified actuaries ranging between two to three years.

24. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

The net assets/(liabilities) for the defined benefit schemes are recognised in the balance sheet as follows:

US\$'000	2005	2004
Group		
Fair value of plan assets	244,176	251,100
Present value of funded obligations	(302,554)	(299,283)
Net funded obligations	(58,378)	(48,183)
Present value of unfunded obligations	(9,677)	(8,943)
Unrecognised actuarial losses	56,218	45,059
Unrecognised prior service cost	3,205	3,476
Unrecognised other assets	235	246
Net pension and retirement liabilities	(8,397)	(8,345)
Representing:		
Pension and retirement assets	6,683	5,796
Pension and retirement liabilities	(15,080)	(14,141)
	(8,397)	(8,345)

Movements of the net liabilities during the year are as follows:

US\$'000	2005	2004
Balance at beginning of year	(8,345)	(5,972)
Currency translation adjustments	235	(159)
Net expense recognised in profit and loss account	(7,410)	(6,908)
Contributions paid	7,123	4,694
Balance at end of year	(8,397)	(8,345)

24. Pension and retirement benefits (Continued)**Defined benefit schemes (Continued)**

The charges for the defined benefit schemes are recognised in the profit and loss account as follows:

US\$'000	2005	2004
Current service cost	4,417	4,188
Interest cost	14,257	15,029
Expected return on plan assets	(13,035)	(14,175)
Amortisation of past service cost	379	390
Net actuarial loss	1,392	602
Loss on curtailments and settlements	—	874
Net expense recognised for the year	7,410	6,908

The main actuarial assumptions made for the principal defined benefit schemes were as follows:

	2005	2004
Discount rate	2 to 6%	2 to 8%
Expected return on plan assets	1 to 8%	1 to 8%
Expected future salary increases	3 to 5%	3 to 8%
Actual return on plan assets (US\$'000)	25,955	16,862

25. Available-for-sale financial assets

US\$'000	2005	2004
Group		
Beginning of the year	3,508	6,788
Currency translation adjustments	(32)	(199)
Additions	6,743	163
Disposals	(332)	(3,244)
Change in fair value transferred to equity	3,134	—
End of the year	13,021	3,508

Available-for-sale financial assets include the following:

US\$'000	2005	2004
Listed equity securities :		
Hong Kong	7,833	—
Overseas	7	7
Market value of listed equity securities	7,840	7
Unlisted equity securities	2,991	1,278
Unlisted debt securities	3	4
Others	2,187	2,219
	13,021	3,508

26. Restricted bank balances and other deposits

US\$'000	2005	2004
Group		
Restricted bank balances	87,034	100,128
Other deposits	14,825	11,825
	101,859	111,953

The restricted bank balances of US\$87.0 million (2004: US\$100.1 million) which are funds pledged as securities for banking facilities, redeemable preference shares redemption (note 36) and performance under leasing arrangements or required to be utilised for specific purposes.

The effective interest rate on restricted bank balances was 6.3% (2004: 6.5%); these balances have an average maturity of 4.7 years.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar.

27. Other non-current assets

Other non-current assets include an advance to an investee company of US\$85.5 million (2004: US\$92.4 million) which is interest free, unsecured and has no specific terms of repayment.

28. Properties under development and for sale

US\$'000	2005	2004
Group		
Properties under development for sale	178,698	97,959
Completed properties held for sale	2,847	—
	181,545	97,959
Represented by :		
Leasehold land and land use rights	71,199	4,592
Development costs	110,346	93,367
	181,545	97,959

Interest costs of US\$2.6 million (2004: US\$1.4 million) during the year were capitalised as part of properties under development and for sale.

Amortisation of leasehold land and land use rights of US\$1.1 million (2004: US\$0.1 million) during the year was capitalised as part of development costs.

The properties under development are held at medium-term lease outside Hong Kong.

Bank borrowings are secured on properties under development with the carrying amount of US\$85.3 million (2004: US\$80.3 million).

29. Inventories

US\$'000	2005	2004
Group		
Bunker	35,546	23,690
Consumable stores	8,965	6,318
	44,511	30,008

The cost of inventories recognised as expense and included in operating cost amounts to US\$425.0 million (2004: US\$285.6 million).

30. Debtors and prepayments

US\$'000	2005	2004
Group		
Trade receivables	284,319	256,485
Less : provision for impairment	(7,502)	(9,334)
Trade receivables – net	276,817	247,151
Other debtors	47,254	42,663
Prepayments	65,061	54,122
Utility and other deposits	3,384	9,577
Tax recoverable	22,574	5,984
	415,090	359,497

30. Debtors and prepayments (Continued)

Trade receivables of US\$219.2 million (2004: US\$184.7 million) were assigned to a third party trustee company which holds these receivables in favour of the Group and an independent third party sponsored by a bank. Under the arrangement, trade receivables of US\$110.0 million (2004: US\$109.5 million) held in the trustee company were securities for a loan of US\$100.0 million (2004: US\$99.5 million).

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. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted.

The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US\$'000	2005	2004
Below one month	246,099	215,128
Two to three months	25,912	26,750
Four to six months	4,797	5,123
Over six months	9	150
	276,817	247,151

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The carrying amounts of the Group's trade receivables are mainly denominated in US dollar.

The Group has recognised a loss of US\$0.4 million (2004: US\$5.1 million) in respect of the impairment of its trade receivables during the year ended 31st December 2005. The loss has been included in "other operating expenses" in the profit and loss account.

31. Portfolio investments

US\$'000	2005	2004
Group		
Listed equity securities		
Hong Kong	25,273	14,183
Overseas	4,435	4,369
Market value of listed equity securities	29,708	18,552
Listed debt securities		
Hong Kong	6,972	2,080
Overseas	43,978	40,187
Unlisted debt securities	3,588	—
Unit trust	3,325	3,117
Money market instruments	149,433	185,898
	237,004	249,834

32. Derivative financial instruments

US\$'000	2005	2004
Group		
Assets/(liabilities)		
Interest rate swap contracts	354	—
Foreign exchange forward contracts	(4,592)	—

33. Cash and bank balances

US\$'000	2005	2004
Group		
Cash at bank and in hand	342,099	93,506
Short-term bank deposits	620,442	661,543
	962,541	755,049

The effective interest rate on short-term bank deposits was 4.3 % (2004: 2.3 %); these deposits have an average maturity of 12 days.

Short-term deposit of US\$49.2 million (2004: US\$8.8 million) are funds pledged for redeemable preference shares redemption and a bank loan (note 36).

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar.

US\$'000	2005	2004
Company		
Cash at bank and in hand	796	5,862
Short-term bank deposits	1,709	2,653
	2,505	8,515

34. Share capital

US\$'000	2005	2004
Authorised:		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	50,000	50,000
	205,000	205,000

	Number of shares (thousands)	Ordinary shares US\$'000
Issued and fully paid :		
At 1st January 2004	470,185	47,018
- proceeds from shares issued	47,000	4,700
- bonus issue	51,718	5,172
At 31st December 2004	568,903	56,890
- bonus issue	56,890	5,689
At 31st December 2005	625,793	62,579

By an ordinary resolution passed on 5th May 2005, the issued share capital was increased by way of a bonus issue by applying US\$5,689,030 charging to the share premium account in payment in full at par of 56,890,299 shares of US\$0.10 each on the basis of one new share for every ten shares held on 5th May 2005.

All the new shares rank pari passu with the existing shares.

35. Reserves

Group

US\$'000	Asset revaluation reserve							
	Capital			Vessels	Available-	Foreign	Retained	Total
	Share	Contributed	redemption		for-sale	exchange		
	premium	surplus	reserve		financial	translation		
(note)								
Balance at 31st December 2003	35,073	88,547	4,696	9,948	—	(45,137)	970,609	1,063,736
Currency translation adjustments								
- Group	—	—	—	—	—	9,847	—	9,847
- Jointly controlled entities	—	—	—	—	—	(1)	—	(1)
Issue of new shares	148,245	—	—	—	—	—	—	148,245
Bonus issue	(5,172)	—	—	—	—	—	—	(5,172)
Profit for the year	—	—	—	—	—	—	670,449	670,449
2003 final dividend	—	—	—	—	—	—	(66,231)	(66,231)
2004 interim dividend	—	—	—	—	—	—	(68,354)	(68,354)
Balance at 31st December 2004	178,146	88,547	4,696	9,948	—	(35,291)	1,506,473	1,752,519
Currency translation adjustments								
- Group	—	—	—	—	—	(1,610)	—	(1,610)
- Jointly controlled entities	—	—	—	—	—	138	—	138
Bonus issue	(5,689)	—	—	—	—	—	—	(5,689)
Change in fair value	—	—	—	—	3,134	—	—	3,134
Profit for the year	—	—	—	—	—	—	650,854	650,854
2004 final dividend	—	—	—	—	—	—	(102,334)	(102,334)
2005 interim dividend	—	—	—	—	—	—	(75,261)	(75,261)
Balance at 31st December 2005	172,457	88,547	4,696	9,948	3,134	(36,763)	1,979,732	2,221,751

Note :

Foreign exchange translation reserve was included in retained profit in prior years.

35. Reserves (Continued)

Company

US\$'000	Share premium	Contributed surplus	Capital		Total
			redemption reserve	Retained profit	
Balance at 31st December 2003	35,073	88,547	4,696	169,122	297,438
Issue of new shares	148,245	—	—	—	148,245
Bonus issue	(5,172)	—	—	—	(5,172)
Profit for the year	—	—	—	118,842	118,842
2003 final dividend	—	—	—	(66,231)	(66,231)
2004 interim dividend	—	—	—	(68,354)	(68,354)
Balance at 31st December 2004	178,146	88,547	4,696	153,379	424,768
Bonus issue	(5,689)	—	—	—	(5,689)
Profit for the year	—	—	—	218,289	218,289
2004 final dividend	—	—	—	(102,334)	(102,334)
2005 interim dividend	—	—	—	(75,261)	(75,261)
Balance at 31st December 2005	172,457	88,547	4,696	194,073	459,773

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US\$218.3 million (2004: US\$118.8 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\$282.6 million (2004: US\$241.9 million) as at 31st December 2005, before the proposed final dividend of US\$93.9 million (2004: 102.3 million) (note 15).

36. Borrowings

US\$'000	2005	2004
Group		
Non-current		
Bank loans		
- secured	356,870	610,319
- unsecured	—	7,968
Other loans		
- secured	106,020	105,334
- unsecured	—	1,148
Redeemable preference shares and premium (note)	65,514	74,751
Finance lease obligations	1,121,640	628,170
	1,650,044	1,427,690
Current		
Bank overdrafts, unsecured	82	85
Bank loans		
- secured	120,894	98,639
- unsecured	—	2,656
Other loans		
- secured	3,896	4,063
- unsecured	6,840	1,496
Redeemable preference shares and premium (note)	9,237	8,511
Finance lease obligations	47,599	38,359
	188,548	153,809
Total borrowings	1,838,592	1,581,499

36. Borrowings (Continued)

The maturity of borrowings is as follows :

				Redeemable		
				preference	Finance leases	
US\$'000	Bank loans	Bank overdrafts	Other loans	shares and premium	Present value	Minimum payments
As at 31st December 2005						
2006	120,894	82	10,736	9,237	47,599	82,096
2007	83,914	—	1,392	9,680	82,714	107,791
2008	52,383	—	1,362	10,145	48,304	89,869
2009	45,680	—	939	10,632	54,741	90,141
2010	93,271	—	100,932	11,142	35,593	73,120
2011 onwards	81,622	—	1,395	23,915	900,288	1,286,451
	477,764	82	116,756	74,751	1,169,239	1,729,468
Wholly repayable within five years	140,110	82	115,361	—	111,668	
Not wholly repayable within five years	337,654	—	1,395	74,751	1,057,571	
	477,764	82	116,756	74,751	1,169,239	
As at 31st December 2004						
2005	101,295	85	5,559	8,511	38,359	61,993
2006	104,778	—	4,945	9,237	62,078	83,308
2007	114,375	—	710	9,680	57,865	74,969
2008	83,958	—	654	10,145	18,796	33,537
2009	123,975	—	229	10,632	24,897	38,338
2010 onwards	191,201	—	99,944	35,057	464,534	615,018
	719,582	85	112,041	83,262	666,529	907,163
Wholly repayable within five years	348,228	85	12,097	—	141,682	
Not wholly repayable within five years	371,354	—	99,944	83,262	524,847	
	719,582	85	112,041	83,262	666,529	

36. Borrowings (Continued)

The effective interest rates at the balance sheet date were as follows :

	2005					2004			
	US\$	Can\$	£	Rmb	Other	US\$	Can\$	£	Other
Bank loans	5.4%	5.0%	—	4.7%	—	3.5%	—	—	—
Other loans	4.8%	2.4%	—	—	—	3.4%	2.4%	—	—
Redeemable preference shares and premium	7.1%	—	—	—	—	7.1%	—	—	—
Finance lease obligations	5.0%	7.5%	4.9%	—	5.3%	3.7%	6.0%	2.9%	5.0%

The carrying amounts and fair values of the non-current borrowings are as follows:

US\$'000	Carrying amounts		Fair values	
	2005	2004	2005	2004
Bank loans	356,870	618,287	356,870	618,287
Other loans	106,020	106,482	106,045	106,682
Redeemable preference shares and premium	65,514	74,751	68,169	83,883
Finance lease obligations	1,121,640	628,170	1,124,310	637,458
	1,650,044	1,427,690	1,655,394	1,446,310

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.8% (2004: 3.8%).

The carrying amounts of short-term borrowings approximate their fair values.

36. Borrowings (Continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies :

US\$'000	2005	2004
US dollar	1,697,510	1,480,542
Pound sterling	59,080	67,314
Canadian dollar	45,938	33,604
Renminbi	35,935	—
Other currencies	129	39
	1,838,592	1,581,499

Note:

In June 2002, the Group entered into, inter alia, a Shareholders Agreement, as subsequently amended, with, inter alios, two unrelated third parties (together the "Preference Shareholders") in relation to a subsidiary. Under the Shareholders Agreement, the Preference Shareholders acquired from the Group 90 cumulative preference shares (the "Preference Shares") of €150 each in this subsidiary and contributed an aggregate of US\$100.0 million less the nominal value of the Preference Shares as share premium (the "Premium"). The Preference Shareholders are entitled to receive annual dividends of 7.08% per annum on the aggregate amount of the nominal value of the Preference Shares and Premium outstanding from time to time. To the extent permitted by local law, the Preference Shareholders may propose a repayment of the Premium annually, provided that such repayment does not exceed a maximum percentage specified in the Shareholders Agreement.

37. Creditors and accruals

US\$'000	2005	2004
Group		
Trade payables	160,927	164,823
Other creditors	52,296	33,071
Accrued expenses	365,730	335,047
Deferred revenue	24,092	20,594
	603,045	553,535

37. Creditors and accruals (Continued)

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

US\$'000	2005	2004
Below one month	121,595	132,763
Two to three months	34,373	25,906
Four to six months	1,848	1,326
Over six months	3,111	4,828
	160,927	164,823

The carrying amounts of the Group's trade payables are denominated in the following currencies :

US\$'000	2005	2004
US dollar	73,792	90,848
Canadian dollar	22,707	17,022
Hong Kong dollar	19,534	18,153
Other currencies	44,894	38,800
	160,927	164,823

38. Commitments

Group

(a) Capital commitments

US\$'000	2005	2004
Contracted but not provided for	284,618	456,945
Authorised but not contracted for	459,899	386,128
	744,517	843,073

(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 2005			
2006	248,103	45,050	293,153
2007	202,084	41,661	243,745
2008	190,560	37,608	228,168
2009	141,181	34,395	175,576
2010	108,562	32,987	141,549
2011 onwards	762,690	363,012	1,125,702
	1,653,180	554,713	2,207,893
As at 31st December 2004			
2005	284,061	43,140	327,201
2006	219,178	36,879	256,057
2007	178,381	35,411	213,792
2008	166,108	34,254	200,362
2009	140,958	32,488	173,446
2010 onwards	860,081	381,104	1,241,185
	1,848,767	563,276	2,412,043

38. Commitments (Continued)

Group (Continued)

(c) Operating lease rental receivable

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

US\$'000	2005	2004
2005	—	19,934
2006	19,770	19,673
2007	18,986	18,458
2008	18,071	17,547
2009	14,948	14,794
2010	11,061	10,100
2011 onwards	26,463	24,170
	109,299	124,676

39. Contingent liabilities

Group

The Group has given corporate guarantee of approximately US\$43.1 million (2004: US\$28.0 million) in respect of bank loan facilities extended to an investee company. At 31st December 2005, the amount utilised by the investee company is US\$33.9 million (2004: US\$28.0 million).

Company

- (a) The Company has given guarantees of approximately US\$1,287.1 million (2004: US\$1,338.4 million) for its subsidiaries and approximately US\$43.1 million (2004: US\$28.0 million) for an investee company in respect of loans, finance lease obligations and bank overdraft facilities. At 31st December 2005, the amounts utilised by the subsidiaries and the investee company are US\$1,283.7 million (2004: US\$1,197.0 million) and US\$33.9 million (2004: US\$28.0 million) respectively.
- (b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$172.5 million (2004: US\$216.8 million).

40. Notes to consolidated cash flow statement

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

US\$'000	2005	2004
Operating profit	744,926	729,008
Interest income	(32,827)	(20,738)
Dividend income from portfolio investments	(1,277)	(1,224)
Depreciation	157,302	144,860
Profit on disposal of property, plant and equipment	(8,709)	(1,768)
Income from available-for-sale financial assets	(18)	(49)
Profit on disposal of available-for-sale financial assets	(18)	(1,862)
Profit on disposal of a jointly controlled entity	—	(770)
Intangible assets written off	—	42
Amortisation of intangible assets	5,260	5,844
Amortisation of prepayments of lease premiums and leasehold land and land use rights	1,561	496
Net gain on derivative financial instruments	(560)	—
Increase in net pension liabilities	52	2,373
Operating profit before working capital changes	865,692	856,212
Increase in properties under development and for sale	(32,124)	(18,423)
Increase in inventories	(14,503)	(5,751)
Increase in debtors and prepayments	(38,847)	(45,731)
Increase in creditors and accruals	33,406	65,816
Increase in net derivative financial instruments liabilities	4,798	—
Cash generated from operations	818,422	852,123

40. Notes to consolidated cash flow statement (Continued)

(b) Analysis of changes in financing

US\$'000	Capital		Minority interests	Borrowings	Total
	Share capital and premium	redemption reserve and contributed surplus			
At 31st December 2003	82,091	93,243	7,850	1,270,058	1,453,242
Currency translation adjustments	—	—	—	2,707	2,707
Inception of finance leases	—	—	—	372,445	372,445
Issue of new shares	152,945	—	—	—	152,945
Minority interests' share of profit	—	—	149	—	149
Dividends paid to minority interests	—	—	(191)	—	(191)
Net cash outflow from financing	—	—	—	(63,796)	(63,796)
At 31st December 2004	235,036	93,243	7,808	1,581,414	1,917,501
Currency translation adjustments	—	—	109	(3,420)	(3,311)
Inception of finance leases	—	—	—	314,022	314,022
Minority interests' share of profit	—	—	437	—	437
Dividends paid to minority interests	—	—	(225)	—	(225)
Net cash outflow from financing	—	—	—	(53,506)	(53,506)
At 31st December 2005	235,036	93,243	8,129	1,838,510	2,174,918

(c) Acquisition of a subsidiary company

On 7th April 2005, the Group entered into a sale and purchase agreement to acquire 100% equity interest of Shanghai Waigaoqiao Xuhui Clubhouse Co Ltd ("SWXCCL"), which principally engaged in operating a clubhouse in Shanghai. It is the management's intention to redevelop the site to a service apartment and retail complex.

The consideration for the acquisition was US\$35.4 million, comprising US\$17.5 million, being the consideration for the purchase of the 100% equity interest of SWXCCL, and US\$17.9 million, being the consideration for the purchase of the advances from the previous shareholders. The acquired subsidiary contributed revenue of US\$0.2 million and net loss for US\$0.6 million to the Group since acquisition. If the acquisition had occurred on 1st January 2005, the revenue and net loss of the acquired subsidiary would have been US\$0.2 million and US\$0.8 million respectively.

The subsidiary acquired during the year contributed US\$0.2 million to the Group's net cash from operating activities.

40. Notes to consolidated cash flow statement (Continued)

(c) Acquisition of a subsidiary company (Continued)

Particulars of the assets and liabilities acquired are as follows:

US\$'000	Fair value	Carrying amount
Properties under development and for sale	49,962	18,653
Deferred income and other taxation liabilities	(14,649)	—
Debtors and prepayments	77	77
Cash and bank balances	84	84
Creditors and accruals	(93)	(93)
Net assets acquired	35,381	18,721
Purchase consideration settled in cash	35,381	
Cash and bank balances acquired	(84)	
Cash outflow on acquisition	35,297	

(d) Analysis of cash and cash equivalents

US\$'000	2005	2004
Bank balances and deposits maturing within three months from the date of placement	947,452	744,433
Portfolio investments	237,004	249,834
Bank overdrafts	(82)	(85)
	1,184,374	994,182

41. Approval of accounts

The accounts were approved by the Board of Directors on 10th March 2006.

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

As at 31st December 2005

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and			
	Group	loan capital	activities	incorporation	operations
Subsidiaries					
Beaufort Shipping Ltd	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Cargo System Warehouse and Transport Ltd	100	3,000 shares of HK\$100 each HK\$300,000	Equipment owning	Hong Kong	Hong Kong
Consolidated Leasing & Terminals, Inc.	100	1 share of no par value US\$100	Equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 shares of no par value US\$100,000	Equipment owning and leasing	Marshall Islands	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
Global Terminal & Container Services, Inc.	100	24,750 shares of no par value US\$5,500,000	Terminal operating	USA	USA
Glory Top Investment Ltd	100	10,000 shares of HK\$1 each HK\$10,000	Portfolio investment	Hong Kong	Hong Kong
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 transport	Hong Kong	Hong Kong
Hillingdon Steamship and Navigation Company Ltd	100	200 shares of US\$100 each US\$20,000	Investment holding	Bermuda	Worldwide
Howland Hook Leasing Corporation	100	1,000,000 common stock of US\$1 each US\$1,000,000	Terminal equipment owning and leasing	USA	USA

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and	activities	incorporation	operations
	Group	loan capital			
Subsidiaries (Continued)					
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			
Kunshan Guangting Property Co Ltd	100	Registered capital US\$20,000,000	Property development	China*	China
Kunshan Orient Overseas Kunan Property Co Ltd	100	Registered capital RMB160,000,000	Property development	China*	China
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
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
New York Container Terminal, Inc.	100	100 common stock of US\$0.1 each	Terminal operating	USA	USA
	100	12,200 preferred stock of US\$0.1 each US\$1,230			

	Effective	Particulars of			
	percentage	held by	issued share and	Principal	Country of
Name of Company	Group	loan capital	activities	incorporation	Area of operations

Subsidiaries (Continued)

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. 15 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 22 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 23 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 25 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 26 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 27 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 28 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 29 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 30 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 31 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share and	Principal	Country of	Area of
Name of Company	Group	loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
Newcontainer No. 32 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall 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
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
OOCL (Asia Pacific) Ltd	100	2 shares of HK\$1 each HK\$2	Liner territorial office	Hong Kong	Asia Pacific
OOCL (Assets) Holdings Inc.	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 shares of US\$1 each US\$50,000	Investment holding	Liberia †	USA
OOCL (Australia) Pty Ltd	100	200,000 shares of A\$1 each A\$200,000	Liner agency	Australia	Australia

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and			
Name of Company	Group	loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL (Benelux) NV	100	226,271 shares of no par value €609,799	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 (Denmark) A/S	100	1,000 shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe
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 and liner territorial office	United Kingdom	Europe
OOCL (Finland) Ltd Oy	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
OOCL (HK) Ltd	100	500 shares of HK\$100 each HK\$50,000	Liner agency	Hong Kong	Hong Kong
OOCL (India) Private Ltd	100	1,000 shares of Rs100 each Rs100,000	Liner agency	India	India
OOCL (Ireland) Ltd	100	100 shares of €1.25 each €125	Liner agency	Ireland	Ireland
OOCL (Italy) S.r.l.	100	1 quota of €10,000 each €10,000	Liner agency	Italy	Italy
OOCL (Japan) Ltd	100	160,000 shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and	activities	incorporation	operations
Name of Company	Group	loan capital			
Subsidiaries (Continued)					
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	10,000 shares of US\$1 each US\$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Macau) Ltd	100	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	Macau
OOCL (Philippines) Inc.	100	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Portugal), Lda	100	1 quota of €500 each	Liner agency	Portugal	Portugal
	100	1 quota of €24,500 each €25,000			
OOCL (Russia) Ltd	100	1 participatory share of Rub10,000 each Rub10,000	Liner agency	Russia	Russia
OOCL (Singapore) Pte Ltd	100	100,000 shares of S\$1 each S\$100,000	Liner agency	Singapore	Singapore
OOCL (Sweden) AB	100	100,000 shares of SEK1 each SEK100,000	Liner agency	Sweden	Sweden
OOCL (Switzerland) AG	100	200,000 shares of CHF 1 each CHF 200,000	Liner agency	Switzerland	Switzerland
OOCL (Taiwan) Co Ltd	100	10,000,000 shares of NT\$10 each NT\$100,000,000	Liner agency	Taiwan	Taiwan

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and			
Name of Company	Group	loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL (UK) Ltd	100	3,100,000 shares of £10 each £31,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 shares of US\$1 each US\$1,030	Liner agency	USA	USA
OOCL China Domestics Ltd	100	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China ^Δ	China
OOCL Logistics (Asia Pacific) Ltd	100	200 shares of US\$100 each US\$20,000	Investment holding, transportation and logistics	Bermuda	Asia Pacific
OOCL Logistics (China) Ltd	100	Registered capital US\$3,400,000	Logistics, cargo consolidation and forwarding	China*	China
OOCL Logistics (Europe) Ltd	100	2 shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd	100	50,000 shares of HK\$10 each HK\$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd	100	35,000 shares of Rupees 100 each Rupees 3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd	100	200 shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd	100	30,000 shares of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and	activities	incorporation	operations
	Group	loan capital			
Subsidiaries (Continued)					
OOCL Logistics (Singapore) Pte Ltd	100	2 shares of S\$1 each S\$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (Taiwan) Ltd	100	750,000 shares of NT\$10 each NT\$7,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan
OOCL Logistics (USA) Inc.	100	100 shares of no par value US\$200	Logistics, cargo consolidation and forwarding	USA	Worldwide
OOCL Logistics Warehousing and Transportation (Dalian) Co Ltd	100	Registered capital US\$200,000	Transportation and logistics services	China*	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co Ltd	100	Registered capital US\$3,200,000	Transportation and logistics services	China*	China
OOCL Logistics Warehousing and Transportation (Shanghai) Co Ltd	100	Registered capital US\$1,000,000	Transportation and logistics services	China*	China
OOCL Shipping BV	100	30 ordinary shares of €150 each	Ship management and chartering	Netherlands	Worldwide
	—	90 cumulative preference shares of €150 each €18,000			
OOCL Ships (Marshall Islands) Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Marshall Islands	Worldwide
# OOCL Transport & Logistics Holdings Ltd	100	169,477,152 shares of US\$1 each US\$169,477,152	Investment holding	Bermuda	Worldwide

	Effective	Particulars of			
	percentage	held by	issued share and	Principal	Country of
Name of Company	Group	loan capital	activities	incorporation	Area of operations

Subsidiaries (Continued)

# OOIL (Investments) Inc.	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	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 (Shanghai) Investment Co Ltd	100	Registered capital US\$44,250,000	Investment holding	China*	China
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corp.	100	10 shares of no par value US\$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co Ltd	100	Registered capital US\$2,680,000	Liner agency	China*	China
Orient Overseas Container Line (Europe) Ltd	100	66,000,000 shares of £1 each £66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	100,000 shares of RM1 each RM100,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 shares of €1 each €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd	100	5,000 shares of US\$1 each US\$5,000	Container transport and ship management	Cayman Islands	Worldwide
Orient Overseas Container Line Inc.	100	500 shares of no par value US\$25,000,000	Investment holding	Liberia †	Worldwide

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

Name of Company	Effective	Particulars of	Principal	Country of	Area of
	percentage				
	held by	issued share and			
Name of Company	Group	loan capital	activities	incorporation	operations
Subsidiaries (Continued)					
Orient Overseas Container Line Ltd	100	10,000 shares of HK\$100 each HK\$1,000,000	Container transport	Hong Kong	Worldwide
# Orient Overseas Developments Ltd	100	10,000 shares of HK\$10 each HK\$100,000	Investment holding	Hong Kong	Hong Kong
Orient Overseas Property (Shanghai) Co Ltd	100	Registered capital US\$2,100,000	Property development	China*	China
Senning Property Ltd	100	1,000 shares of US\$1 each US\$1,000	Property development	British Virgin Islands	China
Shanghai OOCL Container Transportation Co Ltd	60	Registered capital US\$9,350,000	Container depot	China ^o	China
Shanghai Orient Overseas Huangpu Real Estate Co Ltd	100	Registered capital US\$30,000,000	Property development	China*	China
Shanghai Orient Overseas Yongye Real Estate Co Ltd	88	Registered capital US\$30,000,000	Property development	China ^o	China
Shanghai Waigaoqiao Xuhui Club Co Ltd	100	Registered capital RMB36,784,864.6	Property development	China*	China
Soberly 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

	Effective	Particulars of			
	percentage	held by	issued share and	Principal	Country of
Name of Company	Group	loan capital	activities	incorporation	Area of operations

Subsidiaries (Continued)

Wall Street Plaza, Inc.	100	40 class A common stock of US\$1 each	Investment holding	USA	USA
	100	160 class B common stock of US\$1 each			
	100	20,000 12% series A non-cumulative non-voting preferred stock of US\$1,000 each			
	100	18,000 11% series B non-cumulative non-voting preferred stock of US\$1,000 each			
	100	19,500 12% series C non-cumulative non-voting preferred stock of US\$1,000 each			
	100	19,000 12% series D non-cumulative non-voting preferred stock of US\$1,000 each			
		US\$76,500,200			
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

Principal Subsidiaries, Associated Company and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share and	Principal	Country of	Area of
Name of Company	Group	loan capital	activities	incorporation	operations
Associated company					
Tianjin Port Alliance International Container Terminal Co Ltd	20	Registered capital US\$40,000,000	Terminal operating	China [◇]	China
Jointly controlled entities					
OOCL (UAE) LLC	49	300 shares of AED1,000 each AED300,000	Liner agency	Dubai	Dubai
OOCL (Vietnam) Co Ltd	49	Legal capital US\$500,000	Liner agency	Vietnam	Vietnam
Qingdao Orient International Container Storage & Transportation Co Ltd	59	Registered capital RMB69,900,000	Container depot	China [◇]	China
Shanghai Orient Overseas Xujiahui Real Estate Co Ltd	47.5	Registered capital US\$10,000,000	Property development	China [◇]	China

Direct subsidiaries of the Company.

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

* Wholly foreign-owned enterprise.

◇ Sino-foreign equity joint venture enterprise.

△ Domestic joint venture enterprise.

Major Customers and Suppliers

Approximately 6.9% and 21.4% 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 5.2% 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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Consolidated Profit and Loss Data										
Turnover	1,882,322	1,895,997	1,832,764	2,139,071	2,395,160	2,378,950	2,457,952	3,241,113	4,140,328	4,696,241
Operating profit	157,447	68,033	48,327	122,729	166,399	107,391	90,846	359,384	729,008	744,926
Finance costs	(42,899)	(42,471)	(42,911)	(41,421)	(48,246)	(45,614)	(30,634)	(18,740)	(43,787)	(61,659)
Profit before taxation	115,078	26,548	3,674	80,341	131,464	71,089	62,902	353,306	696,337	690,133
Profit after taxation	107,233	24,204	170	67,623	112,477	61,809	51,948	329,161	670,598	651,291
Preferred share dividends	9,003	4,875	2,564	—	—	—	—	—	—	—
Profit/(loss) attributable to ordinary shareholders	97,149	18,790	(2,867)	67,221	111,863	61,287	51,738	329,044	670,449	650,854
Per Ordinary Share										
Earnings/(loss) (US cents)	17.4	3.0	(0.5)	10.7	17.9	9.8	8.3	53.9	108.5	104.0
Dividends (US cents)	2.15	1.36	—	2.48	3.31	2.06	2.06	13.76	27.27	27.00
Weighted average number of ordinary shares in issue ('000)										
	559,098	625,742	625,742	625,742	625,742	625,742	625,742	610,486	618,024	625,793

Notes:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) The accounting policies on employee benefits and income taxes were changed in 2002 and the figures prior to 2000 have not been restated to reflect this change.
- (5) The net asset value, dividends and earnings/(loss) per ordinary share of previous years have been restated for the bonus issue.

US\$'000	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Consolidated Balance Sheet Data										
Property, plant and equipment	936,309	992,807	1,042,076	1,006,412	1,286,197	1,365,378	1,342,438	1,579,798	2,132,066	2,593,946
Cash, portfolio and bond investments	447,440	458,944	375,531	455,954	458,025	402,424	412,446	680,806	1,105,011	1,286,579
Other net current liabilities	(196,593)	(252,718)	(304,157)	(327,047)	(346,574)	(343,659)	(341,356)	(422,020)	(227,924)	(165,629)
Gross assets	1,776,737	1,871,842	1,800,625	1,862,864	2,155,254	2,150,284	2,189,340	2,754,910	4,014,602	4,814,916
Long-term debt	592,020	646,726	587,210	560,457	753,761	760,386	682,759	840,677	1,427,690	1,650,044
Total long and short-term debt	682,375	800,452	771,989	733,036	952,053	936,459	895,608	1,098,162	1,581,499	1,838,592
Net debt	234,935	341,508	396,458	277,082	494,028	534,035	483,162	417,356	476,488	552,013
Shareholders' funds	702,200	690,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330
Ordinary shareholders' funds	652,200	660,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330
Other Financial Information										
Depreciation	83,139	75,364	65,590	69,544	84,118	88,227	101,948	114,740	144,860	157,302
Capital expenditure	272,245	216,785	95,077	46,276	378,458	232,353	89,873	437,801	806,491	635,494
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	1.0	1.2	1.2	1.0	1.2	1.2	1.0	1.0	0.9	0.8
Net debt to equity ratio	0.3	0.5	0.6	0.4	0.6	0.7	0.6	0.4	0.3	0.2
Return on average ordinary shareholders' funds (%)	16.7	2.9	(0.4)	9.9	14.9	7.6	6.2	33.4	45.9	31.8
Accounts Payable as a % of turnover	19.3	19.2	19.5	18.9	16.3	15.0	15.6	15.0	13.4	12.8
Accounts Receivable as a % of turnover	14.0	13.6	12.9	11.7	10.2	7.3	7.9	7.6	8.7	8.8
Net asset value per ordinary share (US\$)	1.05	1.05	1.05	1.14	1.27	1.30	1.37	1.95	2.89	3.65

Fleet and Container Information

Fleet

The following table sets out the Group's vessels deployed in all its services at 31st December 2005.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Atlanta	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Tianjin	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Ningbo	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Rotterdam	8,063	Owned	Trans-Pacific	2004	25.2	Hong Kong
OOCL Chicago	5,714	Owned	Trans-Pacific	2000	24.6	Hong Kong
OOCL France	5,560	Long Term Chartered	Trans-Pacific	2001	24.9	Liberia
OOCL Germany	5,560	Long Term Chartered	Trans-Pacific	2000	24.9	Liberia
OOCL Korea	5,560	Long Term Chartered	Trans-Pacific	2001	24.9	Germany
OOCL New York	5,560	Long Term Chartered	Trans-Pacific	1999	24.9	Germany
OOCL Shanghai	5,560	Long Term Chartered	Trans-Pacific	1999	24.9	Liberia
OOCL Los Angeles	5,560	Long Term Chartered	Trans-Pacific	2000	24.9	Germany
OOCL Singapore	5,390	Owned	Trans-Pacific	1997	23.8	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 Faith	3,161	Long Term Chartered	Europe-USEC	1996	21.0	Hong Kong
OOCL Fortune	3,161	Owned	Europe-USEC	1987	21.0	Hong Kong
OOCL Montreal	4,402	Long Term Chartered	Transatlantic	2003	23.0	Hong Kong
OOCL Belgium	2,808	Owned	Transatlantic	1998	21.0	Hong Kong
OOCL Long Beach	8,063	Finance Lease	Asia-Europe	2003	24.6	Hong Kong
OOCL Qingdao	8,063	Finance Lease	Asia-Europe	2004	25.2	Hong Kong
OOCL Shenzhen	8,063	Finance Lease	Asia-Europe	2003	25.0	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL Malaysia	5,560	Long Term Chartered	Asia-Europe	2000	24.9	Liberia
OOCL Thailand	5,560	Long Term Chartered	Asia-Europe	2002	24.9	Germany
OOCL Netherlands	5,390	Long Term Chartered	Asia-Europe	1997	24.6	Hong Kong
OOCL Friendship	3,218	Long Term Chartered	Asia-Australia	1996	21.0	Hong Kong
OOCL Freedom	3,161	Long Term Chartered	Asia-Australia	1996	21.0	Hong Kong
OOCL Fair	3,161	Owned	Asia-Australia	1987	21.0	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-Australia	1987	21.0	Hong Kong
OOCL Melbourne	2,762	Long Term Chartered	Asia-Australia	2003	22.0	Hong Kong
OOCL Sydney	2,762	Long Term Chartered	Asia-Australia	2003	22.0	Singapore
OOCL Envoy	2,544	Owned	Asia-Australia	1979	20.5	Hong Kong
OOCL Exporter	2,535	Owned	Asia-Australia	1976	20.5	Hong Kong

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL St. Petersburg	868	Chartered	Intra-Europe	2005	18.0	Netherland
OOCL Narva	868	Chartered	Intra-Europe	2004	18.0	Germany
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL Novgorod	750	Chartered	Intra-Europe	2004	18.5	Germany
OOCL Osaka	2,762	Long Term Chartered	Intra-Asia	2003	22.0	Panama
OOCL Xiamen	2,762	Long Term Chartered	Intra-Asia	2003	22.0	Panama
Camilla Rickmers	1,728	Chartered	Intra-Asia	2004	19.6	Marshall Islands
Denderah Rickmers	1,728	Chartered	Intra-Asia	2004	19.6	Liberia
Merkur Beach	1,706	Chartered	Intra-Asia	2004	19.6	Liberia
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	Hong Kong
San Clemente	1,512	Chartered	Intra-Asia	1994	19.7	Liberia
Kuo Wei	1,400	Chartered	Intra-Asia	2004	18.2	Panama
OOCL Achievement	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
OOCL Advance	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
Sima Pride	1,201	Chartered	Intra-Asia	2004	19.3	Singapore
Pac Aquila	1,078	Chartered	Intra-Asia	2004	19.5	Singapore
Dongtai Fortune	1,033	Chartered	Intra-Asia	1985	17.0	Hong Kong
X-Press Tower	732	Chartered	Intra-Asia	2004	15.5	Panama
Soon Fu	714	Chartered	Intra-Asia	2004	15.5	Singapore
Mar Dios	700	Chartered	Intra-Asia	1998	17.0	Panama
Unicorn Brilliant	588	Chartered	Intra-Asia	2003	15.3	Panama
Marvel	556	Chartered	Intra-Asia	2004	16.0	Bahamas
OOCL Kyushu	455	Chartered	Intra-Asia	2000	14.0	Bahamas
OOCL Seto	455	Chartered	Intra-Asia	2000	14.0	Bahamas
TOTAL 65 VESSELS	232,536					

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 305,947 units (503,945 TEU) as of 31st December 2005. Approximately 73.5% of the container fleet in TEU capacity was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2005 the Group owned, purchased on finance lease terms or leased under operating lease terms 28,811 trailer chassis.

Terminal Information

TSI TERMINAL SYSTEMS INC.



VANTERM

Location: Vancouver, British Columbia, Canada.

Status of Terminal: A 76-acre, three berth container terminal facility with throughput capacity in excess of 650,000 TEUs, operated under a long-term lease agreement with the Vancouver Port Authority to 2022.

Equipment/Facilities: Two container berths, 619 meters long; one conventional berth 183 meters long; on-dock intermodal yard consisting of nine tracks totaling 2,925 meters; nine-lane inbound and five-lane exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; seven container gantries (4 x 16 wide, 1 x 18 wide, 2 x 22 wide) ranging from 40 to 65-tonne lifting capacity; 18 rubber-tired gantries (RTGs) (8 capable of one container over 5 x 7 wide and 10 capable of one container over 4 x 7 wide); nine toppicks; one reach stacker; nine empty handlers (sidepicks); abundant supply of terminal tractor/trailers; various lift trucks, two truck scales; reefer points with 360 x 440 volt reefer outlets.

Building Facilities: 25,000 sq ft maintenance building and terminal operations building.

Principal Customers: OOCL, NYK, Hapag Lloyd, P&O Nedlloyd, COSCO, KLine, Yang Ming, Hanjin, Zim.



DELTAPORT

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

Status of Terminal: A 160-acre, two berth container facility with throughput capacity in excess of 900,000 TEUs operated under a long-term lease with the Vancouver Port Authority to 2023. Pending environmental approvals, the facility will be expanded to 210 acre, a three berth container facility with throughput capacity in excess of 1,300,000 TEUs. In conjunction with the expansion, the existing lease with the Vancouver Port Authority will be replaced with a new long-term lease to 2058.

Equipment/Facilities: Two container berths, 670 meters long; eight rail tracks of 1,070 meters each, providing capacity for four 2,135 meter double-stack trains (440 TEUs per train); grounded storage capacity in the Intermodal Yard of approximately 1,200 TEUs; five high-speed rail-mounted gantries (RMGs) equipped with a positional determination system; closed circuit TV cameras via Internet to monitor truck lane traffic; seven Super post-Panamax container gantry cranes (4 x 18 wide, 2 x 20 wide, 1 x 22 wide) ranging from 50 to 65 tonne lifting capacity, 18 rubber-tired gantries (RTGs), equipped with auto-steering and a positional determination system; abundant supply of terminal tractor/trailers (multi-trailer systems (triples) and single chassis); 14 reach stackers/toplifts, 14 empty handlers; two truck weigh scales; 24,000 TEUs storage capacity at three-high; 600 x 440 volt reefer plugs.

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

Principal Customers: OOCL, NYK, Hapag Lloyd, P&O Nedlloyd, Evergreen, Lloyd Triestino, Hatsu-Marine, China Shipping, Norasia, Zim, CMA-CGM, Maersk-Sealand.



LONG BEACH CONTAINER TERMINAL, INC.

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; seven post-Panamax quayside container gantry cranes; twelve rubber-tired gantry cranes; 81 yard tractors; nine top handlers; eight side picks; 12 utility forklifts; 61 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, Hapag Lloyd.



GLOBAL TERMINAL & CONTAINER SERVICES, INC.

Location: Jersey City, New Jersey, USA.

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

Equipment/Facilities: 20 receiving/delivery gates with OCR capability; closed-circuit television system through-out the Terminal for security and monitoring of operations; presently two deep water container berths of 549 meters length with 245 meters extension project underway; four Super post-Panamax quayside cranes with two additional cranes to be delivered in March 2006; twelve rubber-tyred gantry cranes (RTGs) capable of stacking one over five containers high and six wide plus a truck lane. All RTGs are equipped with global positioning systems for steering and live-time container locations; 44 yard tractors; seven toploaders; four empty handlers; 44 yard chassis; various terminal vehicles equipped with computers for use by terminal clerical and supervision staff.

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: NYK, Hapag Lloyd, P&O Nedlloyd, OOCL, Hamburg Sud, Columbia Coastal Transport, The United States Military Traffic Management Command.

NEW YORK CONTAINER TERMINAL, INC.



Location: Staten Island, New York, USA.

Status of Terminal: A 195 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 2019.

Equipment/Facilities: Three deep water container vessel berths, 3,000 ft long; nine quayside gantry cranes, including four new post-Panamax cranes; 24 paperless truck gates incorporating the latest in OCR (optical character recognition) technology; 70 yard tractors; 23 full container handlers; 7 empty container handlers and other heavy forklifts; 48 stevedoring chassis; various computer equipped pickups and other vehicles; on-dock rail service operational as of June 2006; on-dock Container Freight Station; on-dock US Customs Inspections; Trac operated chassis pools of 1,700 chassis.

Building Facilities: 40,768 sq ft main office building, 307,171 sq ft container freight station (comprising two buildings), 29,744 sq ft equipment maintenance and repair shop, 69,030 sq ft refrigerated warehouse.

Principal Customers: Grand Alliance (NYK, Hapag Lloyd, P&O Nedlloyd and OOCL), New World Alliance (APL, MOL, Hyundai and Evergreen), Chilean Lines/CSAV, CCNI, Hamburg Sud, Turkon Container Line, Ecuadorian Line and The United States Military Traffic Management Command.

KAOHSIUNG CONTAINER TERMINAL



Location: Pier 66 Kaohsiung Harbour, Kaohsiung, Taiwan.

Status of Terminal: One of the original container facilities from the Kaohsiung Harbour Bureau. Current lease expires in 2009. The entire terminal was recently modernised to have deep-water berths of 14.5 meters, plus many new terminal equipment and infrastructure. The new office building is under construction and be ready for use in the summer.

Equipment/Facilities: Two container vessel berths (685 meters long) on a total of approximately 57 acres. Operate on 24-hour 7-day basis for all berth and gate activities. Equipment include: six post-Panamax quay cranes including four with 19 rows; 14 rail-mounted gantry cranes (RMGs); five empty stackers and various shipside handling equipment.

Building Facilities (approximate area): 1,000 sq m main office building, 7,000 sq m CFS, 2,200 sq m maintenance building.

Principal Customers: ANL, COSCO, China Shipping, Hapad Lloyd, Malaysia International Shipping Co, NYK, OOCL, P&O Nedlloyd.

Property Information

Property Development

a) Completed Projects

Project Name	Use	Location	Address	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Orient Garden	Residential	Shang Tang Lu, Hangzhou	No. 239 Shang Tang Lu, Hangzhou	50	1999	39,884
Fontainebleau	Residential	Xing Guo Lu, Shanghai	No. 288 Xing Guo Lu, Shanghai	100	1999	2,614
Joffre Gardens	Residential	Nan Chang Lu, Shanghai	No. 555 Nan Chang Lu, Shanghai	47.5	2000	72,502
The Courtyards	Residential	Zhenning Lu, Shanghai	No. 55 Zhenning Lu, Shanghai	47.5	2001	65,789
Century Metropolis	Residential	Ziyang Lu, Shanghai		47.5		
		– Phase 1A	No. 168 Hong Qiao Lu, Shanghai		2001	63,279
		– Phase 1B	No. 168 Hong Qiao Lu, Shanghai		2003	83,298
		– Phase 2A	No. 128 Hong Qiao Lu, Shanghai		2003	27,227
		– Phase 2B	No. 168 Hong Qiao Lu, Shanghai		2005	59,664

b) Projects Under Construction/Development

Project Name	Use	Location	Address	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Changle Lu	Residential/Hotel	Changle Lu, Shanghai	Lot No. 12 Lu Wan District, Shanghai	88	2008/09	145,500
Xizang Lu	Commercial	Xizang Lu, Shanghai	Lot No. 501 & 504 Huang Pu District, Shanghai	100	2012	108,000
Kunshan	Residential/Retail	Kunshan, Jiangsu – Phase 1	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province	100	2008	100,000
		– Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province		After 2008	480,000
Kunshan	Hotel	Kunshan, Jiangsu – Phase 1	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province	100	2008	40,407
		– Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province		After 2008	42,775
Heng Shan Lu	Serviced Apartment/Retail	Heng Shan Lu, Shanghai	No. 85, Heng Shan Lu, Shanghai	100	2008	15,000
Changning Lu	Serviced Apartment/Office/Retail	Changning Lu, Shanghai	Plot 32/8, 88 Street, Changning Lu, Changning District, Shanghai	95	Phase 1 - 2009	150,000
					Phase 2 - after 2009	92,800

Corporate Information

Executive Directors

Mr Chee Chen TUNG (Chairman)
Mr Tsann Rong CHANG
Mr Nicholas David SIMS
Mr Philip Yiu Wah CHOW
Mr Alan Lieh Sing TUNG

Non-executive Director

Mr Roger KING

Independent Non-executive Directors

Mr Simon MURRAY
Dr Victor Kwok King FUNG
Prof Richard Yue Chim WONG

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Designed by:
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Produced and Printed by:
IFN Financial Press Limited



Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

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