



Annual Report

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

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CORPORATE PROFILE

Orient Overseas (International) Limited (“OOIL”), a company with total revenues in excess of US\$4.1 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.

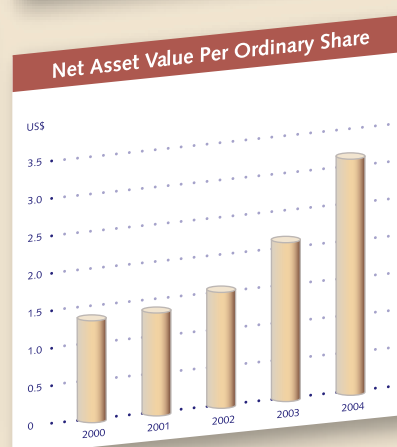
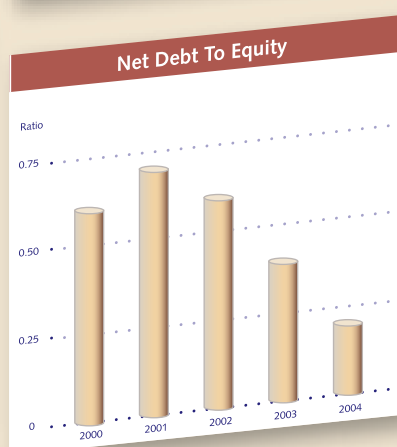
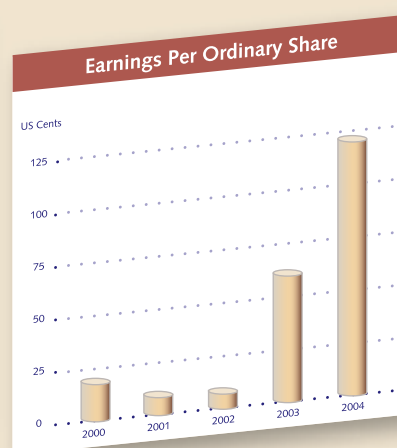
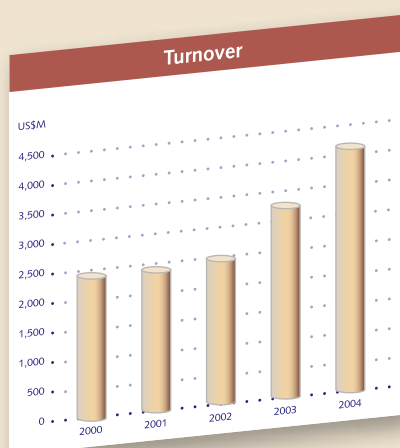
OOIL Group’s property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing’s most prestigious commercial and office developments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

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Financial Highlights

	2004	2003	Change
	US\$'000	US\$'000	%
Turnover	4,140,328	3,241,113	+28
Net financing charges	13,642	18,740	-27
Profit attributable to shareholders	670,449	329,044	+104
Earnings per ordinary share (US cents)	119.3	59.3	+101
Ordinary shareholders' funds	1,809,409	1,110,754	+63
Cash and portfolio investments	1,021,446	680,806	+50
Property, plant and equipment	2,235,176	1,579,798	+41
Debt to equity ratio	0.8	1.0	-20
Net debt to equity ratio	0.2	0.4	-50
Net asset value per ordinary share (US\$)	3.18	2.15	+48



Significant Events

January

OOCL *Rotterdam*, the third of the 12 "SX" Class vessels, was named at the PSA Pasir Panjang Terminals in Singapore. ¹

Entered into land contract for a residential plot of 69,409 sq m in Hua Qiao, Kunshan. Total GFA estimated at 222,000 sq m.

February

OOCL *Hamburg*, the fourth of the 12 "SX" Class vessels was named in Geoje Shipyard of Samsung Heavy Industries, Korea.

OOIL placed 47,000,000 shares in the market at HK\$25.75 per share to broaden the shareholder base and the capital base.

March

OOIL announced a profit after taxation and minority interests of US\$329.0 million for the year ended 31st December 2003 as compared with US\$51.7 million for the same period last year.

The board lot size for trading in OOIL shares had been changed from 2,000 to 1,000.

Obtained pre-sales permit for Block 1 of Phase 2B Century Metropolis.

April

The naming ceremony of OOCL *Qingdao*, the fifth of the 12 "SX" Class vessels, was held at the Samsung Heavy Industries Shipyard in Pusan. ²

ANL Container Line and ACE group members, China Shipping Container Lines and Orient Overseas Container Lines jointly set up an ANL / ACE North Asia Service.

CargoSmart launched three new products: CargoSmart Desktop, Booking Worksheet and Cargo Trading text Messages.

May

KTX-3, the new addition to OOCL's KTX Suite, started operation. ³

OOCL announced the opening of its own office, OOCL (Vietnam) Co., Ltd in Vietnam.

OOCL *Ningbo*, the sixth of the 12 "SX" Class vessels was delivered to OOCL by Samsung Heavy Industries and named at Beilun Terminal, Port of Ningbo. ⁴

OOIL was included in the Morgan Stanley Capital International Inc. Standard Index Series.

Topped out of Block 1 of Phase 2B Century Metropolis.



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June

OOCL through its logistics arm, "OOCL Logistics" contracted a 13,400 sq m warehouse in Waigaoqiao Logistics Park.

OOCL's fleet gained the International Ship Security Certificate certified by ABS for its full compliance to the provisions of International Ship and Port Facility Security Code, SOLAS chapter X 1-2 and the Maritime Transportation Security Act.

OOCL was awarded a 2003 Carrier of the Year – (Export) Award by Sharp Philippines Corporation.



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July

OOCL announced the establishment of its own offices in Denmark and Sweden.

Obtained pre-sale permit for Block 2 of Phase 2B Century Metropolis.

Topped out of Block 2 of Phase 2B Century Metropolis. 5

August

OOIL announced Interim Results a profit after taxation and minority interests of US\$268.4 million as compared with US\$79.4 million for the same period last year.

OOCL ordered four 4,500 TEU panamax vessels from Samsung Heavy Industries Co., Ltd. for delivery in 2007 and 2008. 6

OOCL was the only Hong Kong carrier to obtain official certification to operate as a ship agent in China.

Entered into land contract for a residential plot of 112,891 sq m which is adjacent to the land acquired in January, in Hua Qiao, Kunshan.

Entered into land contract for a commercial plot of 26,578 sq m in Hua Qiao, Kunshan.



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September

OOCL *Atlanta*, the seventh of the 12 "SX" Class vessels, scheduled for keel-laying.

OOCL *Japan* beat other vessels to win the inaugural Pusan Ministry of Maritime Affairs & Fisheries Best Qualified One Vessel.

OOCL ordered two 4,500 TEU panamax vessels, for delivery in 2006 and 2007, from China State Shipbuilding Corporation and Hudong-Zhonghua Shipbuilding (Group) Co. Ltd., the first newbuilding order OOCL made with a Chinese shipbuilding company. 7

October

OOCL *Tianjin*, the eighth of the 12 "SX" Class vessels scheduled for keel-laying.

OOCL won several Lloyd's List DCN Australian Shipping & Transport Awards 2004 in Melbourne which included Australia to East Asia – Customer Service; Australia to South East Asia – Customer Service; Australia to North Asia – Sailing Schedule Reliability Awards.

Commenced site investigation works for Kunshan commercial plot.

Entered into land contract for 2 parcels of commercial land totaling 27,155 sq m located in Huangpu District, Shanghai.



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November

OOCL won CIFFA "Far East Carrier of the Year Award".

OOCL and APL jointly run a weekly shuttle service between Singapore and Nhava Sheva with two ships of 900 TEUs.

December

Mr C C Tung, Chairman of OOIL, named the DHL/SCMP Business Person of the Year on 2nd December in Hong Kong. 8

Chairman's Letter



RESULTS FOR 2004

At this time last year I was able to report that 2003 had turned out to be one of if not the best year to date for the container liner industry. 2004 however, has exceeded all expectations and we have outperformed 2003, achieving record levels of total liftings, total revenues and margins. The cyclical nature in our industry has changed markedly. In the past we have felt that stability had been achieved were we to have experienced two consecutive half year periods of strong volume growth balanced against a reasonable tonnage supply growth to result in firm freight rates. Typically in the past, we had had to contend with a weak first half followed by a strong second half to each year or vice versa. Beginning during the second half of 2002 however, we have experienced nothing other than healthy volume growth and strengthening freight rates. 2004 ended therefore, with an unprecedented fifth consecutive half year period of strong market conditions.

Given the more cyclical history of the industry a number of commentators had forecast earlier in 2004 that the market could not continue at such levels and that falling demand and volume growth during the year would see a supply surplus arise with freight rates falling accordingly. Indeed, some forecasts at the beginning of the year were for very low single digit volume growth on the Trans-Pacific trades as a whole. This did not happen! Volumes continued to grow strongly and freight rates to firm accordingly as space became tight during the peak season and exacerbated by the effective withdrawal of capacity due to the congestion problems experienced on the US West Coast and also to an extent, in northern Europe.

Although able to reap the benefits of this market environment we have, nevertheless,

contained our focus on cost control and with the yet further benefits of our appropriately timed fleet expansion and the scale economies derived from the deployment of new and more efficient vessels, I am pleased to be able to report this record level of performance by Orient Overseas (International) Limited and its subsidiaries (the "Group") for the year of 2004 as a whole. The Group recorded a profit before tax and minorities of US\$700.7 million for the financial year ended 31st December 2004, 98% higher than for the year before. A profit attributable to shareholders of US\$670.4 million was recorded which represents an increase of 104% over the attributable profit of US\$329 million which we recorded in 2003. This is another remarkable achievement by the Group but, as I cautioned last year, must be viewed in the light of the prevailing economic and market conditions which have continued to provide a set of circumstances unprecedented in the history of the industry.

The Board of Directors recommends the payment of a final dividend of US18 cents (HK\$1.4) per share to ordinary shareholders. Together with the interim dividend, this represents a 98% increase over the total dividend per share paid for the financial year ended December 2003 and maintains the dividend payment level at approximately 25% of profits attributable to shareholders.

With the outlook for the coming year remaining strong, the Directors are also recommending, as for last year, a bonus issue of shares on the basis of one bonus share for every 10 existing issued ordinary shares.

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

Our Container Transport, Logistics and Terminals division enjoyed an unprecedented trading environment during 2004 as volume growth kept pace with or indeed, outpaced the rate at which new tonnage was deployed. Business confidence continued to remain buoyant throughout the year and, as a result, total liftings were increased by 21.6% compared with 2003 in which year they had increased by 18.7%. Importantly also, the average load factor for 2004 showed a 2.4% improvement over 2003.

I am pleased also to report that our container terminals in North America, two in the Port of Vancouver and two in the Port of New York and New Jersey, made substantial progress in 2004. Combined revenue grew by 15.2% on a 10.4% rise in container box throughput volumes and pre-tax earnings eclipsed 2003 results by 47% as margins expanded. With business conditions currently healthy at most North American container terminals, 2005 should be another profitable year for the Group's terminal division.

As in prior years, we continue to invest in new equipment and other improvements at each of our terminals in order to meet the ever-increasing level of service demanded by container shipping lines, driven in turn by the sophisticated logistics requirements of their customers. We continue to explore expansion opportunities at our North American terminals and remain alert to opportunities that may arise from time to time to invest in other terminal projects, particularly in Asia. In line with this policy, Letters of Intent have been signed with the Port Authorities of both Tianjin and Ningbo related to investment in the expansion of container terminal capacity in both of these ports. As a result, we shall continue to benefit from the ongoing growth of Chinese trade.

During 2004 OOIL has continued to invest in its technology infrastructure to improve internal processes and customer service. These information technology developments were focused on four key areas: enhancements to IRIS-2, OOCL's central carrier information system; the launch of a sailing schedule application, SchedulingSmart; the launch of an equipment management system, OperationSmart; and enhancements to its award winning multiple-carrier Internet portal and integration services provider, CargoSmart.

2004 was another milestone year for OOCL Logistics after 25 years in operation. To enhance its ability to create value for customers, it underwent a major corporate reorganisation during the year but its business model remains as being an independent 3rd Party Logistics Provider whilst, at the same time, providing support for the OOCL business as a whole. In the interests of customer focus, the company established three new business units: International Logistics, China Logistics and E-Business.

The International Logistics group focuses on serving customers with global sourcing and supply-chain-management needs. The group creates value through innovative end-to-end international logistics services.

The China Logistics group develops sophisticated transportation, warehousing and distribution services in the PRC, based on its extensive nation-wide logistics network and unique China knowledge.

The E-Business group provides next-generation applications and e-solutions to reduce bottlenecks and to increase efficiency and responsiveness of the supply chain taking advantage of the OOCL Group's industry-leading technology platforms.

The Corporate Headquarters of OOCL Logistics were relocated to Hong Kong, which has allowed it to leverage from the Group's core assets and operating efficiencies. To improve service quality and to reduce costs, the logistics assets of the OOIL Group – including warehouses, depots, trucks and certain system products and assets – were transferred to OOCL Logistics during 2004.

Strategically, OOCL Logistics last year laid the foundations for future growth and expansion. In 2005, it will concentrate on increasing its range of products and services, including end-to-end global logistics, supply-chain solutions in China, regional trans-shipment, value-added services, Chinese domestic distribution and IT solutions. Its E-business unit will take advantage of the overall IT expertise of the OOIL Group to create supply-chain efficiencies for customers and to act as a platform for innovation. To improve customer-service quality, it will launch a global service centre during 2005 to offer round-the-clock logistics support.

Our Property Development and Investment division experienced a solid performance during 2004. Performance was satisfactory and ahead of expectations. In addition, we were successful in the acquisition of new projects during the year. In particular, we have assembled land parcels for further projects in Kunshan, Jiangsu Province and central Shanghai. These acquisitions bring our pipeline in total to over 900,000 sq m of gross floor area. Nevertheless, our total investment in both investment and development projects remains at less than 10% of total Group assets and we intend that this percentage should remain at around this level.

Our property investment business produced a result in line with expectations. We continue to hold an 8% interest in Beijing Oriental Plaza

and we expect the project to continue to yield a positive result at the project level in the near term. As at 31st December 2004, Wall Street Plaza was valued at US\$100 million. Its occupancy rate continues to remain above 99%, a commendable achievement when compared with the overall Class "A" vacancy rate for Lower Manhattan of approximately 13.7%. We look forward to its continued and positive contribution from Wall Street Plaza to Group performance.

The still improving expertise and experience of our local development team and the growing brand name premium which we have already established continue to assist us in the creation of a stand alone real estate development and investment business in China. We will also continue to seek property investment opportunities which provide a more than adequate return to the Group.

The overall Group result for the year of 2004 as a whole is much superior to that predicted earlier in the year and the forecasts for the trading environment during 2005 are for little overall change despite the ever increasing pressure on costs applied by external vendors. The outlook for our core container transport, logistics and terminals business remains positive. During the course of 2004 the supply and demand balance remained firmly in our favour and at the present time it is hard to find any data to suggest that this favourable situation will alter in the near term. On the horizon however, are some predictions that during 2006 volume growth will slow at a time that a peak in newbuilding deliveries is expected to occur. If the predicted figures turn out to be the case there could well be a softening in the market. However, to estimate demand side volume growth is a notoriously difficult task and, I have to say, historical estimates have invariably turned out in the event to be somewhere wide of the mark.

Until now estimates by independent commentator and analysts have been for a supply side increase in tonnage during 2006 of up to 15% of the existing global container fleet. Evidence shows that tonnage increase estimates are more often than not over-estimates since they relate to static slots only and take no account of, for example, changing trade patterns or indeed of the effects of congestion. This latter problem with which the industry is presently having to contend is due to the lack of investment over the recent past in the land based infrastructure necessary to cope with the higher volume growth levels experienced over the past few years. As a result, on both the west coast of North America and, to some extent, in northern Europe significant delays have been experienced especially during the peak shipping season as the terminals, the road systems and the railways reach saturation levels.

Today's estimates for demand side volume growth in 2006 put the increase as low as 9.7% compared with close to 13% for the preceding three years. These estimates tend to be based upon global GDP growth estimates and, as a result, take no account, for example, of the continuing effects of the outsourcing of production and assembly processes to the Far East or for the opening up of the markets of the former Eastern Europe to Far East produced consumer goods. More importantly perhaps, they cannot account for the potential further erosion in the unit cost of consumer goods which leads to volume growth at significantly higher levels than value growth.

Therefore, even were a supply surplus to arise it is likely to be less severe than some are predicting and therefore, is likely to have only a marginal effect upon freight rates. Indeed, some of these same independent

commentators and analysts are now starting to come around to this point of view once they account for the congestion factor and its potential impact upon effective tonnage supply, especially on the Trans-Pacific trade lanes.

Overall freight levels at the time of writing remain firm on all our trade routes. For the Trans-Pacific, the all important negotiations of the annual service contracts are in progress, but we do not expect the outcome to demonstrate any softening in rates. Similarly we foresee rates remaining firm on all of our other trades. Concerns remain however, over rising third party costs, the potential impact on the global economy of increasing oil and other commodity prices and the wider geopolitical issues such as protectionism.

2004 has been another record breaking year for the Group and I must pay tribute to the staff who have made this possible. OOIL has a full-time staff on land and at sea of over 5,500 people. It is a committed and stable workforce and the Group continues to include "People" as one of its Core Values and "People Development", throughout the whole organisation, remains a cornerstone of corporate policy. It is our consistent investment in people as well as in IT and the quality processes which have established a strong cost structure that supports and enhances our performance through the various business cycles.

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 2005



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.





Supply Chain



CONTAINER TRANSPORT, LOGISTICS AND TERMINALS



2004 began firmly and strengthened further as the year progressed. Despite initial concerns that the nascent recovery in the US economy could not be sustained, continuing worries over the stagnation of the eurozone and Japanese economies and suggestions that the Chinese economy would overheat and suffer a hard landing, volumes generally continued to experience healthy growth rates.

Container Transport and Logistics

	2003		2004
Volumes (teu)	2,687,545	+21.6%	3,267,235
Revenue (US\$ millions)	2,969.6	+28.9%	3,827.9
E.B.I.T.D.A.	431.8	+82.0%	785.8
Depreciation/ Amortisation	(108.7)	+23.5%	(134.2)
E.B.I.T.	323.1	+101.7%	651.6
Finance Expenses	(19.4)	+26.8%	(24.6)
Profit Before Tax	303.7	+106.5%	627.0
Tax & M.I.	(6.6)	+47.0%	(9.7)
Net Profit	297.1	+107.8%	617.3

CONTAINER TRANSPORT

All trade routes achieved a significant improvement in performance during the course of 2004 as volumes rose and freight rates firmed and indeed, strengthened further. Overall liftings for OOCL rose by 21.6% to 3,267,235 TEU which, when combined with a further 7.3% recovery in average revenues per TEU, resulted in a 28.9% increase in total revenues to US\$3.8 billion. There were adverse movements on the cost side however. Variable costs per TEU rose by approximately 4.5% compared with 2003 as a result of increased terminal charges and the higher cost of third party transportation services. Bunker costs were similarly higher by 4.2% on a per TEU basis and on an average price per ton basis. However, through improved management, repositioning costs were reduced by 5.5% on a per TEU basis and total costs on a similar basis remained largely unchanged, this despite the US\$30.7 million additional cost of

chartering in vessels for our Intra-Asia and Australasia services. Additionally, we have continued to suffer from the further devaluation of the US Dollar against the world's major currencies. In approximate terms, any one cent upward movement of the US Dollar/Euro exchange rate represents a US\$1 million increase to our cost base. A one Yen fall in the Japanese Yen/US Dollar exchange results in a similar cost increase in US Dollar terms. The overall load factor improved from 82.0% to 84.3%, a considerable achievement especially when measured against the average 18.9% fleet expansion which took place during 2004.

OOCL's Trans-Pacific services achieved yet further improvements in performance more than doubling their contribution to Group profits by comparison with 2003 and retaining their position as the single largest contributor to overall OOCL profitability. A 17.5% increase in liftings combined with a 5.7% further recovery in average freight rates per TEU resulted in a 24.2% increase in total revenues. Liftings to the US East Coast continued the trend of experiencing the higher volume growth rate reaching 28% for 2004 compared with 18.4% for 2003.

The recovery in the Asia-Europe and Asia-Mediterranean trade routes which showed significant improvements during 2003 continued through 2004. 2003 registered a 20.8% rise in total liftings but 2004 proved to be even more impressive with volumes growing by 27.2%. Average freight rates showed a more modest increase following the unprecedented 35.4% of 2003 by recording an 8.4% improvement but nevertheless contributing to a 37.8% increase in total revenues during 2004.

The performance on the Transatlantic routes by comparison, continues to experience more

modest improvements but nevertheless, in themselves the figures remain commendable. During 2004 liftings increased by 12.4% and, assisted by the continued redeployment of some tonnage onto the other two stronger main east-west trades, average revenues per TEU rose by a further 6.4% resulting in a 19.6% rise in total revenues.

Orient Overseas Container Line

	TOTAL LIFTINGS		TOTAL REVENUES			
	(TEU'S)		(US\$'000)			
	2003	2004	2003	2004		
Trans-Pacific	865,098	+17.5%	1,016,635	1,281,239	+24.2%	1,591,175
Asia-Europe/ Intra-Europe	406,648	+27.2%	517,054	525,786	+37.8%	724,626
Transatlantic	278,200	+12.4%	312,769	343,518	+19.6%	410,995
Intra-Asia/ Australasia	1,137,599	+24.9%	1,420,777	604,657	+43.5%	867,418
All Services	2,687,545	+21.6%	3,267,235	2,755,200	+30.5%	3,594,214

Following on from the 31.1% increase achieved during 2003, OOCL's Intra-Asia and Australasia businesses experienced another year of strong volume growth achieving a further 24.9% increase in liftings. However, although this growth is lower than for the previous year which had seen volume growth of 31.1%, 2003 had experienced only a 2.2% rise in average revenue per TEU resulting in total revenues rising by 33.9%. This only modest rise in freight rates was due to the availability of sufficient tonnage on the charter market combined with additional trunk line vessel capacity, to absorb the volume increases. However, tonnage availability during 2004 was significantly more restricted as a result of which average freight rates rose by a far more impressive 14.9% resulting in a 43.5% increase in total revenues.

Between January and May 2004, OOCL took delivery of the "OOCL Rotterdam", "OOCL Hamburg", "OOCL Qingdao" and "OOCL





Ningbo". All are 8,063 TEU vessels built by Samsung Heavy Industries Co, Ltd ("Samsung") in South Korea and were deployed within our Trans-Pacific and Asia to Europe services. They were numbers three to six in our total series of twelve. Numbers seven and eight, the "*OOCL Atlanta*" and "*OOCL Tianjin*", have been or will be delivered during the first quarter of this year. Completion of this series of "SX" Class vessels will take place with the delivery of numbers nine and ten in early 2006 and the final two in early 2007.

In addition to this "SX" Class series, our "S" Class series is to be augmented by the delivery, as previously announced, of eight 5,888 TEU vessels, to be built by Imabari Shipbuilding Co., Ltd. in Japan and to be delivered, one later this year, three in early 2006, one in late 2006 and the remaining three during the first half of 2007. During 2004 we also contracted for six panamax sized newbuilding vessels. Four of 4,500 TEU capacity are to be built by Samsung in South Korea. Three are scheduled for delivery during the second half of 2007 with the fourth due in early 2008. Two others, of a similar size, are to be built by Hudong - Zhonghua Shipyard, our first venture into China for containership newbuildings, and are scheduled for delivery in late 2006 and early 2007.

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, together with the existing fleet of eight 5,560 TEU vessels under medium-term charterparties which begin to reach their first renewal dates from the middle of 2005 onwards, provide us with the flexibility we require to convert vessels earmarked for fleet

expansion into replacement tonnage should market conditions so dictate.

LOGISTICS

For the financial year 2004, OOCL Logistics (OLL) achieved a revenue growth of 27 percent and improved its financial performance through cost control and economies of scale. By focusing on customised solutions and customer care, OLL maintained a very high client retention rate and succeeded in winning new accounts.

Its International Logistics unit enhanced its portfolio of services, offering customers more sophisticated solutions, from ex-works programs to pre-distribution, value-added ocean transportation and air freight management. Operations at OLL's Waigaoqiao Bonded Logistics Park warehouse offered customers additional value-added services, including improved inventory control and early export tax refunds.

In terms of China distribution, focus shifted from simple point-to-point transportation to extended logistics management. Customers enjoy shorter cycle times, better visibility and reduced overall logistics costs. To meet customer demand for improved transportation cost management, OLL also developed freight auditing services which are critical to customers' financial health.

Operationally, OLL registered double-digit growth in 2004, significantly improving its financial performance compared with the previous year. Its service quality and sophistication won accolades from customers and helped attract new accounts. In 2004, OLL was one of the first companies to set up a warehouse in China's newly-created "Free Trade Zone", Shanghai Waigaoqiao Bonded Logistics Park. Apart from it being

equipped with leading electronic monitoring and communication technologies, OLL's Waigaoqiao warehouse offers international and domestic customers the option of international trans-shipment, multi-country consolidation and further incentives for suppliers to ship cargo on time due to a new early tax-refund policy.

A major IT initiative on which OLL embarked in 2003 continued to make good progress last year. Phases of the programme will be delivered during 2005 and will significantly improve the system capabilities of OLL and its service to customers.

INFORMATION TECHNOLOGY

The Group policy to continue investment in its IT capabilities remains as a means of achieving greater customer satisfaction and cost efficiency. This further automation of our processes continues to free staff from the constraints of day to day process management to concentrate upon exception management and the continuing improvement and broadening of our customer services. It also allows us to reduce significantly the amount that we spend upon service, documentation, administration and other communications with shippers.

To build upon its solid foundations, during 2004 OOCL upgraded the software used to develop IRIS-2, enhanced Bill of Lading auto-rating and improved detention and demurrage management. To accommodate a quickly increasing object count in its systems, OOCL upgraded the Gemstone software used to run IRIS-2. As a result, customer service representatives are now able to make faster enquiries and booking transactions to the system, even at peak times. The new features in Bills of Lading auto-rating help ensure that rates on Bills of Lading are more accurate and

customers are properly invoiced. A third major enhancement, an improvement to detention and demurrage management, allows OOCL to collect more information so that detention, demurrage, and storage charges are calculated automatically and customers are alerted before free time expires or if charges are incurred. This has proved to be very successful, with the very much more timely and accurate invoicing of charges resulting in an 84% increase in demurrage and detention charges collected during 2004 as compared with 2003. It also allows for a more efficient management of our equipment, in turn helping to contain our repositioning costs. Collectively these enhancements will support future growth and competitiveness through improved customer service.

OOCL launched SchedulingSmart in 2004. SchedulingSmart provides a central location for shipmasters, local offices and corporate offices to update and view the latest and most accurate sailing schedules. It provides a Web browser interface as well as a phone-based voice response unit (VRU) so that users may access the schedules from anywhere and at anytime.

Also during 2004, OOCL introduced OperationSmart, an application for local facility operations, corporate offices and external vendors to update and monitor equipment inventories. Users may access and update information from the system by a Web browser, an Excel upload feature and EDI. The Web form checks for errors and allows users to make corrections to entered data, both of which processes help to improve the quality of equipment inventory data.

CargoSmart, an independent subsidiary of OOCL, enhanced its offerings during 2004 and received four awards for its multiple-carrier



shipment management solutions for shippers and transportation intermediaries. The new products included cargo tracking through SMS text messaging, a Web site tailored to the China market and *CargoSmart Desktop*, a new platform that uses the Microsoft.NET Framework and allows customers to manage their shipments more quickly, have more customisable features and to work in multiple languages. *CargoSmart* also began requiring all users to register before tracking cargo online to improve the security in relation customers' shipment information. For its innovation, technology leadership and ability to provide customers with solutions that deliver high value and a solid return on investment, *CargoSmart* received the "Best Practice Award in Outsourcing" from *Best Practice Management Magazine* and the "Best Third-Party Web Site for Doing Cargo Business" award from *Marine Digest and Cargo Business News*. It was also included within its list of the "Top 100 Supply and Demand Chain Vendors" by *Supply & Demand Chain Executive* and within its "100 Great Supply Chain Partners" by *Global Logistics & Supply Chain Strategies*.

As a result of the expanded features and proven value for customers, the number of active registered *CargoSmart* customers rose from 11,000 to over 20,000 during 2004.

CONTAINER TERMINALS

Total revenue at the Group's four container terminals in North America, two on the West Coast in the Port of Vancouver and two on the East Coast in the Port of New York and New Jersey, grew by 15.2% in 2004 to US\$289 million on a 10.4% increase in combined container box throughput volume to 1,242,997 lifts. Operating margins expanded as an average increase of 4.4% in unit revenue more than offset a 3.4% rise in

unit cost and earnings before interest and tax increased to US\$48.0 million from a year ago.

While the rapid growth of trade between North America and China has resulted in a record volume of container boxes on ever larger container vessels moving through marine terminals located on the West Coast of North America, the Group's two Canadian container terminals in Vancouver, British Columbia were not able to capitalise fully on the favourable situation as severe congestion problems at US West Coast ports forced some shipping lines to bypass Vancouver in order to maintain tight sailing schedules. A local tugboat strike in April was also disruptive and TSI Terminal Systems Inc., the Group company that operates both Deltaport and Vanterm, experienced a 10.2% decline in the number of vessel calls in 2004 as compared with a year ago. Despite these handicaps, 2004 still turned out to be another record year for TSI as it increased the number of containers moving through its terminals by 4.4% for a combined total of 764,255 lifts, equivalent to approximately 1.3 million TEU. Revenue per container rose by 13.8% while pressure on expenses in areas such as labour, taxes, security and intermodal operations contributed to a 10.3% increase in unit cost, with both figures significantly impacted by a strengthening Canadian dollar. Overall, TSI reported a 58.8% increase in pre-tax earnings for 2004 as compared with 2003.

To meet the ongoing challenge of continued volume growth at both Deltaport and Vanterm, steps were taken in 2004 to increase terminal capacity and to improve efficiency and productivity. TSI entered into a new 20-year lease with the Vancouver Port Authority for Deltaport, thereby making its term coincide more closely with that for Vanterm, and negotiations are ongoing with the Vancouver

Port Authority to add a third berth and 50 contiguous acres of container yard space at Deltaport. Preliminary engineering design and planning are expected to commence in the first quarter of 2005 and environmental approvals are expected by the middle of the year. In the meantime, the delivery of a new ZPMC 65-ton, 22-wide super post-Panamax crane and four rubber-tired gantry cranes will increase Deltaport's efficiency by mid-2005. Progress is also evident at Vanterm which has been undergoing capacity upgrades at a cost of approximately US\$30 million, partially funded by the Vancouver Port Authority. Additions to the container and intermodal yards are expected to be completed by mid-2005 and the two new ZPMC 65-ton, 22-wide super post-Panamax cranes scheduled for delivery in the first quarter of 2005 should become fully operational at Vanterm by mid-year.

In 2004, both Vancouver terminals received Certificates of Compliance with the ISPS code (International Ship and Port Facility Security), and Transport Canada approved TSI's Marine Facility Security Plans.

On the East Coast of North America, the Group's Global Terminal in Jersey City, New Jersey offers the shortest distance from the open sea for vessels calling at the Port of New York and New Jersey and it remains that Port's only major marine facility with no air-draft restriction for the very large vessels that are increasingly being placed into service on the world's major trade routes. Global continued to rebuild its business in 2004 and the turnaround has resulted in a 513% improvement in pre-tax earnings from a year ago. Revenue was up 24.9% in 2004 as compared with 2003, helped by an 11.9% increase in vessel calls and a 29.0% increase in container box throughput to 218,872 lifts.

While unit revenue did decline by 3.2%, operating margins expanded as unit cost dropped 10.2% on account of the significantly higher volume.

During 2004, Global embarked on several facility and equipment improvement projects that will further enhance its operational performance. Foremost amongst these is a proposal to extend the current berth length by 800 ft to a total of 2,600 ft. This project is currently in the design and governmental-permit approval stage, with construction anticipated to commence by the second half of 2005. Global has completed the specification and ordering process for two additional ZPMC 65-ton, 22-wide, super post-Panamax cranes and after their scheduled delivery at the end of 2005, the facility will have a total complement of six such super post-Panamax cranes. Ancillary terminal equipment such as additional rubber-tired gantry cranes, toploaders, sideloaders and yard tractors are also scheduled for delivery throughout 2005, further insuring continuous improvement in service levels.

The installation of an Optical Character Recognition gate complex was completed at Global by the end of 2004, resulting in greater operational efficiency in the container receiving and delivery process. A new terminal operating software system is planned for 2005 and will improve information systems efficiency by eliminating redundant labour and processing practices. In the harbour, the federal and state-funded Port Jersey Channel dredging project is ongoing with a 41 ft depth having been reached in 2004. The 50 ft depth phase is expected to commence in mid-2005 with a completion date projected for 2007-2008. Water depth alongside the berth, however, remains the responsibility of Global Terminal as it is a freehold property. Subject to the

receipt of necessary governmental and environmental permits, dredging of the existing berth and its planned extension to a depth of 50 ft is projected to begin in the third quarter of 2005 with completion by early 2006. No disruption to vessels calling at Global is anticipated during this proposed berth dredging operation.

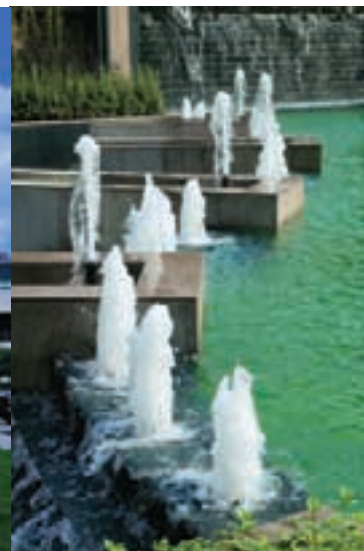
At the end of 2004, the lease between Howland Hook Container Terminal and the Port Authority of New York and New Jersey and its stevedoring license were transferred to another Group company, New York Container Terminal, Inc. ("NYCT"). The Group's other East Coast container terminal located in Staten Island, New York, NYCT also produced an exceptional year. Container throughput volume increased 15.9% to 259,870 lifts, revenue was up 15.2% and pre-tax earnings from operations increased by 265%. With unit revenue down just 0.6% from a year ago, the improvement in earnings was driven by a large reduction in unit operating costs, down 7.9% year-to-year, benefiting from the favourable impact of increased volume. In addition to the improvement in operating earnings, NYCT successfully recovered US\$10.4 million in long-awaited reimbursements from New York City to offset subsidies given in prior years to truckers as compensation for bridge tolls on the approach to NYCT, New York's only container terminal facility, an additional expense that could have been avoided if they had called at any other terminal in the Port of New York and New Jersey.

During 2004, NYCT took delivery of four new Liebherr 65-ton, twin-pick, 18-wide post-Panamax cranes to complement a 500-ft berth extension. The newly lengthened dock, which now stands at 3,012 ft, was commissioned and paid for by the Port Authority of New

York and New Jersey and is part of a significant investment that is being made to upgrade the terminal's throughput capacity. The terminal was successful in pushing through legislation to exempt it from New York City Sales Tax on all capital purchases, belatedly putting it on a par with all New Jersey terminals, and it also secured major reductions in the cost of power by arranging to purchase electricity through New York City's Industrial Development Agency. These two initiatives will have a long-term favourable impact on the terminal's overall cost of doing business.

This new identity more clearly identifies the terminal as New York's only container terminal operation and complements the very positive publicity that it has been receiving in recent years from the New York press. Indeed, after a long hiatus, New York is once again a factor in the marine terminal business and New York Container Terminal is poised for growth.

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 US\$93.6 million. Further equity injections are not expected.

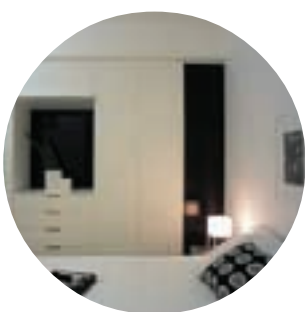
Wall Street Plaza, the Group's investment property in New York City's financial district, maintained a below 1% vacancy rate for the year of 2004. Wall Street Plaza remains profitable and is strongly positioned to continue to contribute to the Group's performance. As at the end of 2004, the

building was valued, on an open market basis, at US\$100 million.

PROPERTY DEVELOPMENT

The Shanghai real estate market continued to strengthen during 2004. Despite the tightening of bank funding to local developers, and further restrictions place on mortgage lending, the market remained strong, especially in central Shanghai. This can be attributed to the decreasing supply of new projects in downtown Shanghai and an influx of institutional investment from abroad. While we are cautious of the potential effects of a possible slowdown, we remain confident in the medium and long term future of Shanghai and its surrounding areas.

During 2004, we achieved almost 100% sales of Phase 2B of Century Metropolis totalling 58,000 sq m. We expect final completion and handover to take place during 2005. Of the entire 233,000 sq m of the gross floor area of the Century Metropolis Project, only the 3,000 sq m of the high end terraced houses

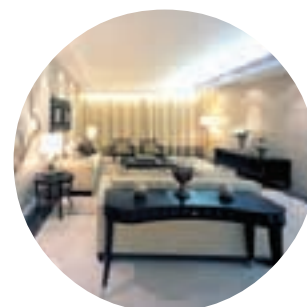


remain to be launched. We expect sale of these units to be launched during 2005. Sales of the other residential units in Century Metropolis during 2004 were ahead of projections and at higher than budgeted price levels.

The project on the Changle Lu site in the Luwan district of Shanghai will have a total gross floor area of approximately 134,000 sq m. We are in the process of finalising the master plan with the Shanghai City Government and expect construction to begin in 2005.

During 2004 we accumulated three parcels of land totalling over 200,000 sq m in Kunshan, Jiangsu Province. The site is 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, we expect to construct a mixed use development. Although consisting predominantly of residential apartments, there will also be a retail and hotel element. During 2004, we also executed a land use agreement with the Huangpu District Government in Shanghai. The 27,000 sq m site is located on Xizang Lu, two blocks away from Huai Hai Lu in central Shanghai. We expect to construct a 108,000 sq m office and retail complex.

In total, the Group's pipeline of real estate projects has now reached some 900,000 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 a meaningful return going forwards.





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.





Property Development

&

Investment



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

Being a certified Customs-Trade Partnership Against Terrorism (C-TPAT) member – which was launched by US Customs and Border Protection to improve maritime security – OOIL is committed to the security of its operations against possible compromise and to the maintenance of the highest level of compliance in customs-related areas. In compliance with C-TPAT, the company has developed the Security Internal guideline. It has also implemented internal security checks to all of its holdings.

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 business.

It is the company's policy to have all vessels comply with the Qualship 21 Program – Identification for Quality Operation of Non-US Flagged Vessels, regardless of whether they enter US territorial waters (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 (EMS), 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.

OOCL's Fleet Management Department (FMD) and all its vessels have met a number of international standards for safety and environmental protection. OOCL is the first container shipping line, and only the tenth of all companies in the world, to have achieved 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 that 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 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 ship. In respect of other equipment, all refrigerated container boxes ("reefers") use the most environmentally friendly of refrigerants. All container trucks owned by OOIL companies are maintained in the best of condition to minimise fuel consumption, gas emissions and noise pollution.

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 on 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 programs 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, fundraising or by dedicating their time. 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.

As of 25th February 2005, OOIL employee donations in support of Disaster Relief in Asia had surpassed US\$83,000. The company matched all contributions made by staff on a one-to-one basis, with the funds going to the Red Cross. 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, diabetes and countless 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\$320,000 per year on educational scholarships for students in China and Hong Kong 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 about their aspirations through people-development programs, training and education; and the recognition and reward of their efforts and achievements. People-development remains a cornerstone of the company culture, and enables the effective operation of OOIL's policy of career development through recruitment from within. OOIL has over the past year channelled a great deal of time and effort into its various people-development programs. OOIL advocates continuous learning and career development, including job rotation, local and overseas job assignments as well as formal training for performance enhancement.

OOIL employs an innovative approach to management education. 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 more people in the company. In 2004, OOCL achieved a 100 percent completion rate in less than six months for its Security Training Awareness Program.

As at 31st December 2004 OOIL had 5,546 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 scheme, and discretionary bonus schemes based on the performance of the Company, 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 Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards and to preclude against offences under local, national and international laws, any breaches of confidentiality, non-disclosure requirements or intellectual property rights and against 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 because of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status 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	2004	2003	Variance
Operating results by activity:			
Container transport and logistics	651,584	323,123	328,461
Container terminals	48,017	35,034	12,983
Property investment and development	23,816	21,075	2,741
Investments and corporate services	3,591	238	3,353
Earnings before interest and tax	727,008	379,470	347,538
Interest income	17,518	14,020	3,498
Interest expenses	(34,892)	(30,892)	(4,000)
Financing charges	(8,895)	(9,292)	397
Profit before taxation	700,739	353,306	347,433
Taxation	(30,141)	(24,145)	(5,996)
Minority interests	(149)	(117)	(32)
Profit attributable to shareholders	670,449	329,044	341,405

Container Transport and Logistics

Summary of Operating Results

US\$'000	2004	2003	Variance
Liftings (TEUs)	3,267,235	2,687,545	579,690
Revenue per TEU (US\$)	1,100	1,025	75
Turnover			
Asia	2,709,681	2,042,717	666,964
North America	573,879	481,285	92,594
Europe	480,450	399,068	81,382
Australia	63,883	46,484	17,399
	3,827,893	2,969,554	858,339
Cargo costs	(1,546,856)	(1,253,669)	(293,187)
Vessel and voyage costs	(748,095)	(630,005)	(118,090)
Equipment and repositioning costs	(502,436)	(446,877)	(55,559)
Gross profit	1,030,506	639,003	391,503
Business and administrative expenses	(384,235)	(324,144)	(60,091)
Other operating income, net	4,399	10,449	(6,050)
	650,670	325,308	325,362
Share of results of jointly controlled entities	914	(2,185)	3,099
Earnings before interest and tax	651,584	323,123	328,461

The operating results for container transport and logistics include the operations of Long Beach Container Terminal in California USA and Kaohsiung Terminal in Taiwan which form an integral part of that business.

The 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 2004. 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;
- various Intra-Asia services; and
- the operation of Kaohsiung Terminal in Taiwan.

Turnover from the Asia area rose from US\$2,042.7 million in 2003 to US\$2,709.7 million in 2004 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.

Liftings on the Eastbound Asia/North America West Coast services increased by 13% and freight rates recorded an 8% gain. Performance on the Westbound legs of the Asia/Northern Europe services improved from 2003 with a 29% increase in volumes and a 43% gain in revenue. Intra-Asia also recorded a 25% 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 2004 rose slightly by 2% as compared with 2003 despite a 20% 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.

Kaohsiung Container Terminal in Taiwan forms an integral part of the container transport and logistics business and its terminal facilities were mainly employed by OOCL and its alliance members.

North America

Turnover categorised under the North America area is 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;
- Eastbound freight of the Canada/Northern Europe service; and
- the operation of Long Beach Container Terminal in California, USA.

Revenue increased by US\$92.6 million for this area in 2004. All routes from this region recorded double digit revenue growth, especially the Westbound segment of the Asia/North America West Coast services which accounted for over half of the increase in revenue for the year.

Westbound liftings on the Asia/North America West Coast service recorded a 22% increase over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal recorded a growth of 10%. Performance of the Eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a healthy growth with an approximately 18% growth in volume and a 24% increase in revenue.

With a 20% growth in volumes for the year, the average revenue per TEU on all outbound cargoes from North America was higher than that of 2003 by a modest margin.

Despite a 10% increase in capacity during the year, overall load factors in the region recorded a 5% rise from last year.

Long Beach Container Terminal forms an integral part of the container transport and logistics business with its terminal facilities mainly employed by OOCL and its alliance partners. The operating results of the terminal were comparable with those of 2003.

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 2004 surpassed that of 2003 by US\$81.4 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 an impressive growth in volume, albeit at the expense of a minor set back in freight rates. The Westbound rates of the Transatlantic routes, on the other hand, progressed further in 2004.

The Eastbound leg of the Asia/Northern Europe service sustained a healthy growth following on from the recovery experienced during 2003. Liftings for this segment recorded a 32% rise in 2004 although per TEU revenue registered a 2% drop. Liftings for the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were better than those of 2003 and average revenue per TEU for the two services improved by 8% and 9% respectively.

Overall load factors as a percentage of capacity available for cargo shipments from this region were maintained at the same level as in 2003 notwithstanding an 18% capacity increase for the Europe area during 2004.

Average revenues per TEU on all outbound cargoes from Europe recorded a 2% increase from the 2003 levels with gains on both the Transatlantic trade lanes more than compensated for the softening 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 21% in 2004 which, together with a 14% rise in revenue per TEU, resulted in a net gain in turnover of US\$17.4 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. With a 22% growth in liftings for 2004, total cargo costs rose by US\$293.2 million, a comparable 23% increase.

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 184,781 TEU of 2003 to 219,779 TEU in 2004 and the total number of vessels, either owned or chartered in and operated by OOCL, increased from 55 in 2003 to 65 in 2004. With strong charter-hire rates prevailing throughout the year, total vessel costs increased by 13% for 2004.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. The number of sailings in 2004 increased by 4% and bunker prices also rose from an average of US\$167 per ton in 2003 to an average of US\$174 per ton during 2004. As a result, costs in this category were driven up by more than 25%.

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. Total equipment and repositioning costs increased by US\$55.6 million in 2004 in line with the growing size of the container fleet from the 420,004 TEU of 2003 to 514,964 TEU in 2004.

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\$60.1 million in 2004 as compared with 2003.

Share of Results of Jointly Controlled Entities

The share of the US\$2.2 million loss from jointly controlled entities in 2003 was attributable to the provision for asset impairment for a depot joint venture in Qingdao. A modest share of profit from jointly controlled entities was recorded for 2004.

Earnings Before Interest and Tax

Earnings before interest and tax of US\$651.6 million for the container transport and logistics business in 2004 were US\$328.5 million higher than in 2003 due mainly to freight rate and volume increases. Average revenue per TEU for 2004 was US\$1,100 as compared with US\$1,025 for 2003. Liftings also increased from 2.69 million TEU in 2003 to 3.27 million TEU in 2004.

Container Terminals

Summary of Operating Results

US\$'000	2004	2003	Variance
Throughput (units)	1,242,997	1,126,206	116,791
Turnover	289,185	251,025	38,160
Terminal operating costs	(206,298)	(180,727)	(25,571)
Gross profit	82,887	70,298	12,589
Business and administrative expenses	(34,870)	(35,264)	394
Earnings before interest and tax	48,017	35,034	12,983

Container terminal activities include the Group's multi-user terminal operations namely:

TSI Terminal Systems Inc. ("TSI") a wholly owned terminal and management company which operates the Vanterm terminal in Vancouver, Canada and the Deltaport Terminal at Roberts Bank near Vancouver. OOCL and other Grand Alliance members are principal customers of the terminals. After a slight profit set back in 2001, TSI's profitability returned to a commendable level in 2002 and 2003 and 2004 further consolidated that strength.

Howland Hook Leasing Corporation ("HHLC") (formerly Howland Hook Container Terminal, Inc.) operates a three berth terminal facility on Staten Island, New York, USA. The Group owned an 80% interest in this company when business operations commenced in 1996. The remaining 20% equity of the company was subsequently acquired from the minority shareholder in 2001 and it thus became a wholly owned subsidiary of the Group. Grand Alliance services began calling at the terminal in late 1999 and have since become a major user. After concluding negotiations during the first half of 2003 in relation to a restructured operating lease resulting in a one-off credit to profit of US\$14.3 million, HHLC has in 2004 concluded negotiations and received a government grant of US\$10.4 million. Starting from 31st December 2004, HHLC transferred the majority of its assets to New York Container Terminal Inc., another wholly owned subsidiary of the Group, which then became the operator of the terminal.

Global Terminal and Container Services, Inc. ("Global") operates a two berth terminal facility in New Jersey, USA. These facilities are used by a number of third party carriers. In 2001, one of Global's two major customers was declared bankrupt and withdrew from business. Another major customer, in the light of service rationalization, also ceased calling at the terminal in early 2002, resulting in Global incurring a significant loss for the year. In 2003, management of Global terminal successfully reestablished its customer base and as a result, the bottom line was much improved and further improvement was attained in 2004.

Turnover

Turnover increased by US\$38.2 million in 2004 as a result of the significant rebound in the business volumes of Global. Total throughput levels surpassed last year and set another record high in 2004. Average handling rate per box also showed a 4% growth over that of 2003.

Terminal Operating Costs

Operating costs were US\$25.6 million higher than 2003 level with an increased number of boxes handled in 2004. The 2003 operating costs included a one-off rental credit of US\$14.3 million received by HHLC and in 2004, a US\$10.4 million government grant to HHLC was recorded as a reduction to operating costs for the year.

Business and Administrative Expenses

Business and administrative expenses in 2004 were comparable with those of 2003. 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 Interest and Tax

Overall operating results improved in 2004 as Global consolidated its performance after returning to profit last year. While TSI continued to produce stable profits in 2004, performance for the year was further enhanced by HHLC's favourable operating results.

Property Investment and Development

Summary of Operating Results

US\$'000	2004	2003	Variance
Rental income	22,262	20,046	2,216
Property management costs	(9,073)	(8,924)	(149)
Gross profit	13,189	11,122	2,067
Business and administrative expenses	(4,024)	(3,936)	(88)
Profit from property investment	9,165	7,186	1,979
Profit from property developments	14,651	13,889	762
Earnings before interest and tax	23,816	21,075	2,741

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.

The net rental from Wall Street Plaza provided a stable income source. The other profit contributor for the year was the development project "Century Metropolis" Phase 2B, Shanghai. In year 2003, the profit contributor from the development project was Phase 2A of Century Metropolis.

Rental Income

Rental income for the year, representing mainly the rental income derived from Wall Street Plaza, was higher than that of last year as the building was almost fully let during 2004 with a vacancy rate of less than 1% at the year end.

Profit From Property Developments

A profit of US\$14.7 million was recorded from property developments in 2004 compared with US\$13.9 million in 2003. A majority of the current year profit arose from Phase 2B of the Century Metropolis project in Shanghai and the principal profit contributor in 2003 was from Phase 2A of the same project.

Investments and Corporate Services

US\$'000	2004	2003	Variance
Portfolio investment income	12,627	7,424	5,203
Profit on disposal of long-term investments	3,720	47	3,673
Provision for diminution in value of long-term investments	(288)	—	(288)
Others	(12,468)	(7,233)	(5,235)
Earnings before interest and tax	3,591	238	3,353

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.

Portfolio investments recorded a profit of US\$12.6 million for 2004, an increase of US\$5.2 million as compared with 2003. The portfolio investment result reflected the gradual recovery of the global financial markets and out-performance against target benchmarks during 2004.

Others include business and administration expenses for corporate services, exchange differences, the research costs of financial projects and other miscellaneous income and expenses. With an exchange loss recorded for the year, as opposed to the gain in 2003, the net expenses level of 2004 was US\$5.2 million higher than that of 2003.

Interest Income, Expenses and Financing Charges

The Group invests surplus liquid funds, other than funds allocated for investments in bonds and listed equity securities, in cash and bank deposits. The Group incurs interest expenses on bank loans, finance leases and, to a very small extent, on bank overdrafts. These borrowings are variously secured against vessels, containers, chassis, terminal equipment and the investment property owned by the Group. The Group also incurs financing charges on its asset securitisation programme and fees as a result of finance arrangements and lease administration.

Interest Income

Interest income arises from the deposit of available Group cash balances on a short-term basis with banks and other financial institutions. Interest income may vary year to year with the cash flows of the business, the level of capital expenditure and new investments (particularly in relation to property development projects in China) and the amount which the Group commits to its investment portfolio. With the growth in average cash balances and the higher interest rates pertaining during the year, total interest income for 2004 was US\$3.5 million higher than 2003.

Interest Expenses

With a gradual rise in interest rates during 2004, interest expenses increased correspondingly by US\$4.0 million compared with 2003. The increase in indebtedness as a result of the new loans drawn upon the delivery of newbuildings in 2004 also accounted for the higher interest cost for the year. The average cost of finance rose from 3.1% in 2003 to 3.7% in 2004 as a whole.

Financing Charges

Financing charges mainly include loan arrangement fees, commitment fees, financing costs for loan stocks and charges for the asset securitisation programme. Total financing charges in 2004 were comparable with those in 2003.

Profit before Taxation

Pre-tax profit for the year reached another record of US\$700.7 million in succession to last year's record profit of US\$353.3 million. The container transport and logistics business achieved another remarkable result for the year. The Group's result was further boosted by the sustained improvement in terminal operations and continual contributions from the property investment and development segment.

Taxation

US\$'000	2004	2003	Variance
Current overseas taxation			
Company and subsidiaries:			
North America	24,024	15,900	(8,124)
Europe	(142)	370	512
China	1,363	1,015	(348)
Asia and others	494	813	319
Jointly controlled entities:			
China	4,402	6,047	1,645
Total	30,141	24,145	(5,996)

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 much improved profit level from terminal operations. The growth of business activities in China also increased the tax exposures there.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US\$'000	2004	2003	Variance
Property, plant and equipment	2,235,176	1,579,798	655,378
Jointly controlled entities	31,255	24,298	6,957
Long-term investments	95,938	99,218	(3,280)
Intangible assets	33,315	29,817	3,498
Cash and portfolio investments	1,021,446	680,806	340,640
Accounts receivable and properties under development and for sale	399,789	324,868	74,921
Deferred assets	21,148	16,105	5,043
GROSS ASSETS	3,838,067	2,754,910	1,083,157
Accounts payable and accruals	(553,535)	(486,244)	(67,291)
Current taxation	(8,044)	(3,159)	(4,885)
GROSS ASSETS LESS TRADING LIABILITIES	3,276,488	2,265,507	1,010,981
Long-term liabilities	1,258,953	840,677	418,276
Bank loan, overdrafts and current portion of long-term liabilities	146,011	257,485	(111,474)
Total debt	1,404,964	1,098,162	306,802
Minority interests and deferred liabilities	62,115	56,591	5,524
Ordinary shareholders' funds	1,809,409	1,110,754	698,655
CAPITAL EMPLOYED	3,276,488	2,265,507	1,010,981
Debt to equity ratio	0.8	1.0	
Net debt to equity ratio	0.2	0.4	
Accounts payable as a % of turnover	13.4	15.0	
Accounts receivable as a % of turnover	7.3	7.6	
% return on average ordinary shareholders' funds	45.9	33.4	
Net asset value per ordinary share (US\$)	3.18	2.15	
Cash and portfolio investments per ordinary share (US\$)	1.80	1.32	
Share price at 31st December (US\$)	3.78	3.06	
Price earnings ratio based on share price at 31st December	3.2	4.7	

Property, Plant and Equipment

US\$'000	2004	2003	Variance
Container transport and logistics	1,944,743	1,312,877	631,866
Container terminals	190,229	166,775	23,454
Property investment and development	100,204	100,146	58
	2,235,176	1,579,798	655,378

Container transport and logistics remains the core business of the Group and the one in which the majority of property, plant and equipment are 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. The first two were delivered in 2003 and four were received in 2004. Two each will be delivered in 2005, 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. The increase in property, plant and equipment in 2004 principally reflected the delivery of four new "SX" class container vessels during the year, the stage payments 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 2004 represents the additional terminal equipment acquired by terminals during the year.

Property, plant and equipment in property investment and development activities mainly represent the commercial building, Wall Street Plaza, in New York. The building was valued at US\$100.0 million at the end of 2004 by an independent valuer (2003 : US\$100.0 million).

Jointly Controlled Entities

US\$'000	2004	2003	Variance
Container transport and logistics	2,957	2,777	180
Property investment and development	28,298	21,521	6,777
	31,255	24,298	6,957

The investment in jointly controlled entities by container transport and logistics for 2004 mainly represents an interest in a joint venture for the operation of a container depot and transportation business in Qingdao.

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 240,000 sq m. This project is being developed in phases. Phase 1A was completed and handed over to buyers at the end of 2001. Handover of Phase 1B began in 2002 and Phase 2A was topped out in December of that year. Block 1 and Block 2 of Phase 2B were topped out in 2004.

The increase in the investments in jointly controlled entities for property development activities is attributable to the share of profit for the year, offset in part by the dividends and progressive capital repatriations from the property development projects.

Long-term Investments

US\$'000	2004	2003	Variance
Container transport and logistics	1,237	1,149	88
Property investment and development	93,601	93,601	—
Others	1,100	4,468	(3,368)
	95,938	99,218	(3,280)

Long-term investments of the Group at 31st December 2004 amounted to US\$95.9 million, principally represented by the Group's 8% interest in Beijing Oriental Plaza of US\$93.6 million.

Intangible Assets

US\$'000	2004	2003	Variance
Container transport and logistics	22,295	21,244	1,051
Container terminals	2,513	713	1,800
Property investment and development	8,507	7,860	647
	33,315	29,817	3,498

Intangible assets principally represent computer software development costs, deferred property leasing expenses and financing charges. Other than property leasing expenses, which will be written-off over the respective lease period, intangible assets are to be amortised over three to five years.

Cash and Portfolio Investments

US\$'000	2004	2003	Variance
Container transport and logistics	176,620	169,142	7,478
Container terminals	19,560	8,038	11,522
Property investment and development	19,119	40,010	(20,891)
Cash and portfolio investments	806,147	463,616	342,531
	1,021,446	680,806	340,640

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 2004 amounted to US\$1.80 compared with US\$1.32 at 31st December 2003.

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

Accounts Receivable and Properties under Development and for Sale

US\$'000	2004	2003	Variance
Container transport and logistics	214,279	187,631	26,648
Container terminals	65,779	46,091	19,688
Property investment and development	119,289	91,001	28,288
Others	442	145	297
	399,789	324,868	74,921

Accounts receivable and properties under development and held for sale increased by US\$74.9 million to US\$399.8 million at the end of 2004, principally a reflection of an increase in trade receivables pursuant to the growth in business volumes of the container transport, logistics and container terminal operations, plus further investments in the property development projects around Shanghai.

As at 31st December 2004, 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 and a 100% interest in a residential and hotel project at Kunshan, Jiangsu.

Accounts Payable and Accruals

US\$'000	2004	2003	Variance
Container transport and logistics	516,295	456,350	59,945
Container terminals	31,467	23,862	7,605
Property investment and development	3,385	4,300	(915)
Others	2,388	1,732	656
	553,535	486,244	67,291

Accounts payable at the end of 2004 were US\$67.3 million higher than those at the end of 2003. The increase in accounts payable was largely in line with the growth in business volumes of the container transport and container terminals businesses in 2004, in the latter case mainly as a result of the growth in business activities at Global terminal.

Total Debt

US\$'000	2004	2003	Variance
Bank loans	720,219	645,739	74,480
Other secured loans	12,541	18,121	(5,580)
Finance lease obligations	672,119	395,344	276,775
Bank overdrafts and short-term loans	85	38,958	(38,873)
	1,404,964	1,098,162	306,802

Total debt increased during the year by US\$306.8 million principally as a result of the financial obligations taken on pursuant to the delivery of new container vessels during the year, but offset in part by scheduled repayment of loans and bank indebtedness. The repayment profile of the Group's long-term liabilities is set out in Note 24 to the Accounts.

Debt Profile

As at the end of 2004, over 97% (2003 : 96%) 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\$1,405.0 million debt outstanding at the end of 2004, US\$119.6 million was fixed rate debt comprised mainly of container and terminal equipment leases. The fixed rates range from 3.5% to 10.6% dependent upon the cost of money at the time that each transaction was entered into. The remaining US\$1,285.4 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 2004 was 3.7% (2003 : 3.1%).

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 13 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. With the favourable operating results for the year, the Group's shareholders' funds rose by US\$698.7 million to US\$1,809.4 million as at the end of 2004 with a net asset value per ordinary share of US\$3.18 (2003 : US\$2.15).

Net Debt to Equity Ratio

This ratio was lower at 0.2 as at the end of 2004, as against 0.4 for 2003, with the profits recorded for 2004 and proceeds from the issue of new shares in February, 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 2005 amounted to US\$327.2 million as detailed in Note 31(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 2004, the Group had outstanding capital commitments amounting to US\$843.1 million, principally represented by the orders placed for new container vessels to be delivered between 2005 and 2008 and further investments in terminal facilities.

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

US\$'000	2004	2003	Variance
Net cash inflow from operations	847,092	520,696	326,396
Investing and financing inflow:			
Interest and investment income	30,375	19,149	11,226
Sale of property, plant and equipment and investments	14,975	92,757	(77,782)
New loan drawdown	338,658	189,706	148,952
Cash from jointly controlled entities	3,261	17,893	(14,632)
Issue of new share	152,945	—	152,945
	540,214	319,505	220,709
Investing and financing outflow:			
Interest paid	(44,973)	(41,827)	(3,146)
Dividends paid to shareholders	(134,585)	(31,028)	(103,557)
Taxation paid	(27,784)	(12,355)	(15,429)
Purchase of property, plant and equipment and investments	(426,024)	(236,421)	(189,603)
Loan repayments	(407,008)	(184,403)	(222,605)
Purchase of intangible assets	(12,539)	(10,547)	(1,992)
Share repurchase	—	(59,739)	59,739
Others	(191)	(255)	64
	(1,053,104)	(576,575)	(476,529)
Net cash inflow	334,202	263,626	70,576
Beginning cash and portfolio balances	680,806	412,446	268,360
Changes in exchange rates	6,438	4,734	1,704
Ending cash and portfolio balances	1,021,446	680,806	340,640
Represented by:			
Unrestricted bank balances and deposits	749,245	536,791	212,454
Restricted bank balances and deposits	22,367	35,850	(13,483)
Portfolio investments	249,834	108,165	141,669
	1,021,446	680,806	340,640

A net cash inflow of US\$334.2 million was recorded for 2004 as compared with an inflow of US\$263.6 million for 2003. Operating cash inflow for the year was substantially higher than that of 2003 pursuant to the level of operating profits recorded for the year. In 2004, four new previously ordered vessels were delivered accounting for the rise in capital payments and corresponding loan drawdown amounts. The US\$59.7 million share repurchase payment in 2003 reflected the off-market buy back of 46,957,088 ordinary shares of the Company in September 2003 and 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\$1,021.4 million as at the end of 2004 compared with US\$680.8 million as at the end of 2003.

Liquidity

As at 31st December 2004, the Group had total cash and portfolio investment balances of US\$1,021.4 million compared with debt obligations of US\$146.0 million repayable in 2005. Total current assets at the end of 2004 amounted to US\$1,398.9 million against total current liabilities of US\$707.6 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



C C TUNG

Mr Tung, aged 62, has been appointed Chairman of OOIL in October 1996. Mr Tung chairs the Executive Committee and serves on the Remuneration Committee of the Board of OOIL. He is also 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; Bank of China (Hong Kong) Ltd; Global China Group Holdings Limited; Cathay Pacific Airways Limited and U-Ming Maritime Transport Corporation. Mr Tung is the brother-in-law of Mr Roger King.



TSANN-RONG CHANG

Mr Chang, aged 65, has been a Director of OOIL since 1988 and Vice Chairman since 1st December 2003. He is also a member of the OOIL Executive 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 36 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 King, aged 64, was Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period September 1985 to January 1987 and a Director from 1983 until 1992. He has been a Director of OOIL since 1992 and is also a Director of an associated company. He became a Non-executive Director of OOIL in August 1999. 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 a Non-executive Director of World Metal Holdings Limited, a listed company in Hong Kong. He is also the former Executive Chairman of System-pro Computers Limited, one of the largest personal computer retailers in Hong Kong and the former President and CEO of Sa Sa International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Ltd. 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.



NICHOLAS D SIMS

Mr Sims, aged 51, has been a Director and the Chief Financial Officer of OOIL since October 2000. He serves on the OOIL Executive Committee, the Finance Committee, 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 Managing Director of Wayfoong Shipping Services, a member of HSBC Group responsible for ship finance business throughout the Asia Pacific region. Mr Sims joined HSBC in 1973 and served the international banking group in Hong Kong and London.



PHILIP CHOW

Mr Chow, aged 57, 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 28 years and is the Chief Executive Officer of OOCL.



SIMON MURRAY

Mr Murray, CBE, aged 64, has been an Independent Non-executive Director of OOIL since 1992 and was from 1989 until 1992 a Non-executive Director of OOHL. 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. He is also a Director of a number of public companies, including Hutchison Whampoa Limited and Cheung Kong Holdings Limited. Mr Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.



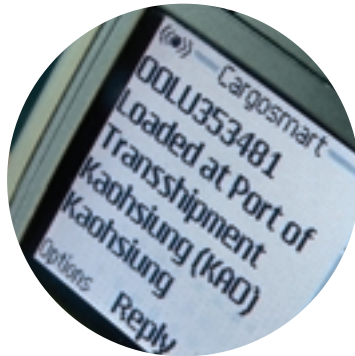
DR VICTOR K FUNG

Dr Fung, aged 59, 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 is Chairman of the Li & Fung Group of companies, 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 a member of Chinese People's Political Consultative Conference and the Hong Kong Government Judicial Officers Recommendation Committee. He is also an Independent Non-executive Director of Bank of China (Hong Kong) Limited, PCCW Limited and Sun Hung Kai Properties Limited. 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. In 2003, the Government of the Hong Kong Special Administrative Region awarded Dr Fung the Gold Bauhinia Star for distinguished service to the community.

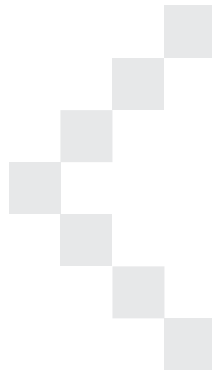


PROF RICHARD WONG

Professor Wong, aged 52, has been an Independent Non-executive Director of OOIL since December 2003. He serves on the Audit Committee and 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.



IT



We lead the industry
in the application of IT.

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



Information Technology



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Senior Management

TED WANG

Mr Wang, aged 59, has been the Managing Director of OOCL (Europe) Limited and Director of Orient Overseas Container Line Limited (OOCL) since October 2000. Mr Wang holds a Bachelor's degree in Business Administration from the National Taiwan University. Mr Wang joined the Group in 1971 and has served OOCL and its subsidiaries in various capacities for 33 years.

C L TING

Mr Ting, aged 56, 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 30 years in various capacities.

PETER LENG

Mr Leng, aged 57, 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 29 years.

ALLAN WONG

Mr Wong, aged 51, 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 28 years and is the Chief Executive Officer of OOCL Logistics Ltd since June 2004.

KENNETH CHIH

Mr Chih, aged 50, has been Director and Chief Information Officer of OOCL since 1997. Mr Chih holds a PhD and 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.

Financial Calendar

Announcement of results for the half year ended 30th June 2004	6th August 2004
Despatch of 2004 Interim Report to shareholders	25th August 2004
Announcement of results for the year ended 31st December 2004	10th March 2005
Despatch of 2004 Annual Report to shareholders	30th March 2005
Closure of the Register of Members to determine entitlements to a final dividend and Bonus Shares for ordinary shareholders in respect of the year ended 31st December 2004	19th April 2005 to 22nd April 2005 both days inclusive
2004 Annual General Meeting	22nd April 2005
Payment of 2004 final ordinary dividend together with the Bonus Shares	5th May 2005

Shareholder Information

Ordinary Shares :

Issued shares	568,902,998 shares (as at 31st December 2004 and 10th March 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 at 31st December 2004:

Category	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
Corporate	38	3.63%	549,380,717	96.5685%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.10%	2,493	0.0004%
Individual	1,008	96.27%	19,519,788	3.4311%
	1,047	100.00%	568,902,998	100.00%

Number of Shares Held	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
1 - 2,000	827	78.98%	351,651	0.06%
2,001 - 5,000	107	10.22%	340,377	0.06%
5,001 - 10,000	35	3.34%	251,723	0.04%
10,001 - 20,000	29	2.77%	389,926	0.07%
20,001 - 100,000	31	2.96%	1,442,259	0.25%
100,001 - 200,000	5	0.48%	683,020	0.12%
200,001 - 500,000	1	0.10%	440,000	0.08%
500,001 - 1,000,000	2	0.19%	1,119,776	0.20%
1,000,001 - 2,000,000	1	0.10%	1,124,647	0.20%
2,000,001 - 5,000,000	1	0.10%	3,846,000	0.68%
5,000,001 - 10,000,000	2	0.19%	19,288,405	3.39%
10,000,001 or above	6	0.57%	539,625,214	94.85%
	1,047	100.00%	568,902,998	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2004, 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	252,721,428	44.42%
HKSCC Nominees Limited	153,928,314	27.06%
Springfield Corporation	60,950,533	10.71%
Gala Way Company Inc.	44,056,370	7.74%
Monterrey Limited	27,968,569	4.92%
Leung Hok Pang	9,783,620	1.72%
HSBC Nominees (Hong Kong) Limited	9,504,785	1.67%
Chin Yiu Tong	3,846,000	0.68%
Mok Kwun Cheung	1,124,647	0.20%
Cheng Tien Shun	562,747	0.10%

Corporate Governance

Code of Best Practice

The Board is committed to high standards of corporate governance. Throughout 2004, the Group has complied the provisions of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") on the Code of Best Practice.

Appendix 14 to the Listing Rules was substantially revised during 2004. The new provisions of Appendix 14 will apply for subsequent reporting periods.

The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalised Group financial and legal procedures, the Group's Internal Audit Department and the Audit Committee.

The Board

The Board currently comprises the following eight Directors:

Executive Directors

Mr Chee Chen TUNG (Chairman)

Mr Tsann-Rong CHANG

Mr Nicholas David SIMS

Mr Philip Yiu Wah CHOW

Non-executive Director

Mr Roger KING

Independent Non-executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Prof Richard Yue Chim WONG

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

The Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors, namely, Dr Victor Kwok King FUNG (Chairman), Mr Simon MURRAY and Prof Richard Yue Chim WONG with the head of Internal Audit Department as the secretary and the Company Secretary as the assistant secretary of the Committee.

The principal duties of the Audit Committee include:

- make recommendation to the Board on the appointment and removal of external auditors and assessment of their independence and performance;
- review the effectiveness of financial reporting process 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 of the Company before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews; and
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure.

The Committee meets not less than twice a year. The external auditors, the Group Financial Controller and the General Manager - Finance of OOCL attend the Committee meetings at the invitation of the Committee.

The Remuneration Committee

The Remuneration Committee, established on 10th March 2005, comprises Mr Chee Chen TUNG (Chairman), Dr Victor Kwok King FUNG and Prof Richard Yue Chim WONG with the Company Secretary as the secretary of the Committee.

The principal duties of the Remuneration Committee include:

- make recommendation on the establishment of the Company's policy and structure for all remuneration of Directors, senior management and employees;
- review and recommendation on remuneration packages and compensation arrangements for loss of office of all Executive Directors and senior management; and
- review of performance-based remuneration policy for the Group.

The Committee shall meet not less than once a year.

Internal Control

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

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the Model Code in Appendix 10 to the Listing Rules and all Directors have complied with the required standard of dealings set out therein.

Going Concern

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

Notice of Annual General Meeting

NOTICE is hereby given that the Nineteenth 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 22nd April 2005 at 10:00 a.m. for the following purposes:

1. To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December 2004;
2. To declare a final dividend for the year ended 31st December 2004;
3. To consider and, if thought fit, pass, with or without modification, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares of US\$0.10 each (individually a "Bonus Share" and collectively the "Bonus Shares") in the capital of the Company to be issued:

- (a) to capitalise such amount necessary to give effect to the issue of the Bonus Shares that is for the time being standing to the credit of the share premium account of the Company and the Directors be and are hereby authorised to apply such sum in paying up in full at par (US\$0.10) such number of Bonus Shares to be allotted and issued as fully paid to the shareholders of the Company on the basis of one (1) Bonus Share for every ten (10) issued ordinary shares of US\$0.10 each held by such shareholders whose names appear on the register of members of the Company at the close of business on 22nd April 2005 and to allot and issue such Bonus Shares;
 - (b) the Bonus Shares to be issued shall rank *pari passu* in all respects with the existing issued shares of the Company as at the date of issue of such Bonus Shares;
 - (c) no fractional Bonus Shares (if any) shall be allotted to the shareholders of the Company and fractional entitlements will be rounded down to the nearest whole number and that the Directors be and are hereby authorised to deal with any fractions arising from the distribution by the sale of the Bonus Shares representing such fractions and to retain the net proceeds for the benefit of the Company; and
 - (d) the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of Bonus Shares."
4. To re-elect Directors and to fix their remuneration for 2005;
 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, pass, with or without modification, the following resolutions as Ordinary Resolutions:

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 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”
- (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 per cent. of the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to that security, in issue as at the date of 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 per cent. 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, pass, with or without modification, the following resolution as a Special Resolution:

SPECIAL RESOLUTION

"THAT the existing Bye-law 87(2) of the Company's Bye-laws be and is hereby amended by deleting in its entirety and substituting therefor the following:

"At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years." "

By Order of the Board

Lammy Lee

Secretary

Hong Kong, 30th March 2005

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 19th April 2005 to 22nd April 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and the Bonus Shares, 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 18th April 2005.
- (v) With regard to item 4 in this notice, the Board of Directors proposes that the retiring Directors, namely Messrs Chee Chen TUNG, Nicholas David SIMS and Simon MURRAY, be re-elected as Directors of the Company at the Annual General Meeting. Details of these Directors are set out in Appendix II to the circular dated 30th March 2005 (the "Circular").
- (vi) An explanatory statement containing information regarding the ordinary resolutions set out in item 6 and the special resolution set out in item 7 in this notice are set out in 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 and Philip Yiu Wah CHOW; 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.

Report of the Directors

The Directors present their report together with the audited accounts of the Company for the year ended 31st December 2004.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and jointly controlled entities are shown on pages 108 to 118.

Group Results

The consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) are shown on page 67.

Dividends

The Directors have recommended a dividend for the year ended 31st December 2004 of US18 cents (HK\$1.4) per ordinary share to be paid on 5th May 2005 to the shareholders of the Company whose names appear on the register of members of the Company on 22nd April 2005. 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 27th April 2005.

Proposed Bonus Issue

The Directors have recommended a bonus share issue (the “Proposed Bonus Issue”) of new shares (individually a “Bonus Share” and collectively the “Bonus Shares”) to the shareholders of the Company on the basis of one (1) Bonus Share of US\$0.10 for every ten (10) issued ordinary shares held by such shareholders whose names appear on the register of members of the Company on 22nd April 2005. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the recommended final dividend or the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon:

- (i) an ordinary resolution to approve the Proposed Bonus Issue at the annual general meeting of the Company to be held on 22nd April 2005 (the “Annual General Meeting”) being duly passed; and
- (ii) the listing of and permission to deal in the Bonus Shares being granted by the Listing Committee of the Stock Exchange.

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the Annual General Meeting.

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 Robert Hcheun SUAN (retired on 15th October 2004)

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 Company's Bye-laws, Mr Chee Chen Tung has offered to retire, and Mr Nicholas David Sims and Mr Simon Murray will retire by rotation at the Annual General Meeting and, being eligible, all 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 entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without any 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 Listing Rules and the Company still considers the Independent Non-executive Directors to be independent.

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

During the year and as at 31st December 2004, none of the Directors nor the Chief Executive of the Company (or any of their spouses or children under 18 years of age) had been granted any right to acquire shares in or debt securities of the Company.

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 2004 was approximately US\$359,904.

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 2004, the issued share capital of the Company (the "Issued Capital") consisted of 568,902,998 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 Company's register kept pursuant to section 352 of the SFO and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Name	Direct Interests	Other Interests		Total Number of Shares Interested (in Long Position)	Percentage
		Beneficial	Voting		
Chee Chen Tung	—	88,919,102 (Note 1)	296,777,798 (Notes 2 & 3)	385,696,900	67.79%
Roger King	—	88,919,102 (Note 1)	—	88,919,102	15.62%
Tsann Rong Chang	557,029	—	—	557,029	0.09%
Nicholas David Sims	50,600	—	—	50,600	0.01%
Philip Yiu Wah Chow	66,000	—	—	66,000	0.01%
Simon Murray	—	52,000 (Note 4)	—	52,000	0.01%

Notes:

- Mr Chee Chen Tung and Mr Roger King have an interest in a trust which, through Springfield Corporation ("Springfield"), holds 88,919,102 Shares. Of such Shares, Springfield has an indirect interest in 27,968,569 Shares in which Monterrey Limited ("Monterrey"), a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 60,950,533 Shares.
- Wharnclyff Limited ("Wharnclyff"), a company owned by a discretionary trust established by Mrs Shirley Shiao Ping Peng, a sister of Mr Chee Chen Tung and sister-in-law of Mr Roger King, holds 252,721,428 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 44,056,370 Shares and the voting rights in respect of such holdings are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc.
- Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.
- Mr Simon Murray has gifted 52,000 shares to the Simon Murray Family 1985 Trust, a discretionary trust of which he is the settlor.

As at 31st December 2004, 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 2004, 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 (a) were required to be 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) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. Directors' Interests in Competing Business

As at 31st December 2004, 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

1. Shares

As at 31st December 2004, 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:

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Bermuda Trust Company Limited	Trustee	385,696,900 (Note 1)	67.79%
Shirley Shiao Ping Peng	Founder of a discretionary trust	296,777,798 (Note 2)	52.16%
Fortune Crest Inc.	Indirect	296,777,798 (Note 2)	52.16%
Winfield Investment Limited	Indirect	296,777,798 (Notes 2 & 3)	52.16%
Tung Holdings (Trustee) Inc.	Voting	296,777,798 (Note 4)	52.16%
Wharnclyff Limited	Direct	252,721,428 (Notes 2 & 5)	44.42%
Chee Hwa Tung	Indirect	88,942,040 (Note 6)	15.63%
Springfield Corporation	Direct and Indirect	88,919,102 (Note 6)	15.62%
Archduke Corporation	Beneficiary of a trust	88,919,102 (Note 7)	15.62%
Phoenix Corporation	Beneficiary of a trust	88,919,102 (Note 7)	15.62%
Archmore Limited	Beneficiary of a trust	88,919,102 (Note 8)	15.62%

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Edgemont Investment Limited	Indirect	88,919,102 (Note 9)	15.62%
Javier Associates Limited	Indirect	88,919,102 (Note 10)	15.62%
Gala Way Company Inc.	Direct	44,056,370 (Notes 2 & 5)	7.74%
Monterrey Limited	Direct	27,968,569 (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, a sister of Mr Chee Chen Tung and sister-in-law of Mr Roger King, established the discretionary trust which, through Winfield Investment Limited ("Winfield"), a wholly-owned subsidiary of Fortune Crest, holds 296,777,798 Shares, 252,721,428 of which are owned by Wharncliff, a wholly-owned subsidiary of Winfield, and 44,056,370 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 Wharncliff 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. Wharncliff and Gala Way are wholly-owned subsidiaries of Winfield.
6. Mr Chee Hwa Tung, a brother of Mr Chee Chen Tung and brother-in-law of Mr Roger King, has an interest in the trust which, through Springfield, holds 88,919,102 Shares. Of such Shares, Springfield has an indirect interest in the same 27,968,569 Shares in which Monterrey, a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 60,950,533 Shares. Mrs Betty Hung Ping Tung, the spouse of Mr Chee Hwa Tung, owns 22,938 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 88,919,102 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 88,919,102 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 2004, the Company has 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 would fall 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.

2. Disclosure

As at 31st December 2004, the Group had the following bank borrowings requiring the controlling shareholders of the Company to retain sufficient voting power in the Company to pass ordinary resolutions during the tenure of the respective loans.

Aggregate outstanding loan

amount as at 31st December 2004

Tenure

US\$171,250,000

12 years from April 1997

US\$17,941,666.67

12 years and 7 months from February 1998

Connected Transactions

During 2004, OOCL (Taiwan) Co, Ltd ("OTWL"), the Group's Taiwan subsidiary, entered into the following transactions on normal commercial terms, and in the ordinary and usual course of the Group's activities:

- 1) OTWL acts as the general agent for the carrier of the Group in Taiwan. In order to provide a stable customer familiar environment, OTWL's former sub-agent CMT International Inc. ("CMTI"), a company associated with Mr John Peng, and merged into Associated International Inc. ("AII") in July 2004, has continued to provide office services, administrative and other supporting functions to OTWL in Taiwan. The aggregate amount of fees paid by the Group to CMTI and AII for these services during the year were approximately US\$479,120.
- 2) OTWL has contracts with Chinese Maritime Transport, Ltd ("CMTL"), a company associated with Mr John Peng, for leasing of certain chassis, tractors, and equipment, and providing trucking service and maintenance services for generator sets in Taiwan. The aggregate amount paid by the Group to CMTL during the year was approximately US\$16,653,338.
- 3) There was no slot chartering on the vessels operated by CMTI during the year.
- 4) There was no staff secondment between CMTI and the Group during the year.
- 5) No containers were purchased by the Group from Associated Industries (China), Inc. ("AIC") during the year.
- 6) The Group also has contracts for equipment freight station depot and storage, container inspection, container yard services and crew manning services in Taiwan with AIC, CMTL, AII and United Terminals Ltd ("UTL"), companies associated with Mr John Peng. The aggregate amount paid by the Group to AIC, CMTL, AII and UTL during the year was approximately US\$3,444,927.

Mr John Peng is the controlling shareholder of CMTI, CMTL, AIC, AII and UTL. He is a brother-in-law of Mr Chee Chen Tung, the Chairman of the Company. Mr Peng's wife is the sister of the wife of Mr Roger King, who is also a Director of the Company.

The above transactions are continuing connected transactions arising from the commercial arrangements between the Group and Mr John Peng and his associates as described in the circular of the Company dated 14th September 1996 (the "Circular") and as approved by the independent shareholders of the Company in a special general meeting of the Company held on 30th September 1996 granting a general mandate to the Directors of the Company to do such things which they consider necessary or appropriate in connection with the transactions as described in the Circular.

The Stock Exchange has on 11th March 1997 granted a conditional waiver to the Company from strict compliance from the requirement of disclosure by press notice, circular to shareholders and/or independent shareholders' approval as stipulated in the then Chapter 14 of the Listing Rules in connection with the transactions as described in the Circular on each occasion they arise.

The Independent Non-executive Directors of the Company, namely Mr Simon Murray, Dr Victor K Fung and Prof Richard Wong, have reviewed the above transactions and confirm that the above transactions have complied with the conditions set by the Stock Exchange in 1997 in granting the waiver to the Company from the requirement of disclosure by press notice and circular to shareholders on each occasion they arise and that they were conducted on normal commercial terms, in the ordinary and usual course of business of the Group, in accordance with the relevant agreements listed above governing the above transactions on terms that are fair and reasonable so far as the shareholders of the Company were concerned, and also within the annual limit of 6% of the consolidated net tangible assets of the Company for the year ended 31st December 2004. PricewaterhouseCoopers, the Auditors of the Company, have also reviewed the transactions as disclosed above.

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to issues 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 was increased from 470,184,544 shares to 568,902,998 shares following the completion of (i) the placing of 47,000,000 new ordinary shares of US\$0.10 each ("Placing Shares") at an issue price of HK\$25.75 per share for cash in February 2004; and (ii) 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 ("Bonus Shares") in May 2004. The Placing Shares and the Bonus Shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

The board lot size of the issued ordinary shares of the Company for trading on the Stock Exchange was changed from 2,000 shares to 1,000 shares with effect from 15th April 2004.

Corporate Governance

The Board is committed to the highest standards of corporate governance. Throughout 2004, the Group has complied with the provisions of the Code of Best Practice as contained within Appendix 14 to the Listing Rules.

Appendix 14 to the Listing Rules was substantially revised during 2004. The Company, in advance of the new and revised provisions taking effect, in many cases has formalized procedures which had already been in existence in practice and, for other cases, has established new procedures, including administrative procedures, in order to comply with the new and revised provisions. These new and revised provisions of Appendix 14 will apply for subsequent reporting periods.

The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalized 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 or the Directors, the per cent of its public float exceeds 25% as at 21st March 2005, the latest practicable date to ascertain such information prior to the issue of this annual report.

Amendment to Bye-laws

The recent changes to the Listing Rules relating to corporate governance practices require, among other things, all directors of listed companies to retire at regular intervals. The Board of Directors of the Company proposes to put forward a special resolution to the shareholders for approval at the Annual General Meeting to amend the Directors' retirement provision in the Bye-law 87(2) of the Company's Bye-laws such that at each annual general meeting of the Company, one-third of the Directors (or, if it is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

The amendment to the Bye-laws of the Company that is being proposed as a special resolution is included in the notice of the Annual General Meeting set out on page 56 of this annual report.

Property, Plant and Equipment

Particulars of the movements in Property, plant and equipment are set out in note 12 to the accounts.

Donations

Donations made by the Group during the year amount to US\$233,000.

Annual General Meeting

The notice of Annual General Meeting is set out on pages 54 to 56.

A circular, setting out details of the Proposed Bonus Issue, 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 (the "Securities") and the general mandate to authorise the repurchase of Securities (all as set out in the notice of Annual General Meeting), is dispatched to the shareholders 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, Certified Public Accountant.

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 2005

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 67 to 118 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 Statements of Auditing Standards 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 2004 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 2005

Consolidated Profit and Loss Account

For the year ended 31st December 2004

US\$'000	Note	2004	2003
Turnover	2	4,140,328	3,241,113
Operating costs	3	(3,012,758)	(2,520,202)
Gross profit		1,127,570	720,911
Other operating income	4	6,945	14,875
Other operating expenses	5	(435,652)	(376,402)
Operating profit before financing	6	698,863	359,384
Net financing charges	8	(13,642)	(18,740)
Share of profits less losses of jointly controlled entities		15,518	12,662
Profit before taxation		700,739	353,306
Taxation	9	(30,141)	(24,145)
Profit after taxation		670,598	329,161
Minority interests		(149)	(117)
Profit attributable to shareholders		670,449	329,044
Dividends	11	170,757	78,283
Earnings per ordinary share	10	US cents 119.3	US cents 59.3

Consolidated Balance Sheet

As at 31st December 2004

US\$'000	Note	2004	2003
Property, plant and equipment	12	2,235,176	1,579,798
Jointly controlled entities	14	31,255	24,298
Long-term investments	15	95,938	99,218
Intangible assets	16	33,315	29,817
Other non-current assets	17	43,515	36,907
Non-current assets		2,439,199	1,770,038
Properties under development and for sale	18	97,959	78,224
Debtors and prepayments	19	301,830	246,644
Portfolio investments		249,834	108,165
Bank balances and deposits	21	749,245	551,839
Current assets		1,398,868	984,872
Creditors and accruals	22	553,535	486,244
Current portion of long-term liabilities	24	145,926	218,527
Bank overdrafts and short-term loans	23	85	38,958
Current taxation		8,044	3,159
Current liabilities		707,590	746,888
Net current assets		691,278	237,984
Long-term liabilities	24	(1,258,953)	(840,677)
Other non-current liabilities	25	(54,307)	(48,741)
		1,817,217	1,118,604
Capital employed			
Share capital	29	56,890	47,018
Reserves	30	1,752,519	1,063,736
Shareholders' funds		1,809,409	1,110,754
Minority interests		7,808	7,850
		1,817,217	1,118,604

C C Tung
Nicholas D Sims
Directors

Balance Sheet

As at 31st December 2004

US\$'000	Note	2004	2003
Subsidiaries	13	474,565	329,837
Other non-current assets	17	75	57
Non-current assets		474,640	329,894
Debtors and prepayments	19	107	53
Bank balances and deposits	21	8,515	15,728
Current assets		8,622	15,781
Creditors and accruals	22	1,604	1,219
Current liabilities		1,604	1,219
Net current assets		7,018	14,562
Net assets		481,658	344,456
Capital employed			
Share capital	29	56,890	47,018
Reserves	30	424,768	297,438
Shareholders' funds		481,658	344,456

C C Tung
Nicholas D Sims
 Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2004

US\$'000	Note	2004	2003
Cash flows from operating activities			
Cash generated from operations	34(a)	847,092	520,696
Interest paid		(18,625)	(17,729)
Interest element of finance lease rental payments		(17,153)	(15,296)
Dividend on preference shares		(6,512)	(6,304)
Financing charges paid		(2,683)	(2,498)
Overseas tax paid		(27,784)	(12,355)
Net cash from operating activities		774,335	466,514
Cash flows from investing activities			
Sale of property, plant and equipment		7,816	90,945
Sale of long-term investments		5,394	1,812
Sale of a jointly controlled entity		1,765	—
Purchase of property, plant and equipment		(425,763)	(236,163)
Purchase of long-term investments		(163)	(258)
Purchase of a jointly controlled entity		(98)	—
Repayment of investment in a jointly controlled entity		—	9,500
Increase in amounts due by jointly controlled entities		(15,260)	(795)
(Increase)/decrease in bank deposits maturing more than three months from the date of placement		(6,241)	5,592
Purchase of intangible assets		(12,539)	(10,547)
Interest received		17,699	11,723
Long-term investment income		49	2
Portfolio investment income		12,627	7,424
Dividends received from jointly controlled entities		18,521	9,188
Net cash used in investing activities		(396,193)	(111,577)
Cash flows from financing activities			
New long-term loans		338,658	189,706
Repayment of long-term loans		(270,049)	(139,816)
Capital element of finance lease rental payments		(98,086)	(39,531)
(Decrease)/increase in short-term loans repayable more than three months from the date of advance		(23,908)	10,312
Repurchase of own shares		—	(59,739)
Issue of new shares		152,945	—
Dividends paid to shareholders		(134,585)	(31,028)
Dividends paid to minority interests		(191)	(255)
Net cash used in financing activities		(35,216)	(70,351)
Net increase in cash and cash equivalents		342,926	284,586
Cash and cash equivalents at beginning of year		644,818	355,498
Changes in exchange rates		6,438	4,734
Cash and cash equivalents at end of year	34(c)	994,182	644,818

Consolidated Statement of Changes in Equity

For the year ended 31st December 2004

US\$'000	Capital			Asset		Retained profit	Total
	Share capital	Share premium	redemption reserve	Contributed surplus	revaluation reserve		
At 31st December 2002	51,714	35,073	—	148,286	9,948	615,422	860,443
Changes in exchange rates	—	—	—	—	—	12,034	12,034
Repurchase of own shares	(4,696)	—	4,696	(59,739)	—	—	(59,739)
Profit for the year	—	—	—	—	—	329,044	329,044
2002 final dividend	—	—	—	—	—	(12,929)	(12,929)
2003 interim dividend	—	—	—	—	—	(18,099)	(18,099)
At 31st December 2003	47,018	35,073	4,696	88,547	9,948	925,472	1,110,754
Changes in exchange rates	—	—	—	—	—	9,846	9,846
Issue of new shares (note 29)	4,700	148,245	—	—	—	—	152,945
Bonus issue (note 29)	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)
At 31st December 2004	56,890	178,146	4,696	88,547	9,948	1,471,182	1,809,409

Notes to the Accounts

1. Principal accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, and in conformity with Hong Kong Financial Reporting Standards.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs and the Directors consider that these new HKFRSs would not have a significant impact on the results of operations and financial position of the Group.

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

(a) Basis of consolidation

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

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

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

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

(b) Goodwill and capital reserve

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

The carrying amount of goodwill is reviewed annually and provision is only made where, in the opinion of the Directors, there is impairment in value other than temporary in nature.

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

(c) Jointly controlled entities

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

1. Principal accounting policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

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

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

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

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

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

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

1. Principal accounting policies (Continued)

(e) Investments

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

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

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

(f) Leased assets

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

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

(g) Computer software development costs

Costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Other costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised on completion of development using the straight line method over their estimated useful lives of three to five years.

1. Principal accounting policies (Continued)

(h) Deferred expenditure

Expenses incurred in connection with long-term financing and leasing arrangements are deferred and amortised on a straight line basis over the relevant tenure of the loan and lease periods. Expenditure associated with the leasing of the investment property is deferred and amortised on a straight line basis over a period of up to five years.

(i) Properties held for sale

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

(j) Provisions

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

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

(k) 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 accounts. The principal temporary differences arise from depreciation on property, plant and equipment, provisions for retirement benefits and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation assets relating to carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

1. Principal accounting policies (Continued)

(l) Employee benefits

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

Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate.

For the defined benefit pension schemes, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and which are used to pay to the employee or dependent a pension after retirement. Such pension costs are assessed using the projected unit credit 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.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(m) Revenue recognition

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. Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis. Rental income under operating leases is recognised over the periods of the respective leases on a straight line basis. Sales of properties under construction are recognised over the course of development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. Sales of completed properties are recognised upon completion of the sale and purchase contracts.

(n) Vessel repairs and surveys

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

(o) Borrowing costs

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

1. Principal accounting policies (Continued)

(p) Financial instruments

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

(q) Cash and cash equivalents

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

(r) Foreign currencies

The functional currency of the Group is US dollar.

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

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

2. Turnover

US\$'000	2004	2003
Container transport and logistics	3,827,893	2,969,554
Container terminals	289,185	251,025
Property investment and development	23,250	20,534
	4,140,328	3,241,113

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.

3. Operating costs

US\$'000	2004	2003
Cargo	1,546,856	1,253,669
Vessel and voyage	748,095	630,005
Equipment and repositioning	502,436	446,877
Terminal operating	206,298	180,727
Property management and development	9,073	8,924
	3,012,758	2,520,202

4. Other operating income

US\$'000	2004	2003
Long-term investment income		
Unlisted	49	2
Profit on disposal of long-term investments	1,862	17
Profit on disposal of a jointly controlled entity	770	—
Profit on disposal of property, plant and equipment	1,768	1,914
Exchange gain	1,587	8,095
Others	909	4,847
	6,945	14,875

5. Other operating expenses

US\$'000	2004	2003
Business and administrative	423,759	366,692
Corporate	11,893	9,710
	435,652	376,402

6. Operating profit before financing

US\$'000	2004	2003
Operating profit before financing is arrived at after crediting:		
Operating lease rental income		
Land and buildings	22,262	20,046
Reduction in terminal lease rental payments	—	14,254
and after charging:		
Depreciation		
Owned assets	95,514	68,074
Leased assets	49,784	46,666
Operating lease rental expense		
Vessels and equipment	399,126	362,566
Land and buildings	37,077	21,759
Staff costs		
General and administrative staff	363,495	292,891
Terminal workers	170,876	151,325
Crew and seamen	21,547	19,631
Amortisation of intangible assets	8,996	11,752
Auditors' remuneration	1,960	1,825

7. Directors' remuneration

US\$'000	2004	2003
Fees	562	324
Salaries and other emoluments	1,925	1,709
Discretionary bonuses	2,875	317
Retirement benefits	432	177
	5,794	2,527

7. Directors' remuneration (Continued)

The emoluments of individual Directors fall within the following bands:

Emoluments bands (US\$)		Number of Directors	
		2004	2003
Nil ~ 128,200	(Nil ~ HK\$1,000,000)	4	5
320,501 ~ 384,600	(HK\$2,500,001 ~ HK\$3,000,000)	1	1
384,601 ~ 448,700	(HK\$3,000,001 ~ HK\$3,500,000)	—	1
641,001 ~ 705,100	(HK\$5,000,001 ~ HK\$5,500,000)	1	—
769,201 ~ 833,300	(HK\$6,000,001 ~ HK\$6,500,000)	—	2
1,153,801 ~ 1,218,000	(HK\$9,000,001 ~ HK\$9,500,000)	1	—
1,602,501 ~ 1,666,600	(HK\$12,500,001 ~ HK\$13,000,000)	1	—
1,858,901 ~ 1,923,000	(HK\$14,500,001 ~ HK\$15,000,000)	1	—
		9	9

None of the Directors has waived the right to receive their emoluments. Fees and other emoluments paid to independent non-executive Directors amount to US\$19,200 (2003: US\$14,400) and US\$44,900 (2003: US\$35,200), respectively.

Details of the emoluments paid to the five individuals, including three (2003: three) Directors, whose emoluments were the highest in the Group are:

US\$'000	2004	2003
Salaries and other emoluments	2,167	2,419
Discretionary bonuses	3,928	562
Retirement benefits	561	266
	6,656	3,247

7. Directors' remuneration (Continued)

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

Emoluments bands (US\$)		Number of individuals	
		2004	2003
384,601 ~ 448,700	(HK\$3,000,001 ~ HK\$3,500,000)	—	1
512,801 ~ 576,900	(HK\$4,000,001 ~ HK\$4,500,000)	—	1
705,101 ~ 769,200	(HK\$5,500,001 ~ HK\$6,000,000)	—	1
769,201 ~ 833,300	(HK\$6,000,001 ~ HK\$6,500,000)	—	2
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)	1	—
1,858,901 ~ 1,923,000	(HK\$14,500,001 ~ HK\$15,000,000)	1	—
		5	5

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.

8. Net financing charges

US\$'000	2004	2003
Interest expense		
Bank loans, overdrafts and other loans wholly repayable within five years	19,080	18,182
Finance lease obligations		
Wholly payable within five years	11,201	8,911
Not wholly payable within five years	7,272	6,435
	37,553	33,528
Amount capitalised under assets	(2,661)	(2,636)
	34,892	30,892
Interest income	(17,518)	(14,020)
Net interest expense	17,374	16,872
Dividend on preference shares (note 26)	6,212	6,794
Financing charges	2,683	2,498
Portfolio investment income	(12,627)	(7,424)
	13,642	18,740

Financing charges include the funding costs reimbursed to TAPCO (note 20) amounting to US\$1.8 million (2003: US\$1.6 million).

9. Taxation

US\$'000	2004	2003
Current (overseas)		
Company and subsidiaries	28,784	16,349
Jointly controlled entities	4,402	6,047
	33,186	22,396
Deferred		
Company and subsidiaries	(3,045)	1,749
	30,141	24,145

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 10% to 53% and the rate applicable for Hong Kong profits tax is 17.5% (2003: 17.5%).

9. Taxation (Continued)

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	2004	2003
Profit before taxation	700,739	353,306
Tax calculated at applicable tax rate	138,435	76,579
Income not subject to tax	(112,470)	(63,490)
Expenses not deductible for tax purposes	9,913	14,695
Tax losses not recognised	2,768	3,756
Temporary differences not recognised	(57)	2,813
Utilisation of previously unrecognised tax losses	(7,403)	(11,043)
Utilisation of previously unrecognised temporary differences	(665)	—
Recognition of previously unrecognised deferred tax assets	(1,981)	(523)
Recognition of previously unrecognised temporary differences	(156)	(254)
Withholding tax	1,381	935
Increase in tax rate	—	40
Other items	376	637
	30,141	24,145

10. Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit attributable to ordinary shareholders of US\$670.4 million (2003: US\$329.0 million) and the weighted average number of 561.8 million ordinary shares (2003: 555.0 million ordinary shares after adjusting for the bonus issue) in issue during the year.

11. Dividends

US\$'000	2004	2003
Interim paid of US12.00 cents (2003: US3.50 cents) per ordinary share	68,354	18,099
Proposed final of US18.00 cents (2003: US11.64 cents) per ordinary share	102,403	60,184
	170,757	78,283

The Board of Directors proposes a final dividend in respect of 2004 of US18.00 cents per ordinary share (2003: US11.64 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 2005.

12. Property, plant and equipment

US\$'000	Container vessels	Vessels under construction	Containers	Chassis	Terminal equipment and improvements	Land and buildings outside Hong Kong Medium-term Freehold leasehold	Vehicles, furnitures, computer and other equipment	Total
Group								
Cost or valuation								
At 31st December 2003	1,043,812	172,284	442,865	120,178	287,861	153,607	26,140	2,355,066
Changes in exchange rates	—	—	—	485	10,300	26	441	13,407
Additions	—	528,260	189,946	17,610	38,916	—	—	799,499
Reclassification	320,294	(320,294)	—	—	—	—	—	—
Disposals	—	—	(13,828)	(515)	(2,403)	—	(915)	(26,379)
At 31st December 2004	1,364,106	380,250	618,983	137,758	334,674	153,633	25,666	3,141,593
Accumulated depreciation								
At 31st December 2003	307,446	—	168,538	84,485	105,672	24,872	8,807	775,268
Changes in exchange rates	—	—	—	194	4,489	16	97	6,182
Charge for the year	46,915	—	55,518	8,187	20,085	1,889	1,794	145,298
Disposals	—	—	(11,549)	(271)	(1,517)	—	(778)	(20,331)
At 31st December 2004	354,361	—	212,507	92,595	128,729	26,777	9,920	906,417
Net book amount								
At 31st December 2004	1,009,745	380,250	406,476	45,163	205,945	126,856	15,746	2,235,176
At 31st December 2003	736,366	172,284	274,327	35,693	182,189	128,735	17,333	1,579,798
Net book amount of leased assets								
At 31st December 2004	384,188	144,620	61,608	23,449	68,071	—	—	682,288
At 31st December 2003	153,073	—	125,867	26,913	77,620	—	—	384,080

12. Property, plant and equipment (Continued)

- (a) Freehold land and buildings include 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 (2003: US\$100.0 million), by reference to a professional valuation made in December 2004 on an open market basis.
- (b) Container vessels include three (2003: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US\$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 72 of Hong Kong Statement of Standard Accounting Practice 17 "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\$2.3 million (2003: US\$2.7 million).
- (c) Apart from the investment property and container vessels mentioned under (a) and (b) above, all other property, plant and equipment are carried at cost.
- (d) The aggregate net book amount of assets pledged as securities for loans amounts to US\$1,006.3 million (2003: US\$999.0 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.
- (e) Interest costs of US\$1.3 million (2003: US\$1.6 million) during the year were capitalised as part of vessels under construction.

13. Subsidiaries

US\$'000	2004	2003
Company		
Unlisted shares, at cost less provision	169,482	169,482
Amounts receivable	1,012,308	688,368
Amounts payable	(707,225)	(528,013)
	474,565	329,837

Particulars of the principal subsidiaries at 31st December 2004 are shown on pages 108 to 117. The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

14. Jointly controlled entities

US\$'000	2004	2003
Group		
Unlisted shares, at cost less provision	9,829	12,905
Share of retained post-acquisition profits/(losses)	4,967	(347)
Share of net assets	14,796	12,558
Amounts receivable	16,459	11,740
	31,255	24,298

Particulars of the principal jointly controlled entities at 31st December 2004 are shown on page 118. The amounts receivable are unsecured, interest free and have no specific repayment terms.

15. Long-term investments

US\$'000	2004	2003
Group		
Investment in Hui Xian, at cost	93,601	93,601
Unlisted, at cost less provisions	2,337	5,617
	95,938	99,218

The investment in Hui Xian represents the Group's approximately 8% (2003: 8%) unlisted equity interest in and advances to Hui Xian Holdings Limited ("Hui Xian"), incorporated in Hong Kong and the holding company for the Beijing Oriental Plaza, which comprises a commercial, retail and residential complex of approximately six million square feet, the development of which was completed in mid 2003. Under the Hui Xian shareholders' agreement, the shareholders agreed to finance Hui Xian in proportion to their shareholdings. In addition to the finance from the shareholders, Hui Xian has arranged a bank loan of US\$350 million (2003: US\$275 million), over which the Group has provided a proportionate guarantee (note 32).

16. Intangible assets

US\$'000	2004	2003
Group		
Computer software development costs	55,287	48,336
Property leasing expenses	27,127	24,936
Financing charges	9,246	6,295
	91,660	79,567
Accumulated amortisation	(58,345)	(49,750)
Net book value	33,315	29,817
Net book value at beginning of year	29,817	27,541
Changes in exchange rates	(3)	—
Additions	12,539	14,028
Written off	(42)	—
Amortisation	(8,996)	(11,752)
Net book value at end of year	33,315	29,817

17. Other non-current assets

US\$'000	2004	2003
Group		
Restricted bank balances and deposits (note 21)	22,367	20,802
Deferred taxation assets (note 27)	15,352	10,960
Pension and retirement assets (note 28)	5,796	5,145
	43,515	36,907
Company		
Restricted bank balances and deposits (note 21)	75	57

18. Properties under development and for sale

Interest costs of US\$1.4 million (2003: US\$1.0 million) during the year were capitalised as part of properties under development.

19. Debtors and prepayments

US\$'000	2004	2003
Group		
Trade debtors (note 20)	147,651	115,650
Other debtors	42,663	26,901
Prepayments	54,122	48,611
Utility and other deposits	21,402	29,126
Bunker	30,008	24,257
Tax recoverable	5,984	2,099
	301,830	246,644
Company		
Prepayments	107	53

20. Trade debtors

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

Trade debtors of the Group include the following trade receivables:

US\$'000	2004	2003
Gross trade receivables assigned to Rhino	184,720	164,067
Less non-returnable proceeds received from TAPCO	(99,500)	(99,500)
	85,220	64,567

20. Trade debtors (Continued)

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

US\$'000	2004	2003
Below one month	215,128	194,084
Two to three months	26,750	19,575
Four to six months	5,123	1,162
Over six months	150	329
	247,151	215,150

21. Bank balances and deposits

US\$'000	2004	2003
Group		
Restricted	105,932	127,825
Not restricted	749,245	536,791
	855,177	664,616
Less restricted and included in		
Non-current assets (note 17)	(22,367)	(20,802)
Non-current liabilities (note 26)	(83,565)	(91,975)
	749,245	551,839
Company		
Restricted	75	57
Not restricted	8,515	15,728
	8,590	15,785
Less restricted and included in		
Non-current assets (note 17)	(75)	(57)
	8,515	15,728

Restricted bank balances and deposits are funds which are pledged as securities for banking facilities and performance under leasing arrangements or required to be utilised for specific purposes. In 2003, a restricted deposit of the Group amounting to US\$15.0 million which had been pledged as security for a short-term bank loan of the same amount (note 23), was not classified as a non-current asset.

22. Creditors and accruals

US\$'000	2004	2003
Group		
Trade creditors	164,823	141,199
Other creditors	33,071	30,877
Accrued operating expenses	335,047	278,095
Deferred revenue	20,594	36,073
	553,535	486,244
Company		
Accrued operating expenses	1,604	1,219

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

US\$'000	2004	2003
Below one month	132,763	82,741
Two to three months	25,906	52,559
Four to six months	1,326	2,402
Over six months	4,828	3,497
	164,823	141,199

23. Bank overdrafts and short-term loans

US\$'000	2004	2003
Group		
Short-term loans		
Secured	—	29,283
Unsecured	—	9,625
Bank overdrafts		
Unsecured	85	50
	85	38,958

In 2003, a secured bank loan of US\$15.0 million was secured by a bank deposit of the same amount (note 21).

24. Long-term liabilities

US\$'000	2004	2003
Group		
Bank loans		
Secured	709,595	594,334
Unsecured	10,624	51,405
Other loans wholly repayable within five years		
Secured	9,897	15,541
Unsecured	2,644	2,580
Finance lease obligations		
Wholly payable within five years	141,682	190,317
Not wholly payable within five years	530,437	205,027
	1,404,879	1,059,204
Current portion included in current liabilities	(145,926)	(218,527)
	1,258,953	840,677

24. Long-term liabilities (Continued)

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

US\$'000	Bank loans	Other loans	Finance leases	
			Present value	Minimum payments
As at 31st December 2004				
2005	101,712	5,559	38,655	62,289
2006	104,998	4,945	62,374	83,604
2007	114,375	710	58,161	75,265
2008	83,958	654	19,092	33,833
2009	123,975	229	25,193	38,634
2010 onwards	191,201	444	468,644	619,128
	720,219	12,541	672,119	912,753
As at 31st December 2003				
2004	160,053	7,271	51,203	65,892
2005	80,818	5,268	34,727	47,748
2006	63,478	4,659	73,647	84,364
2007	64,833	487	44,823	51,507
2008	66,302	430	8,735	13,550
2009 onwards	210,255	6	182,209	227,387
	645,739	18,121	395,344	490,448

(b) The bank loans, other loans and finance lease obligations carry interest at fixed rates, ranging from 3.5% to 10.6% per annum, or variable rates, varying from 0.2% to 2.2% over stipulated market rates per annum.

25. Other non-current liabilities

US\$'000	2004	2003
Group		
Redeemable preference shares (note 26)	—	—
Deferred taxation liabilities (note 27)	40,166	37,624
Pension and retirement liabilities (note 28)	14,141	11,117
	54,307	48,741

26. Redeemable preference shares

US\$'000	2004	2003
Group		
Redeemable preference shares and premium	83,565	91,975
Less restricted deposits under the put options (note 21)	(83,565)	(91,975)
	—	—

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 (collectively "Preference Shares Contributions") 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. During the year, Premium amounting to US\$8.4 million (2003: US\$8.0 million) was repaid to the Preference Shareholders.

The Preference Shareholders have been granted irrevocable options to sell their Preference Shares to the Group under certain circumstances. As securities for the options, the Group has placed certain bank deposits (the "Deposits") equivalent to the outstanding Preference Shares Contributions, amounting to US\$83.6 million (2003: US\$92.0 million) for the provision of bank guarantees to fulfil the obligations of the Group under the options. The consideration for the Preference Shares under the options equals to the fair market value of the Preference Shares but not exceeding the Deposits outstanding plus the accrued interest thereon. The Group has also given irrevocable undertakings for the banks to release the Deposits and accrued interest under the bank guarantees upon receiving relevant notices from the Preference Shareholders. In view of the various arrangements, the Directors consider it fair and appropriate to deduct the Deposits from the redeemable Preference Shares Contributions in the accounts.

27. Deferred taxation assets/(liabilities)

US\$'000	2004	2003
Group		
Deferred taxation assets (note 17)	15,352	10,960
Deferred taxation liabilities (note 25)	(40,166)	(37,624)
	(24,814)	(26,664)

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

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	2004	2003
Deferred taxation assets to be recovered after more than twelve months	10,178	4,455
Deferred taxation liabilities to be settled after more than twelve months	(39,699)	(37,396)

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:

US\$'000	Accelerated depreciation allowances	Revenue expenditure	Tax losses	Pensions	Total
Deferred taxation assets					
At 31st December 2002	93	5,554	3,132	952	9,731
Changes in exchange rates	—	255	8	—	263
Credited/(charged) to profit and loss account	(93)	1,521	740	589	2,757
At 31st December 2003	—	7,330	3,880	1,541	12,751
Changes in exchange rates	—	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

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

US\$'000	Accelerated depreciation allowances	Investment property	Pensions	Total
Deferred taxation liabilities				
At 31st December 2002	12,687	18,836	808	32,331
Changes in exchange rates	2,489	—	89	2,578
Charged/(credited) to profit and loss account	4,095	577	(166)	4,506
At 31st December 2003	19,271	19,413	731	39,415
Changes in exchange rates	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

Deferred taxation assets of US\$21.0 million (2003: US\$33.2 million) arising from unused tax losses of US\$101.2 million (2003: US\$164.2 million) have not been recognised in the accounts. Unused tax losses of US\$94.8 million (2003: US\$162.0 million) have no expiry date and the balance will expire at various dates up to and including 2010.

Deferred taxation liabilities of US\$11.5 million (2003: US\$7.0 million) on temporary differences associated with investments in subsidiaries of US\$133.8 million (2003: US\$105.5 million) have not been recognised as there is no current intention of remitting the retained profits of these subsidiaries to the holding companies.

28. 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\$21.2 million (2003: US\$16.2 million).

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. These schemes cover approximately 72% 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 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	2004	2003
Contributions to the schemes	14,346	11,332
Forfeitures utilised	(37)	(49)
	14,309	11,283

28. Pension and retirement benefits (Continued)

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 13% 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.

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

US\$'000	2004	2003
Fair value of plan assets	251,100	229,844
Present value of funded obligations	(299,283)	(263,382)
Net funded obligations	(48,183)	(33,538)
Present value of unfunded obligations	(8,943)	(5,682)
Unrecognised actuarial losses	45,059	31,902
Unrecognised prior service cost	3,476	841
Unrecognised other assets	246	505
Net pension and retirement liabilities	(8,345)	(5,972)
Representing:		
Pension and retirement assets (note 17)	5,796	5,145
Pension and retirement liabilities (note 25)	(14,141)	(11,117)
	(8,345)	(5,972)

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

US\$'000	2004	2003
Balance at beginning of year	(5,972)	(3,618)
Changes in exchange rates	(159)	(352)
Net expense recognised in profit and loss account	(6,908)	(4,962)
Contributions paid	4,694	2,960
Balance at end of year	(8,345)	(5,972)

28. Pension and retirement benefits (Continued)

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

US\$'000	2004	2003
Current service cost	4,188	3,536
Interest cost	15,029	13,726
Expected return on plan assets	(14,175)	(12,956)
Amortisation of past service cost	390	185
Net actuarial gain	602	353
Loss on curtailments and settlements	874	118
Net expense recognised for the year	6,908	4,962

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

	2004	2003
Discount rate	2 to 8%	1 to 8%
Expected return on plan assets	1 to 8%	2 to 8%
Expected future salary increases	3 to 8%	3 to 7%
Actual return on plan assets (US\$'000)	16,862	20,885

29. Share capital

US\$'000	2004	2003
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
Issued and fully paid:		
568,902,998 (2003: 470,184,544) ordinary shares of US\$0.10 each	56,890	47,018

29. Share capital (Continued)

The Company allotted and issued 47,000,000 new ordinary shares of US\$0.10 each under a placing agreement dated 13th February 2004 at an issue price of HK\$25.75 per share for cash to be used for working capital and general corporate purposes.

By an ordinary resolution passed on 27th April 2004, the issued share capital was increased by way of a bonus issue by applying US\$5,171,845 charging to the share premium account in payment in full at par of 51,718,454 shares of US\$0.10 each on the basis of one new share for every ten shares held on 27th April 2004.

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

30. Reserves

US\$'000	2004	2003
Group		
Share premium	178,146	35,073
Capital redemption reserve	4,696	4,696
Asset revaluation reserve	9,948	9,948
Contributed surplus	88,547	88,547
Retained profit	1,471,182	925,472
	1,752,519	1,063,736
Company		
Share premium	178,146	35,073
Capital redemption reserve	4,696	4,696
Contributed surplus	88,547	88,547
Retained profit	153,379	169,122
	424,768	297,438

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US\$118.8 million (2003: loss of US\$0.5 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\$241.9 million (2003: US\$257.7 million) as at 31st December 2004.

31. Commitments

Group

(a) Capital commitments

US\$'000	2004	2003
Contracted but not provided for	456,945	653,597
Authorised but not contracted for	386,128	214,770
	843,073	868,367

The commitments include the balance of the purchase cost of six 8,063 TEU and six 4,500 TEU container vessels (2003: ten 8,063 TEU container vessels) to be delivered between 2005 to 2008.

(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 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
As at 31st December 2003			
2004	219,425	41,487	260,912
2005	174,986	36,280	211,266
2006	165,582	31,653	197,235
2007	159,902	31,062	190,964
2008	161,857	30,060	191,917
2009 onwards	995,849	413,386	1,409,235
	1,877,601	583,928	2,461,529

31. Commitments (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	2004	2003
2004	—	19,328
2005	19,934	19,718
2006	19,673	18,714
2007	18,458	17,195
2008	17,547	16,073
2009	14,794	13,034
2010 onwards	34,270	21,511
	124,676	125,573

32. Contingent liabilities**Group**

Guarantees in respect of loan facilities given for:

US\$'000	Facilities		Utilised	
	2004	2003	2004	2003
Hui Xian (note 15)	28,000	22,000	28,000	22,000

32. Contingent liabilities (Continued)

Company

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

US\$'000	Facilities		Utilised	
	2004	2003	2004	2003
Subsidiaries	1,338,441	1,052,136	1,197,037	965,697
Hui Xian (note 15)	28,000	22,000	28,000	22,000
	1,366,441	1,074,136	1,225,037	987,697

(b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$216.8 million (2003: US\$246.3 million).

33. Financial instruments

US\$'000	Contract amount		Fair value	
	2004	2003	2004	2003
Interest rate swap agreements	239,297	100,000	9,154	1,588
Forward foreign exchange contracts	218	1,894	—	(41)
	239,515	101,894	9,154	1,547

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

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

The fair value of contracts represents the mark to market value of all contracts, which is estimated by reference to indicative market rates for these contracts, at the balance sheet date. The majority of the results relating to the unexpired contracts are recognised with the underlying transactions. In accordance with the Group's accounting policies, any unrealised gains or losses on open exchange contracts at the balance sheet date is dealt with in the profit and loss account.

34. Notes to consolidated cash flow statement

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

US\$'000	2004	2003
Operating profit before financing	698,863	359,384
Depreciation	145,298	114,740
Profit on disposal of property, plant and equipment	(1,768)	(1,914)
Long-term investment income	(49)	(2)
Profit on disposal of long-term investments	(1,862)	(17)
Profit on disposal of a jointly controlled entity	(770)	—
Intangible assets written off	42	—
Amortisation of intangible assets	8,996	11,752
Increase in net pension liabilities	2,373	2,354
Operating profit before working capital changes	851,123	486,297
Increase in properties under development and for sale	(18,365)	(12,611)
Increase in debtors and prepayments	(51,482)	(54,691)
Increase in creditors and accruals	65,816	101,701
Cash generated from operations	847,092	520,696

34. Notes to consolidated cash flow statement (Continued)

(b) Analysis of changes in financing

US\$'000	Share capital and premium	Capital redemption reserve and contributed surplus	Minority interests	Loans and finance lease obligations	Total
At 31st December 2002	86,787	148,286	7,988	865,190	1,108,251
Changes in exchange rates	—	—	—	7,735	7,735
Inception of finance leases	—	—	—	189,516	189,516
Repurchase of own shares	(4,696)	(55,043)	—	—	(59,739)
Minority interests' share of profit	—	—	117	—	117
Dividends paid to minority interests	—	—	(255)	—	(255)
Net cash inflow from financing	—	—	—	20,671	20,671
At 31st December 2003	82,091	93,243	7,850	1,083,112	1,266,296
Changes in exchange rates	—	—	—	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	—	—	—	(53,385)	(53,385)
At 31st December 2004	235,036	93,243	7,808	1,404,879	1,740,966

The loans above include those loans repayable more than three months from the date of advance.

(c) Analysis of cash and cash equivalents

US\$'000	2004	2003
Bank balances and deposits maturing within three months from the date of placement	744,433	551,703
Portfolio investments	249,834	108,165
Overdrafts and bank loans repayable within three months from the date of advance	(85)	(15,050)
	994,182	644,818

35. Approval of accounts

The accounts were approved by the Board of Directors on 10th March 2005.

Segment Information

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.

The business segment for container transport and logistics includes the operations of the terminals at Long Beach and Kaohsiung, which form an integral part of that business. For the geographical segment reporting, freight revenues from 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. Segment assets consist primarily of property, plant and equipment, other non-current assets, debtors and prepayments, and mainly exclude investments in securities. Segment liabilities comprise creditors, accruals and other non-current liabilities. Total assets and capital expenditure are where the assets are located.

Business segments

US\$'000	Container transport and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2004						
Turnover	3,827,893	321,798	23,933	—	(33,296)	4,140,328
Other operating income	4,399	79	999	1,468	—	6,945
Segment results	650,670	48,017	9,212	(9,036)	—	698,863
Net financing charges						(13,642)
Share of profits less losses of jointly controlled entities	914	—	14,604	—	—	15,518
Profit before taxation						700,739
Taxation						(30,141)
Profit after taxation						670,598
Minority interests	(258)	—	109	—	—	(149)
Profit for the year						670,449
Segment assets						
Property, plant and equipment	1,944,743	190,229	100,204	—	—	2,235,176
Jointly controlled entities	2,957	—	28,298	—	—	31,255
Other assets	241,009	64,973	221,330	1,542	—	528,854
Unallocated assets						1,042,782
Consolidated total assets						3,838,067
Segment liabilities						
Minority interests	(4,467)	—	(3,341)	—	—	(7,808)
Other liabilities	(527,001)	(34,902)	(3,385)	(2,388)	—	(567,676)
Unallocated liabilities						(1,453,174)
Consolidated total liabilities						(2,028,658)
Capital expenditure	770,225	39,126	2,687	—	—	812,038
Depreciation	127,769	17,496	33	—	—	145,298
Amortisation of intangible assets	6,475	572	1,949	—	—	8,996

Business segments (Continued)

US\$'000	Container transport and logistics	Terminal	Property	Investments and corporate services	Elimination	Group
Year ended 31st December 2003						
Turnover	2,969,554	273,359	21,249	—	(23,049)	3,241,113
Other operating income	10,449	38	1,219	3,169	—	14,875
Segment results	325,308	35,034	6,228	(7,186)	—	359,384
Net financing charges						(18,740)
Share of profits less losses of jointly controlled entities	(2,185)	—	14,847	—	—	12,662
Profit before taxation						353,306
Taxation						(24,145)
Profit after taxation						329,161
Minority interests	(206)	—	89	—	—	(117)
Profit for the year						329,044
Segment assets						
Property, plant and equipment	1,312,877	166,775	100,146	—	—	1,579,798
Jointly controlled entities	2,777	—	21,521	—	—	24,298
Other assets	212,484	47,441	192,411	4,613	—	456,949
Unallocated assets						693,865
Consolidated total assets						2,754,910
Segment liabilities						
Minority interests	(4,400)	—	(3,450)	—	—	(7,850)
Other liabilities	(464,669)	(26,660)	(4,300)	(1,732)	—	(497,361)
Unallocated liabilities						(1,138,945)
Consolidated total liabilities						(1,644,156)
Capital expenditure	394,945	27,955	14,901	—	—	437,801
Depreciation	99,185	15,387	168	—	—	114,740
Amortisation of intangible assets	9,553	42	2,157	—	—	11,752

Geographical segments

US\$'000	Turnover	Operating profit before financing	Total assets	Capital expenditure
Year ended 31st December 2004				
Asia	2,710,669	(1,668)	496,232	25,431
North America	885,326	58,897	359,084	66,616
Europe	480,450	—	154,044	1,715
Australia	63,883	—	342	70
Unallocated*	—	641,634	2,828,365	718,206
	4,140,328	698,863	3,838,067	812,038
Year ended 31st December 2003				
Asia	2,043,205	(1,634)	450,080	37,230
North America	752,356	42,896	420,007	61,237
Europe	399,068	—	12,882	504
Australia	46,484	—	139	13
Unallocated*	—	318,122	1,871,802	338,817
	3,241,113	359,384	2,754,910	437,801

- * Operating profit before financing comprise of results from container transport and logistics and investment activities whereas total assets, comprise of vessels, containers, portfolio investments and bank balances while capital expenditure comprise of vessels, containers and financing charges under intangible assets.

Principal Subsidiaries and Jointly Controlled Entities

As at 31st December 2004

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of 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
Croydon Investment Ltd	100	500 shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
Dongguan Orient Container Co Ltd	100	Registered capital HK\$29,000,000	Container depot	China	China
Far Gain Investment Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong
Global Terminal & Container Services, Inc.	100	24,750 shares of no par value US\$5,500,000	Terminal operating	USA	USA
Goodlink Shipping Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
Hai Dong Transportation Co Ltd	100	100,000 shares of HK\$1 each HK\$100,000	Container 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 (Formerly Howland Hook Container Terminal, Inc.)	100	1,000,000 common stock of US\$1 each US\$1,000,000	Terminal operating	USA	USA

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

Principal Subsidiaries and Jointly Controlled Entities

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 3 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 4 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 5 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 6 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 7 Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 15 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 20 (Marshall Islands) Shipping Inc.	100	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 21 (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

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

Principal Subsidiaries and Jointly Controlled Entities

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
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 (Japan) Ltd	100	160,000 shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd	100	16,000 shares of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd	100	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
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 (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 (Taiwan) Co Ltd	100	10,000,000 shares of NT\$10 each NT\$100,000,000	Liner agency	Taiwan	Taiwan
OOCL (Thailand) Ltd	100	40,000 shares of Baht100 each Baht4,000,000	Liner agency	Thailand	Thailand
OOCL (UK) Ltd	100	1,100,000 shares of £10 each £11,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 shares of US\$1 each US\$1,030	Liner agency	USA	USA
OOCL China Domestics Ltd	100	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China	China

Principal Subsidiaries and Jointly Controlled Entities

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

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics Warehousing and Transportation 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
# 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 Inc.	100	500 shares of no par value US\$25,000,000	Investment holding	Liberia	Worldwide

Principal Subsidiaries and Jointly Controlled Entities

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
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 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 M\$1 each M\$100,000	Liner agency	Malaysia	Malaysia
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 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
Shanghai OOCL Container Transportation Co Ltd	60	Registered capital US\$9,350,000	Container depot	China	China
Shanghai Orient Overseas Yongye Real Estate Co Ltd	88	Registered capital US\$30,000,000	Property development	China	China
Soberry Investments Ltd	100	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
Surbiton Ltd	100	500 shares of no par value US\$5,000	Portfolio investment	Liberia †	Worldwide
Treasure King Shipping Ltd	100	500 shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
TSI Terminal Systems Inc.	100	233,400 shares of C\$1 each C\$233,400	Terminal operating	Canada	Canada
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	Ship owning	Hong Kong	Worldwide
	100	2 shares of HK\$1 each HK\$2			
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 and Jointly Controlled Entities

Name of Company	Effective percentage held by Group	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Area of operations
Jointly controlled entities					
Hui Han Investment Ltd	50	1,000 shares of HK\$1 each HK\$1,000	Investment holding	Hong Kong	China
Jointco Investment Ltd	50	1,000 shares of HK\$1 each HK\$1,000	Investment holding	Hong Kong	China
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.

Major Customers and Suppliers

Approximately 5.2% and 17.7% 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 5.0% 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	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Consolidated Profit and Loss Data										
Turnover	1,671,628	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
Operating profit before financing	91,594	157,447	68,033	48,327	122,729	166,399	107,391	90,846	359,384	698,863
Net financing charges	(21,038)	(42,899)	(42,471)	(42,911)	(41,421)	(48,246)	(45,614)	(30,634)	(18,740)	(13,642)
Profit before taxation	70,579	115,078	26,548	3,674	80,341	131,464	71,089	62,902	353,306	700,739
Profit after taxation	66,788	107,233	24,204	170	67,623	112,477	61,809	51,948	329,161	670,598
Preferred share dividends	9,097	9,003	4,875	2,564	—	—	—	—	—	—
Profit/(loss) attributable to ordinary shareholders	56,108	97,149	18,790	(2,867)	67,221	111,863	61,287	51,738	329,044	670,449
Per Ordinary Share										
Earnings/(loss) (US cents)	11.1	19.1	3.3	(0.5)	11.8	19.7	10.8	9.1	59.3	119.3
Dividends (US cents)	1.89	2.36	1.50	—	2.73	3.64	2.27	2.27	15.14	30.00
Weighted average number of ordinary shares in issue ('000)										
	506,406	508,271	568,856	568,856	568,856	568,856	568,856	568,856	554,987	561,840

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	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Consolidated Balance Sheet Data										
Property, plant and equipment	891,336	936,309	992,807	1,042,076	1,006,412	1,286,197	1,365,378	1,342,438	1,579,798	2,235,176
Cash, portfolio and bond investments	384,056	447,440	458,944	375,531	455,954	458,025	402,424	412,446	680,806	1,021,446
Other net current liabilities	(193,422)	(196,593)	(252,718)	(304,157)	(327,047)	(346,574)	(343,659)	(341,356)	(422,020)	(307,801)
Gross assets	1,565,905	1,776,737	1,871,842	1,800,625	1,862,864	2,155,254	2,150,284	2,189,340	2,754,910	3,838,067
Long-term debt	533,787	592,020	646,726	587,210	560,457	753,761	760,386	682,759	840,677	1,258,953
Total long and short-term debt	633,914	682,375	800,452	771,989	733,036	952,053	936,459	895,608	1,098,162	1,404,964
Net debt	249,858	234,935	341,508	396,458	277,082	494,028	534,035	483,162	417,356	383,518
Shareholders' funds	606,973	702,200	690,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409
Ordinary shareholders' funds	507,299	652,200	660,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409
Other Financial Information										
Depreciation	73,827	83,139	75,364	65,590	69,544	84,118	88,227	101,948	114,740	145,298
Capital expenditure	309,767	272,245	216,785	95,077	46,276	378,458	232,353	89,873	437,801	812,038
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	1.0	1.0	1.2	1.2	1.0	1.2	1.2	1.0	1.0	0.8
Net debt to equity ratio	0.4	0.3	0.5	0.6	0.4	0.6	0.7	0.6	0.4	0.2
Return on average ordinary shareholders' funds (%)	11.6	16.7	2.9	(0.4)	9.9	14.9	7.6	6.2	33.4	45.9
Accounts Payable as a % of turnover	17.3	19.3	19.2	19.5	18.9	16.3	15.0	15.6	15.0	13.4
Accounts Receivable as a % of turnover	11.8	14.0	13.6	12.9	11.7	10.2	7.3	7.9	7.6	7.3
Net asset value per ordinary share (US\$)	1.00	1.15	1.16	1.15	1.25	1.40	1.43	1.51	2.15	3.18

Fleet and Container Information

Fleet

The following table sets out the Group's vessels deployed in all its services at 31st December 2004.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
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 Singapore	5,390	Owned	Trans-Pacific	1997	24.6	Hong Kong
OOCL America	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Britain	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL California	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL China	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Hong Kong	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Japan	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Friendship	3,218	Long Term Chartered	Asia-USEC	1996	21.0	Hong Kong
OOCL Freedom	3,161	Long Term Chartered	Asia-USEC	1996	20.5	Hong Kong
OOCL Faith	3,161	Long Term Chartered	Europe-USEC	1996	21.0	Hong Kong
OOCL Fortune	3,161	Owned	Europe-USEC	1987	20.5	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	25.2	Hong Kong
OOCL Qingdao	8,063	Finance Lease	Asia-Europe	2004	25.2	Hong Kong
OOCL Shenzhen	8,063	Finance Lease	Asia-Europe	2003	25.2	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL Los Angeles	5,560	Long Term Chartered	Asia-Europe	2000	24.9	Germany
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 Fair	3,161	Owned	Asia-Australia	1987	21.0	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-Australia	1987	20.5	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
OOCL Narva	868	Chartered	Intra-Europe	2004	18.0	Germany
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Germany
OOCL Novgorod	750	Chartered	Intra-Europe	2004	18.5	Gibraltar
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

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
E.R. Cape Town	1,728	Chartered	Intra-Asia	2004	19.6	Liberia
Merkur Beach	1,706	Chartered	Intra-Asia	2004	19.6	Liberia
Hertford	1,658	Chartered	Intra-Asia	2004	23.0	Bahamas
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
OOCL Authority	1,560	Chartered	Intra-Asia	1997	18.5	Panama
Kuo Wei	1,400	Chartered	Intra-Asia	2004	18.2	Panama
TS Kaohsiung	1,393	Chartered	Intra-Asia	2004	17.0	Singapore
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
X-Press Tower	732	Chartered	Intra-Asia	2004	15.5	Panama
Soon Fu	714	Chartered	Intra-Asia	2004	15.5	Singapore
Unicorn Brilliant	588	Chartered	Intra-Asia	2003	15.3	Panama
OSG Alpha	585	Chartered	Intra-Asia	2003	15.0	Hong Kong
Reggeborg	558	Chartered	Intra-Asia	2004	17.0	Germany
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	219,779					

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 309,569 units (514,964 TEU) at 31st December 2004. Approximately 68% of the container fleet in TEU capacity at 31st December 2004 was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2004 the Group owned, purchased on finance lease terms or leased under operating lease terms 26,788 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 450,000 TEUs, operated under a long-term lease agreement with the Vancouver Port Authority, which has been extended to 2022. Expansion in 2005 will increase throughput capacity to more than 600,000 TEUs.

Equipment/Facilities: Two container berths, 619 metres long; one conventional berth 183 metres long; on-dock intermodal yard consisting of five tracks totaling 1,500 metres; nine-lane inbound and three-lane exit gate; closed circuit TV cameras via Internet to monitor truck lane traffic; five container gantries (4 x 16-wide, 1 x 18-wide) ranging from 40 to 50-tonne; 12 rubber-tired gantries (RTGs) capable of one container over 4 x 7 wide; eight toppicks; one reach stacker; nine empty handlers (sidepicks); 33 yard tractors; 40 yard chassis; various lift trucks, two truck scales; reefer points with 360 x 440 volt reefer outlets.

Expansion completion in mid-2005 will increase container yard capacity by 25%, increase exit lanes from three to five, two Super post-Panamax dock gantry cranes (22-wide capacity) with 65 tonne, twin 20 lift capacity, new west intermodal yard with three tracks totaling 1,098 metres, and additional terminal support infrastructure equipment including RTGs, empty handlers, toppick machines and tractor trailer units.

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

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

DELTAPORT

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

Status of Terminal: A 160-acre, two berth container facility with throughput capacity of 900,000 TEUs operated under a long-term lease with the Vancouver Port Authority to 2023.

Equipment/Facilities: Two container berths, 670 metres long; eight rail tracks of 1,070 metres 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; six Super post-Panamax container gantry cranes (4 x 18 wide, 2 x 20 wide) each with 50 tonne capacity, 16 rubber-tired gantries (RTGs), all equipped with auto-steering and a positional determination system; abundant supply of multi-trailer systems (triples) and single chassis; 14 reach stackers/toplifts, 10 empty handlers; two truck weigh scales; 24,000 TEUs storage capacity at three-high; 600 reefer plugs.

In early 2005, Deltaport will receive one additional Super post-Panamax dock gantry crane (22-wide), with 65 tonne twin 20 lift capacity, and additional terminal support infrastructure equipment including RTGs, reach stackers, empty handlers, toppicks and multi-trailer systems.

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

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





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; five post-Panamax quayside container gantry cranes; eight rubber-tired gantry cranes; 60 yard tractors; eight top handlers; six side picks; 12 utility forklifts; 35 yard chassis; various pick-up trucks and other vehicles and handling equipment.

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

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



GLOBAL TERMINAL & CONTAINER SERVICES, INC.

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 metres length with 245 metres extension project underway; four Super post-Panamax quayside cranes with two additional cranes to be delivered last quarter 2005; ten rubber-tyred gantry cranes (RTG's) capable of stacking one over five containers high and six wide plus a truck lane. All RTG's are equipped with global positioning systems for steering and live-time container locations; 44 yard tractors; seven toploaders; four side pickers; 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, 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 (37 acre intermodal rail yard under construction); 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, 407,171 sq ft container freight station (comprising two buildings), 29,744 sq ft equipment maintenance and repair shop, 21,840 sq ft deep freeze warehouse, 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, CMA-CGM, 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 metres, newly installed light towers, new fiber optics and wireless LAN network, additional rail-mounted gantry cranes (RMGs) and revised yard layout. Additional infrastructure upgrade is scheduled to complete in 2005 to include: new in-gate complex and two more new RMGs in 1st quarter, new office building in 4th quarter.

Equipment/Facilities: Two container vessel berths (685 metres 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 three with 19 rows; 12 rail-mounted gantry cranes (RMGs); five straddle carriers; 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	64,896
		- Phase 1B	No. 168 Hong Qiao Lu, Shanghai		2003	83,298
		- Phase 2A	No. 128 Hong Qiao Lu, Shanghai		2003	27,227

b) Projects Under Construction/Development

Project Name	Use	Location	Address	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Century Metropolis	Residential	Ziyang Lu, Shanghai - Phase 2B	No. 168 Hong Qiao Lu, Shanghai	47.5	2005	58,000
Changle Lu Project	Residential	Changle Lu, Shanghai	Lot No. 12 Lu Wan District, Shanghai	88	2008	134,000
Xizang Lu Project	Commercial	Xizang Lu, Shanghai	Lot No. 501 & 504 Huang Pu District, Shanghai	100	2012	108,000
Kunshan	Residential	Kunshan, Jiangsu - Phase 1	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province	100	2007	118,000
		- Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province		After 2007	462,000
Kunshan	Hotel	Kunshan, Jiangsu - Phase 1	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province	100	2007	44,000
		- Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan, Jiangsu Province		After 2007	41,000

Corporate Information

Executive Directors

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

Non-executive Director

Mr Roger KING

Independent Non-executive Directors

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

Company Secretary

Ms Lammy Chee Fun LEE

Authorised Representatives

Mr Nicholas David SIMS
Ms Lammy Chee Fun LEE

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Hong Kong

Listing Exchange

The Stock Exchange of Hong Kong Limited
Stock Code : 0316

Website

<http://www.ooilgroup.com>

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Bank of Scotland
Deutsche Schiffsbank AG
ING Bank NV
HSH Nordbank AG
DnB NOR Bank ASA

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