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.

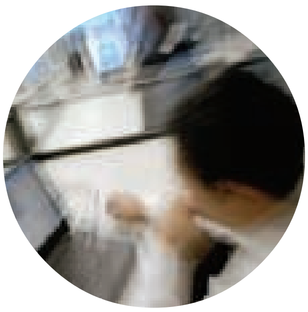
The performance on the Transatlantic routes by comparison, continues to experience more modest improvements but nevertheless, in themselves the figures remain commendable. During 2004 liftings increased by 12.4% and, assisted by the continued redeployment of some tonnage onto the other two stronger main 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 (TEU'S)			TOTAL REVENUES (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.

Cargo*Smart*, 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 Cargo*Smart* 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. Cargo*Smart* 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, Cargo*Smart* 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 Cargo*Smart* 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.

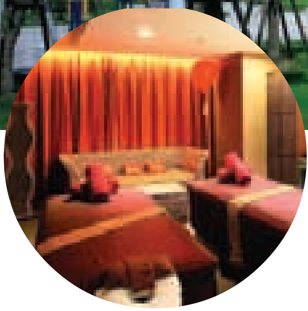
The installation of an Optical Character Recognition gate complex was completed at Global by the end of 2004, resulting in greater operational efficiency in the container receiving and delivery process. A new terminal operating software system is planned for 2005 and will improve information systems 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.

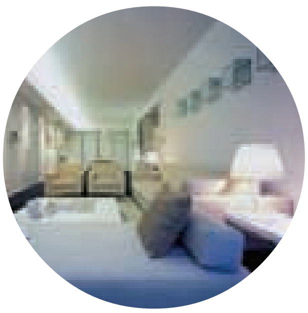
At the end of 2004, the lease between Howland Hook Container Terminal and the Port Authority of New York and New Jersey and its stevedoring license were transferred to another Group company, New York Container Terminal, Inc. ("NYCT"). The Group's other East Coast container terminal located in Staten 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

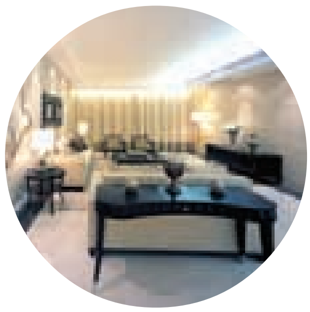
The Shanghai real estate market continued to strengthen during 2004. Despite the tightening of bank funding to local developers, and further restrictions place on mortgage lending, the market remained strong, especially in central Shanghai. This can be attributed to the decreasing supply of new projects 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