

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. ("All") 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 All 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, All and United Terminals Ltd ("UTL"), companies associated with Mr John Peng. The aggregate amount paid by the Group to AIC, CMTL, All and UTL during the year was approximately US\$3,444,927.

Mr John Peng is the controlling shareholder of CMTI, CMTL, AIC, All 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