

Report of the Directors

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

Principal Activities

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

Group Results

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

Dividends

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

Directors

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

Executive Directors

Mr Chee Chen TUNG (*Chairman*)

Mr Tsann Rong CHANG

Mr Nicholas David SIMS

Mr Philip Yiu Wah CHOW

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

Non-Executive Director

Mr Roger KING

Independent Non-Executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Prof Richard Yue Chim WONG

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

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

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

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

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

Directors' Interest

1. Significant Contracts

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

Except for the above (other than contracts amongst Group companies), no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

2. Shares

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

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

Notes:

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

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

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

3. Directors' Interests in Competing Business

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

Substantial Shareholders' Share Interest

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

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

Notes:

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

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

Connected Transactions

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

a) CMTL Master Agreement

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

b) AIC Master Agreement

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

c) All Master Agreement

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

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

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

Report of the Directors

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

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

Purchase, Sale or Redemption of Shares

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

Pre-emptive Rights

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

Share Capital

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

Reserves

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

Corporate Governance

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

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

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

Public Float

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

Amendments to Bye-laws

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

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

Property, Plant and Equipment

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

Donations

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

Annual General Meeting

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

A circular, setting out details of biographical details of the retiring Directors to be re-elected at the Annual General Meeting, proposed amendments to the Bye-laws and general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities and the general mandate to authorise the repurchase of the Company's securities (all as set out in the notice of Annual General Meeting), is dispatched to the shareholders of the Company with this annual report.

Secretary and Qualified Accountant

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

Auditors

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

On behalf of the Board

Chee Chen Tung

Chairman

Hong Kong, 10th March 2006