

# 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 2006.

## Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and jointly controlled entities are set out on pages 156 to 168 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.

## Final and Special Dividends

The Directors have recommended the payment of a total dividend of US92 cents (HK\$7.18 at the exchange rate of US\$1:HK\$7.8) which is comprised of an ordinary final dividend of US12 cents (HK\$0.94) and a special dividend of US80 cents (HK\$6.24) per ordinary share as a result of the sale of the Group's Terminals Division in North America, to be paid on 7th May 2007 to the shareholders of the Company whose names appear on the register of members of the Company on 20th April 2007. Shareholders who wish to receive the dividends in US Dollars should complete the Dividend Election Form and return it to the Company's Hong Kong Branch Registrar not later than 4:30 p.m. on 26th April 2007.

## Change of Board Lot Size

The Board has resolved to change the board lot size for trading the shares of the Company from 1,000 shares to 500 shares. A further announcement will be made by the Company setting out the time table, trading arrangements and other details of the change in the board lot size.

## 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, President and Chief Executive Officer*)

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

Mr Philip Yiu Wah CHOW

Mr Alan Lieh Sing TUNG

### *Non-Executive Directors*

Mr Tsann Rong CHANG\*

Mr Roger KING

### *Independent Non-Executive Directors*

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Prof Richard Yue Chim WONG

\* re-designated from an Executive Director to a Non-Executive Director on 1st July 2006

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In accordance with the provisions of the Company's Bye-laws, Mr Chee Chen Tung, Mr Philip Yiu Wah Chow and Professor Richard Yue Chim Wong will retire by rotation at the forthcoming annual general meeting of the Company to be held on 20th April 2007 (the "Annual General Meeting") and being eligible, will offer themselves for re-election.

Mr Nicholas David Sims has a service contract with the Company which will expire on 21st October 2007. 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 2006, 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 2006 was approximately US\$259,000.

Yuensung Investment Company Limited ("Yuensung"), a company controlled by Mr C U Tung, uncle of Mr Chee Chen Tung, also shares the rental of an office at Harbour Centre, Hong Kong with our Group. The total amount of rental on an actual cost reimbursement basis paid by Yuensung to the Group for the year ended 31st December 2006 was approximately US\$36,000.

During 2006, OOCL (Japan) Limited, a wholly-owned subsidiary of the Company, sold the leasehold right to the land and ownership of the house thereon in Nikko City, Japan to INC for a consideration of JPY16,629,087 (approximately US\$145,505).

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 2006, 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 <i>(Note 1)</i>	326,627,577 <i>(Notes 2 &amp; 3)</i>	424,438,588	67.82%
Roger King	—	97,811,011 <i>(Note 1)</i>	—	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 <i>(Note 4)</i>	—	—	79,600	0.01%
Simon Murray	122,200	—	—	122,200	0.02%

### Notes:

- 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.
- Wharnclyff Limited ("Wharnclyff"), a company owned by a discretionary trust established by Mrs Shirley Shiao Ping Peng, sister of Mr Chee Chen Tung and Mr Chee Hwa Tung, sister-in-law of Mr Roger King and aunt of Mr Alan Lieh Sing Tung, holds 278,165,570 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.
- Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.
- Of these shares, 7,000 are held by the spouse of Mr Philip Yiu Wah Chow.

As at 31st December 2006, 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 2006, 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 2006, 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 2006, 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	424,438,588 <i>(Note 1)</i>	67.82%
Shirley Shiao Ping Peng	Founder of a discretionary trust	326,627,577 <i>(Note 2)</i>	52.19%
Fortune Crest Inc.	Indirect	326,627,577 <i>(Note 2)</i>	52.19%
Winfield Investment Limited	Indirect	326,627,577 <i>(Notes 2 &amp; 3)</i>	52.19%
Tung Holdings (Trustee) Inc.	Voting	326,627,577 <i>(Note 4)</i>	52.19%
Wharnclyff Limited	Direct	278,165,570 <i>(Notes 2 &amp; 5)</i>	44.45%
Chee Hwa Tung	Indirect	97,836,242 <i>(Note 6)</i>	15.63%
Springfield Corporation	Direct and Indirect	97,811,011 <i>(Note 6)</i>	15.62%
Archduke Corporation	Beneficiary of a trust	97,811,011 <i>(Note 7)</i>	15.62%
Phoenix Corporation	Beneficiary of a trust	97,811,011 <i>(Note 7)</i>	15.62%
Archmore Limited	Beneficiary of a trust	97,811,011 <i>(Note 8)</i>	15.62%
Edgemont Investment Limited	Indirect	97,811,011 <i>(Note 9)</i>	15.62%
Javier Associates Limited	Indirect	97,811,011 <i>(Note 10)</i>	15.62%
Gala Way Company Inc.	Direct	48,462,007 <i>(Notes 2 &amp; 5)</i>	7.74%
Monterrey Limited	Direct	30,765,425 <i>(Notes 6 &amp; 11)</i>	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 established the discretionary trust which, through Winfield Investment Limited ("Winfield"), a wholly-owned subsidiary of Fortune Crest, holds 326,627,577 Shares, 278,165,570 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 and Mrs Shirley Shiao Ping Peng, 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, spouse of Mr Chee Hwa Tung, sister-in-law of Mr Chee Chen Tung, Mrs Shirley Shiao Ping Peng and Mr Roger King, and mother of Mr Alan Lieh Sing 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 ("Archmore"), 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, 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 2006, 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.

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## Connected Transactions

During the year ended 31st December 2006, the Group had the following continuing connected transactions (the "Continuing Connected Transactions") constituted by the following agreements entered into by OOCL (Taiwan) Co. Ltd. ("OTWL"), the Group's Taiwanese subsidiary and acting as the general agent for the carrier of the Group in Taiwan:-

### a) CMTL Master Agreement

Pursuant to a master agreement dated 29th June 2005 entered into between OTWL and Chinese Maritime Transport Ltd. ("CMTL"), 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\$22,013,000 was paid by OTWL to the CMTL group for the aforesaid services.

### b) AIC Master Agreement

Pursuant to a master agreement dated 29th June 2005 entered into between OTWL and Associated Industries China Inc. ("AIC"), 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, no service was provided by AIC group to OTWL.

### c) All Master Agreement

Pursuant to a master agreement dated 29th June 2005 entered into between OTWL and Associated International Inc. ("All"), 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 (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\$1,902,000 was paid by OTWL to All group for all of the aforesaid services.

Mr John Peng is the controlling shareholder of CMTL and All, a shareholder of AIC, and the brother-in-law of Mr Chee Chen Tung who is an Executive Director, Chairman, President and Chief Executive Officer of the Company; brother-in-law of Mr Roger King, a Non-Executive Director of the Company; uncle of Mr Alan Lieh Sing Tung, an Executive Director of the Company; spouse of Mrs Shirley Shiao Ping Peng, a substantial shareholder of the Company; and brother-in-law of Mr Chee Hwa Tung, a substantial shareholder 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 Professor Richard Yue Chim Wong, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

### Purchase, Sale or Redemption of Shares

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

### Pre-emptive Rights

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

### Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 36 to the consolidated accounts on pages 143 to 144 of this annual report.

### Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company has adopted its own code on corporate governance practices (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries and is constantly reviewed to ensure transparency, accountability and independence. Further information on the CG Code is set out in the corporate governance report (the "Corporate Governance Report") on pages 54 to 71 of this annual report.

Throughout the year of 2006, the Company has complied with the SEHK Code except as set out in the Corporate Governance Report on page 54.

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.

### 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.

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## Property, Plant and Equipment

Particulars of the movements in property, plant and equipment are set out in note 17 to the consolidated accounts on pages 120 to 122 of this annual report.

## Donations

Donations made by the Group during the year amount to US\$391,000.

## Annual General Meeting

The notice of Annual General Meeting is set out on pages 52 to 53 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, the 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, 9th March 2007