ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司*

(Incorporated in Bermuda with Limited Liability)
website: http://www.ooilgroup.com
(Stock code: 316)

2005 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited ("the Company") announce the audited results of the Company and its subsidiaries ("the Group") for the year ended 31st December 2005 as follows:

Consolidated Profit and Loss Account
For the year ended 31st December 2005

	Note	**2005** **US$'000**	Restated 2004 *US$'000*
Turnover	3	**4,696,241**	4,140,328
Operating costs		**(3,534,302)**	(3,012,758)
Gross profit		**1,161,939**	1,127,570
Other operating income		**76,294**	37,090
Other operating expenses		**(493,307)**	(435,652)
Operating profit	5	**744,926**	729,008
Finance costs	6	**(61,659)**	(43,787)
Share of profits less losses of jointly controlled entities		**6,950**	11,116
Share of loss of an associated company		**(84)**	—
Profit before taxation		**690,133**	696,337
Taxation	7	**(38,842)**	(25,739)
Profit for the year		**651,291**	670,598
Attributable to:			
Equity holders of the Company		**650,854**	670,449
Minority interests		**437**	149
		651,291	670,598
Dividends	8	**169,130**	170,688
Earnings per ordinary share (US cents)			
Basic and diluted	9	**104.0**	108.5

Consolidated Balance Sheet
As at 31st December 2005

	Note	**2005** **US$'000**	Restated 2004 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,593,946**	2,132,066
Investment property		**100,000**	100,000
Prepayments of lease premiums		**7,787**	3,110
Jointly controlled entities		**19,857**	31,255
Associated company		**7,916**	—
Intangible assets		**21,030**	16,927
Deferred taxation assets		**8,203**	15,352
Pension and retirement assets		**6,683**	5,796
Available-for-sale financial assets		**13,021**	3,508
Restricted bank balances and other deposits		**101,859**	111,953
Other non-current assets		**93,569**	102,288
		2,973,871	2,522,255
Current assets			
Properties under development and for sale		**181,545**	97,959
Inventories		**44,511**	30,008
Debtors and prepayments	10	**415,090**	359,497
Portfolio investments		**237,004**	249,834
Derivative financial instruments		**354**	—
Cash and bank balances		**962,541**	755,049
		1,841,045	1,492,347
Total assets		**4,814,916**	4,014,602
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**62,579**	56,890
Reserves		**2,221,751**	1,752,519
		2,284,330	1,809,409
Minority interests		**8,129**	7,808
Total equity		**2,292,459**	1,817,217
LIABILITIES			
Non-current liabilities			
Borrowings		**1,650,044**	1,427,690
Deferred taxation liabilities		**50,204**	40,166
Pension and retirement liabilities		**15,080**	14,141
		1,715,328	1,481,997
Current liabilities			
Creditors and accruals	11	**603,045**	553,535
Derivative financial instruments		**4,592**	—
Borrowings		**188,548**	153,809
Current taxation		**10,944**	8,044
		807,129	715,388
Total liabilities		**2,522,457**	2,197,385
Total equity and liabilities		**4,814,916**	4,014,602
Net current assets		**1,033,916**	776,959
Total assets less current liabilities		**4,007,787**	3,299,214

Year 2004 figures have been restated or reclassified in accordance with the presentation as required under the new HKFRS applicable as from 1st January 2005.

NOTES

1. **Scope of work of PricewaterhouseCoopers**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2005 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. **Accounting policies and basis of preparation**

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, certain plant and equipment, available-for-sale financial assets, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

In 2005, the Group adopted the new/revised standards and interpretations of new HKFRS below, which are relevant to its operations. The 2004 comparatives are amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 3	Revenue — Pre-completion Contracts for the sale of Development Properties
HKAS-Int 12	Consolidation — Special Purpose Entities
HKAS-Int 15	Operating Leases — Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HKAS-Int 27	Evaluating the substance of Transaction involving the Legal Form of a Lease
HKFRS 3	Business Combinations

(a) The adoption of new/revised HKASs 1, 2, 7, 8, 10, 21, 23, 24, 27, 28, 31, 33, 36 and HKAS-Int 3, 12, 15, 21 and 27 and HKFRS 3 did not result in substantial changes to the Group's accounting policies.

(b) The adoption of HKAS 16 has resulted in a change in the accounting policy relating to recognition of dry-docking costs as a component of vessels and depreciated over the period to the next estimated dry-docking date. In previous years, dry-docking costs for vessels were charged to the profit and loss account as incurred. Since the resulting impact is not material as a whole, this change has not been applied retrospectively and a prior period adjustment has not been made.

In addition, HKAS 16 has required that residual value and the useful life of a fixed asset shall be reviewed at least at each financial year end and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate prospectively.

(c) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment and properties under development and for sale to operating leases. The up-front payments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease unless the property is under development or when there is an impairment, the impairment is expensed in the profit and loss account. In previous years, for those classified as leasehold land and buildings included in property, plant and equipment, they were depreciated over the period of the lease, whereas those properties under development and for sale were stated at cost, including land and construction costs, less provisions for foreseeable losses. The resulting impact is not material and therefore a prior period adjustment has not been made.

(d) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets and portfolio investments and change in the recognition and measurement of loans and receivables, held-to-maturity investments, borrowings and hedging activities. In addition, derivative financial instruments are categorised as trading unless they are designated as hedges. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using effective interest method.

In previous years, the Group classified its investments, other than subsidiaries and jointly controlled entities, as long-term investments and portfolio investments. Long-term investments and portfolio investments were carried at cost less provision and realisable values, respectively. In addition, financing charges related to long-term borrowings were deferred and amortised on a straight line basis over the relevant tenure of the loan. The resulting impact from this change is not material and therefore a prior period adjustment has not been made.

(e) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account. In previous years, a deficit in valuation was charged to the profit and loss account; an increase was first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter was credited to the assets revaluation reserve. As at 31st December 2004, the valuation of investment properties was less than their original costs and the revaluation deficits had already been charged to the profit and loss account in previous years and there was no investment properties revaluation reserve. Consequently, no prior period adjustment on the retained profit and investment properties revaluation reserve is required.

(f) The adoption of HKAS-Int 3 has resulted in a change in accounting policy of which sales of properties are recognised when the risk and rewards of the property have been passed to the customers. In previous years, sales of properties under construction were recognised over the course of the development based on the proportion of construction work completed or if lower, the proportion of sales proceeds received. The Group has elected to adopt the transitional provision and change the recognition policy in relation to sales of properties occurred on or after 1st January 2005.

(g) The adoption of HKFRS 3 and HKAS 38 results in a change in the accounting policy for excess of fair value of net assets acquired over the cost of acquisition. In previous years, goodwill was 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 were 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 was reviewed annually and provision was only made where, in the opinion of the Directors, there was impairment in value other than temporary in nature. Effective 1st January 2005, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. On the other hand, the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in the profit and loss account. HKFRS 3 has been applied to the Group's acquisitions occurred on or after 1st January 2005.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective HKFRS. All standards adopted by the Group require retrospective application other than HKFRS 3 and HKAS-Int 3 which is applied prospectively on or after 1st January 2005.

The following table discloses the adjustments made in accordance with the transitional provisions of the respective HKFRS as set out in (a) — (g) to each of the line items of the consolidated balance sheet as previously reported as at 31st December 2004.

Consolidated balance sheet as at 31st December 2004:

US$'000	As previously reported	HKAS 1 *Note (a)*	HKAS 17 *Note (c)*	HKAS 39 *Note (d)*	HKAS 40 *Note (e)*	As restated
ASSETS						
Non-current assets						
Property, plant and equipment	2,235,176		(3,110)		(100,000)	2,132,066
Investment property	—				100,000	100,000
Prepayments of lease premiums	—		3,110			3,110
Jointly controlled entities	31,255					31,255
Long-term investments	95,938			(95,938)		—
Intangible assets	33,315	(9,858)		(6,530)		16,927
Deferred taxation assets	—	15,352				15,352
Pension and retirement assets	—	5,796				5,796
Available-for-sale financial assets	—			3,508		3,508
Restricted bank balances and other deposits	—	111,953				111,953
Other non-current assets	43,515	(33,657)		92,430		102,288
	2,439,199					2,522,255
Current assets						
Properties under development and for sale	97,959					97,959
Inventories	—	30,008				30,008
Debtors and prepayments	301,830	57,667				359,497
Portfolio investments	249,834					249,834
Cash and bank balances	749,245	5,804				755,049
	1,398,868					1,492,347
Total assets	3,838,067					4,014,602
EQUITY						
Share capital	56,890					56,890
Reserves	1,752,519					1,752,519
Shareholders' funds	1,809,409					1,809,409
Minority interests	7,808					7,808
Total equity	1,817,217					1,817,217
LIABILITIES						
Non-current liabilities						
Borrowings	1,258,953	174,251		(5,514)		1,427,690
Deferred taxation liabilities	—	40,166				40,166
Pension and retirement liabilities	—	14,141				14,141
Other non-current liabilities	54,307	(54,307)				—
	1,313,260					1,481,997
Current liabilities						
Creditors and accruals	553,535					553,535
Borrowings	145,926	8,899		(1,016)		153,809
Bank overdrafts and short-term loans	85	(85)				—
Current taxation	8,044					8,044
	707,590					715,388
Total liabilities	2,020,850					2,197,385
Total equity and liabilities	3,838,067					4,014,602

3. **Turnover**

	2005 *US$'000*	2004 *US$'000*
Container transport and logistics	**4,229,937**	3,748,414
Container terminals	**443,275**	368,664
Property investment and development	**23,029**	23,250
	4,696,241	4,140,328

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.

4. **Segment information**

Business segment

	Container transport and logistics *US$'000*	Terminal *US$'000*	Property investment and development *US$'000*	Unallocated *US$'000*	Elimination *US$'000*	**Group** ***US$'000***
For the year ended 31st December 2005						
Turnover	4,229,937	486,711	23,932	—	(44,339)	**4,696,241**
Operating profit	648,829	56,375	8,271	31,451	—	**744,926**
Finance costs						**(61,659)**
Share of profits less losses of jointly controlled entities						**6,950**
Share of loss of an associated company						**(84)**
Profit before taxation						**690,133**
Taxation						**(38,842)**
Profit for the year						**651,291**
Capital expenditure	540,934	94,489	71	—	—	**635,494**
Depreciation	122,638	34,607	57	—	—	**157,302**
Amortisation	4,529	1,234	1,058	—	—	**6,821**
For the year ended 31st December 2004						
Turnover	3,748,414	402,837	23,933	—	(34,856)	**4,140,328**
Operating profit	644,997	53,641	9,212	21,158	—	**729,008**
Finance costs						**(43,787)**
Share of profits less losses of jointly controlled entities						**11,116**
Profit before taxation						**696,337**
Taxation						**(25,739)**
Profit for the year						**670,598**
Capital expenditure	761,114	45,286	91	—	—	**806,491**
Depreciation	120,645	24,124	91	—	—	**144,860**
Amortisation	5,594	572	174	—	—	**6,340**

	Container transport and logistics *US$'000*	Terminal *US$'000*	Property investment and development *US$'000*	Unallocated *US$'000*	**Group** ***US$'000***
As at 31st December 2005					
Segment assets					
Property, plant and equipment	2,293,813	300,009	124	—	**2,593,946**
Jointly controlled entities	4,429	—	15,428	—	**19,857**
Associated company	—	7,916	—	—	**7,916**
Other assets	380,232	74,363	411,315	1,327,287	**2,193,197**
Total assets					**4,814,916**
Segment liabilities					
Creditors and accruals	(530,930)	(55,160)	(14,510)	(2,445)	**(603,045)**
Other liabilities	(11,352)	(3,728)	—	(1,904,332)	**(1,919,412)**
Total liabilities					**(2,522,457)**
As at 31st December 2004					
Segment assets					
Property, plant and equipment	1,892,122	239,740	204	—	**2,132,066**
Jointly controlled entities	2,957	—	28,298	—	**31,255**
Other assets	322,232	79,830	321,330	1,127,889	**1,851,281**
Total assets					**4,014,602**
Segment liabilities					
Creditors and accruals	(504,335)	(43,427)	(3,385)	(2,388)	**(553,535)**
Other liabilities	(10,706)	(3,435)	—	(1,629,709)	**(1,643,850)**
Total liabilities					**(2,197,385)**

Geographical segment

	Turnover *US$'000*	Operating profit/(loss) *US$'000*	Capital expenditure *US$'000*
Year ended 31st December 2005			
Asia	3,023,294	468	39,333
North America	1,043,771	66,908	90,888
Europe	556,054	—	751
Australia	73,122	—	337
Unallocated	—	677,550	504,185
	4,696,241	744,926	635,494
Year ended 31st December 2004			
Asia	2,710,669	(1,668)	20,811
North America	885,326	67,571	61,069
Europe	480,450	—	1,715
Australia	63,883	—	70
Unallocated	—	663,105	722,826
	4,140,328	729,008	806,491

	31st December 2005 ***US$'000***	31st December 2004 *US$'000*
Total assets		
Asia	**379,907**	240,211
North America	**540,467**	497,820
Europe	**21,262**	15,308
Australia	**627**	342
Unallocated	**3,872,653**	3,260,921
	4,814,916	4,014,602

5. **Operating profit**

	2005 ***US$'000***	2004 *US$'000*
Operating profit is arrived at after crediting:		
Operating lease rental income		
Land and buildings	**21,974**	22,262
and after charging:		
Depreciation		
Owned assets	**117,413**	95,076
Leased assets	**39,889**	49,784
Operating lease rental expense		
Vessels and equipment	**405,442**	399,126
Land and buildings	**47,473**	43,402
Rental outgoings in respect of an investment property	**14,223**	11,231
Amortisation of intangible assets	**5,260**	5,844
Amortisation of prepayments of lease premiums	**1,561**	496
Less: Amount capitalised under properties under development and for sale	**(1,057)**	(58)
	504	438
Auditors' remuneration		
Audit	**2,327**	1,960
Non-audit	**1,559**	926

6. **Finance costs**

	2005 ***US$'000***	2004 *US$'000*
Interest expense		
Bank loans, overdrafts and other loans		
Wholly repayable within five years	**17,133**	13,122
Not wholly repayable within five years	**12,994**	8,641
Finance lease obligations		
Wholly payable within five years	**9,528**	11,201
Not wholly payable within five years	**23,484**	7,272
	63,139	40,236
Amount capitalised under assets	**(7,082)**	(2,661)
Net interest expense	**56,057**	37,575
Dividend on preference shares	**5,602**	6,212
	61,659	43,787

7. **Taxation**

	2005 ***US$'000***	2004 *US$'000*
Current taxation		
Hong Kong profits tax	**1,026**	—
Overseas taxation	**25,509**	28,784
	26,535	28,784
Deferred taxation		
Hong Kong profits tax	**1,866**	(1,981)
Overseas taxation	**10,441**	(1,064)
	38,842	25,739

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 3% to 52% (2004: 10% to 53%) and the rate applicable for Hong Kong profits tax is 17.5% (2004: 17.5%).

Share of taxation of jointly controlled entities of US$3.1 million (2004: US$4.4 million) are included in the consolidated profit and loss account as share of profits less losses of jointly controlled entities.

8. **Dividends**

	2005 ***US$'000***	2004 *US$'000*
Interim paid of US12.00 cents (2004: US10.91 cents) per ordinary share	**75,261**	68,354
Proposed final of US15.00 cents (2004: US16.36 cents) per ordinary share	**93,869**	102,334
	169,130	170,688

The Board of Directors proposes a final dividend in respect of 2005 of US15.00 cents per ordinary share (2004: US16.36 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 2006.

9. **Earnings per ordinary share**

The calculation of basic and diluted earnings per ordinary share is based on the profit attributable to equity holders of US$650.9 million (2004: US$670.4 million) and the weighted average number of 625.8 million (2004: 618.0 million after adjusting for the bonus issue) ordinary shares in issue during the year.

The basis and diluted earnings per ordinary share are the same since there are no potential dilutive shares.

10. **Debtors and prepayments**

	31st December 2005 US$'000	31st December 2004 US$'000
Trade receivables, net	**276,817**	247,151
Other debtors	**47,254**	42,663
Prepayments	**65,061**	54,122
Utility and other deposits	**3,384**	9,577
Tax recoverable	**22,574**	5,984
	415,090	359,497

The Group's sales are made on credit terms of 10 to 45 days.

The ageing analysis of the trade receivables of the Group is as follows:

	31st December 2005 US$'000	31st December 2004 US$'000
Below one month	**246,099**	215,128
Two to three months	**25,912**	26,750
Four to six months	**4,797**	5,123
Over six months	**9**	150
	276,817	247,151

11. **Creditors and accruals**

	31st December 2005 US$'000	31st December 2004 US$'000
Trade payables	**160,927**	164,823
Other creditors	**52,296**	33,071
Accrued expenses	**365,730**	335,047
Deferred revenue	**24,092**	20,594
	603,045	553,535

The ageing analysis of the trade payables of the Group is as follows:

	31st December 2005 US$'000	31st December 2004 US$'000
Below one month	**121,595**	132,763
Two to three months	**34,373**	25,906
Four to six months	**1,848**	1,326
Over six months	**3,111**	4,828
	160,927	164,823

Results for 2005

I am pleased to report that Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit before tax of US$690.1 million for the financial year ended 31st December 2005, just 0.9% below what was achieved the year before. A profit attributable to shareholders of US$650.9 million was recorded which represents a decrease of 2.9% from the attributable profit of US$670.4 million recorded in 2004. This remains another commendable achievement by the Group in the light of the higher cost environment faced, higher charter-hire costs, the direct impact of higher bunker charges and the indirect effect of those higher fuel costs on both terminal and third party transportation costs, the latter also increasing as a result of stronger demand.

Review of Operations

Our Container Transport, Logistics and Terminals division enjoyed another exceptional trading environment during 2005 as volume growth continued at above the long-term trend level and largely kept pace with the rate at which new tonnage was deployed. Business confidence continued to remain buoyant throughout the year and, as a result, total liftings increased by a further 7.8%. This increase compares with the unprecedented 21.6% by which total liftings increased in 2004. Total liftings in 2005 were, to a degree however, restrained by just an 8.8% increase in loadable capacity compared with an 18.2 % increase during 2004. The overall load factor for 2005 remained unchanged from 2004.

During the first half of 2005 OOCL took delivery of the "*OOCL Atlanta*" and the "*OOCL Tianjin*". Both are 8,063 TEU vessels built by Samsung Heavy Industries Co, Ltd ("Samsung") in South Korea and were deployed within our Trans-Pacific service. They were numbers seven and eight in our total series of twelve. Numbers nine and ten are to be delivered in March and July of this year and the completion of this series of "SX" Class vessels will take place with the delivery of numbers eleven and twelve in early 2007. During 2005 we contracted for a further two panamax sized newbuilding vessels bringing to a total of six 4,500 TEU capacity vessels to be built by Samsung in South Korea. We also continue to hold contracts for a previously announced pair of similarly sized vessels to be built by Hudong - Zhonghua Shipyard, which constitute our first venture into China for containership newbuildings. As commented upon in previous years, these various newbuilding programmes are in line with our long-term business plans.

The Group's terminal division operates four principal container terminals at major ports in North America, with two in British Columbia and one each in New York and New Jersey. While the number of vessel calls was 7.6% above the 2004 level, the total lift volume was 12.4% higher, reflecting the continuing trend towards larger ships being introduced into the major trade routes serving North America. Total revenue from container operations at the four terminals grew by 21.4% and pre-tax earnings topped 2004 results by 52.0%.

Our Property Development business, whilst remaining thus far only a modest contributor to Group profits, nevertheless, produced satisfactory results in 2005. Our Property Investment business produced a result for 2005 in line with expectations. We continue to hold an 8% interest in Beijing Oriental Plaza and the project is now achieving modest profits at the project level. As at 31st December 2005, Wall Street Plaza was valued at US$100 million. The property enjoyed an occupancy rate of 99% for the better part of the year. Our Property Development and Investment division was successful in the acquisition of new projects during 2005. In particular, we successfully tendered for two parcels of Land in Central Shanghai. We believe that both these sites, given their location and expected cost structures, will produce good returns for the Group upon their completion.

Looking Forward

As at the beginning of last year, the then predictions for the coming year were for a much softer market as container volume growth was forecast to slow against a known to be increasing rate of new tonnage deployment. As always, those forecasts for demand side container volume growth proved in the event to be under-estimates. Conversely, supply side tonnage growth forecasts always prove to be an over-estimate of the true increase in effective loadable capacity. Nevertheless, sentiment tends always to prevail and current sentiment suggests strongly that the deployment of new tonnage during 2006 will outpace the rate at which container volumes will grow, the extent of this imbalance being variously forecast at between 3% and 5%. As a result, the freight rate forecasts are for a softer market and, on some trade routes, we have already seen this begin to happen. However, much remains uncertain. Consumer confidence and retail sales demand remain fairly buoyant throughout the major consumer economies.

As we enter this period of supply side growth outpacing the demand side, industrial load factors may or indeed will fall below the exceptional percentage, in the high nineties, experienced on the head haul legs during the past two years or so, but we believe that they will not fall to the dire levels of some five years ago. For the good of the industry as a whole, we are hopeful that carriers will accept and operate under these slightly lower load factors, temporary as they will be whilst we endure this bulge in the newbuilding delivery schedule, rather than lower rates in what in the event will turn out to be vain attempt to regain the exceptional load factors of the recent past. The consolidation which has taken place within the industry should assist in producing this readier acceptance of load factor decline and therefore a greater resistance to freight rate erosion. Overall performance, of course, will remain dependent not only upon volumes and freight rates but also upon relative cost levels. Oil prices are critical not only due to their direct effect on bunker prices but also due to their indirect effect of driving up terminal and third party transportation costs. Some of these cost increases are recoverable but many if not most are not.

With many larger vessels being introduced into service and little growth in berth capacity throughout North America, the outlook for the terminal division remains quite positive. In addition to an ongoing program of upgrading and replacing existing equipment, the terminal division has embarked upon plans and undertaken studies related to an increase in berth and throughput capacity at several of its facilities before the end of the decade.

Due to the timing of previous land acquisitions and our considered views of the market, property development income will slow dramatically during the coming two years of 2006 and 2007. In total, our project pipeline has reached approximately one million sq m of gross floor area in Shanghai and Jiangsu Province. Going forwards, we shall continue to seek property investment and development opportunities in China. Our investment property, Wall Street Plaza, remains profitable and is strongly positioned to continue to contribute to the Group's performance.

Given our real estate experience in China over the last decade, and our land acquisitions conducted over the past few years, we expect real estate to produce a meaningful contribution in the future, and we continue to work towards the creation of a stand alone real estate development and investment business in China.

Dividend

The Directors have recommended a final dividend for the year ended 31st December 2005 of US15.00 cents (HK$1.17 at the exchange rate of US$1:HK$7.8) 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 the dividend in US Dollars should complete the US Dollars Election Form and return it to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 26th April 2006.

Liquidity and Financial Resources

As at 31st December 2005, the Group had cash and portfolio investments amounting to US$1,286.6 million and a total indebtedness of US$1,838.6 million. The net debt to equity ratio was improved to 0.24:1 at end of year 2005, compared with 0.26 at end of 2004.

The indebtedness of the Group mainly comprises bank loans, finance leases and other obligations which are largely denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity.

Employee Information

As at 31st December 2005, the Group has 6,165 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 the Group'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.

Closure of Register of Members

The register of members will be closed from 18th April 2006 to 21st April 2006, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar not later than 4:00 p.m. on 13th April 2006.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2005, 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 these annual results, 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. Such new ordinary shares rank pari passu in all respects with the existing issued ordinary shares of the Company.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

Throughout the year 2005, the Company has complied with the SEHK Code, except that there is no separation of the role of Chairman and Chief Executive Officer. Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company. The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent a duplication and is not necessary for the time being.

Further information on the CG Code is set out in the Corporate Governance Report contained in the annual report.

Audit Committee

The Audit Committee currently comprises three Independent Non-Executive Directors, with the head of Internal Audit Department of the Company as the secretary and the Company Secretary as the assistant secretary of the Audit Committee. During 2005, two meetings were held by the Audit Committee.

The Audit Committee has reviewed the annual results of 2005.

Remuneration Committee

The Remuneration Committee currently comprises the Chairman and two Independent Non-Executive Directors of the Company, with the Company Secretary as the secretary of the Committee.

During 2005, two meetings were held by the Remuneration Committee.

Model Code for Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the "Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listing Companies (the "Model Code") contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in both the Model Code and the Code throughout the year 2005.

Annual General Meeting and Annual Report

The annual general meeting (the "Annual General Meeting") of the Company will be held on 21st April 2006. Notice of the meeting will be sent to shareholders together with the annual report on or before 30th March 2006.

Both the English and Chinese versions of the annual report will always be available from our Hong Kong Branch Registrar on request and on the Company's website at *http://www.ooilgroup.com*.

Amendments to the Bye-laws of the Company

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 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 of the Company will also be proposed.

Further information on the amendments to the Bye-laws is set out in the circular which will be sent to the shareholders on or before 30th March 2006.

Disclosure of Information on the Website of The Stock Exchange of Hong Kong Limited

All information required by paragraphs 45(1) to 45(8) of Appendix 16 of the Listing Rules will be published on the The Stock Exchange of Hong Kong Limited's website *http://www.hkex.com.hk* in due course.

Directors

As at the date hereof, the Executive Directors of the Company are Messrs Chee Chen TUNG, Tsann Rong CHANG, Nicholas David SIMS, Philip Yiu Wah CHOW and Alan Lieh Sing TUNG; the Non-Executive Director is Mr Roger KING; and the Independent Non-Executive Directors are Mr Simon MURRAY, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG.

Forward looking Statements

This announcement contains forward looking statements. Statements which are not of historical facts, including statements of the Company's beliefs and expectations, are forward looking statements. They are based upon current plans, estimates and projections and, therefore, no undue reliance should be placed upon them. Forward looking statements are correct only as of the day on which they are made. The Company has no obligation and does not undertake to update any of them publicly in the light of fresh information or of future events. Forward looking statements contain inherent risks, uncertainties and assumptions. The Company warns that should any of these risks or uncertainties ever materialise or that any of the assumptions should prove incorrect or should any number of important factors or events occur or not occur, then the actual results of the Company may differ materially from those either expressed or implied in any of these forward looking statements.

On behalf of the Board
Chee Chen TUNG
Chairman

Hong Kong, 10th March 2006

** For identification purpose only*