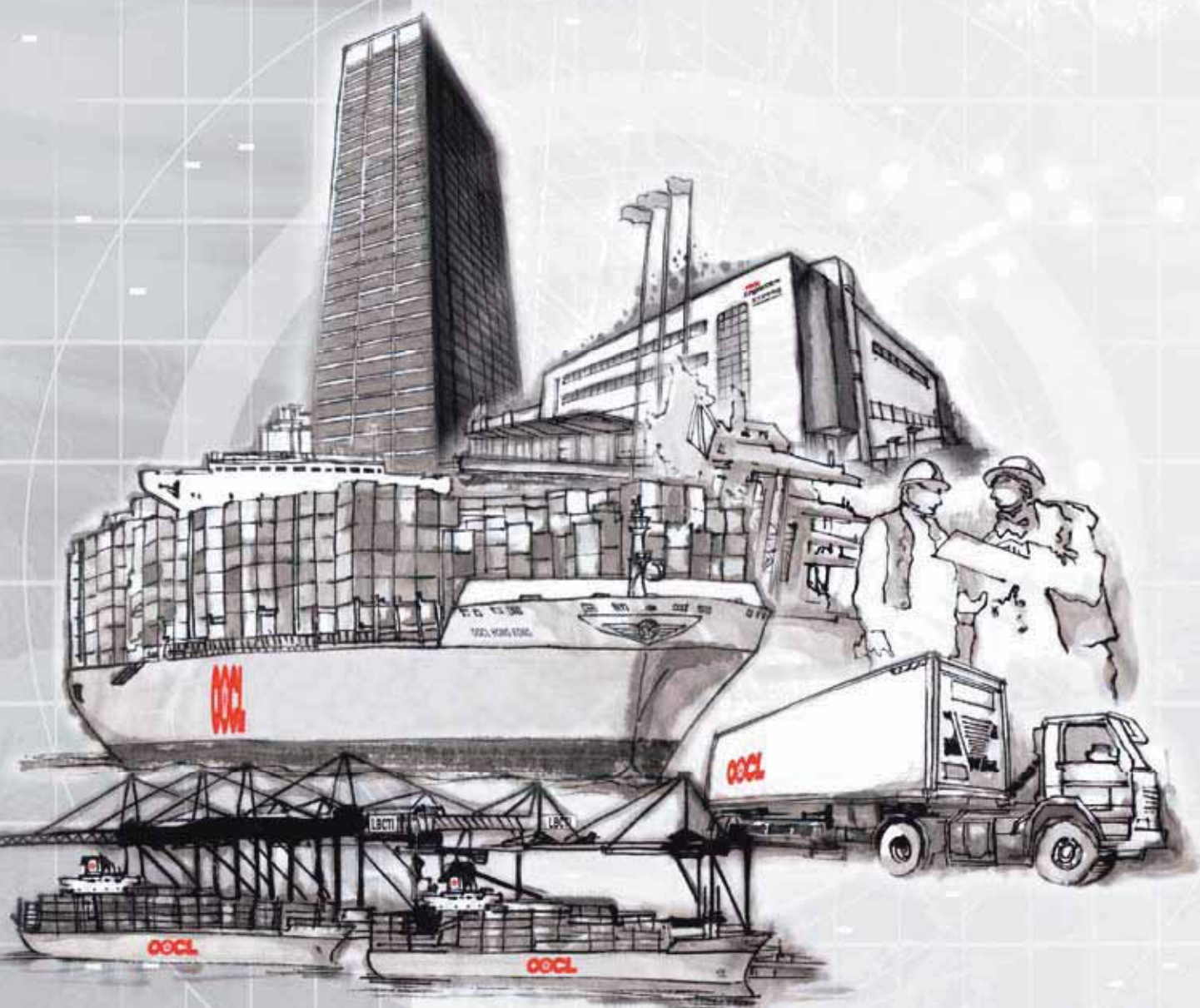
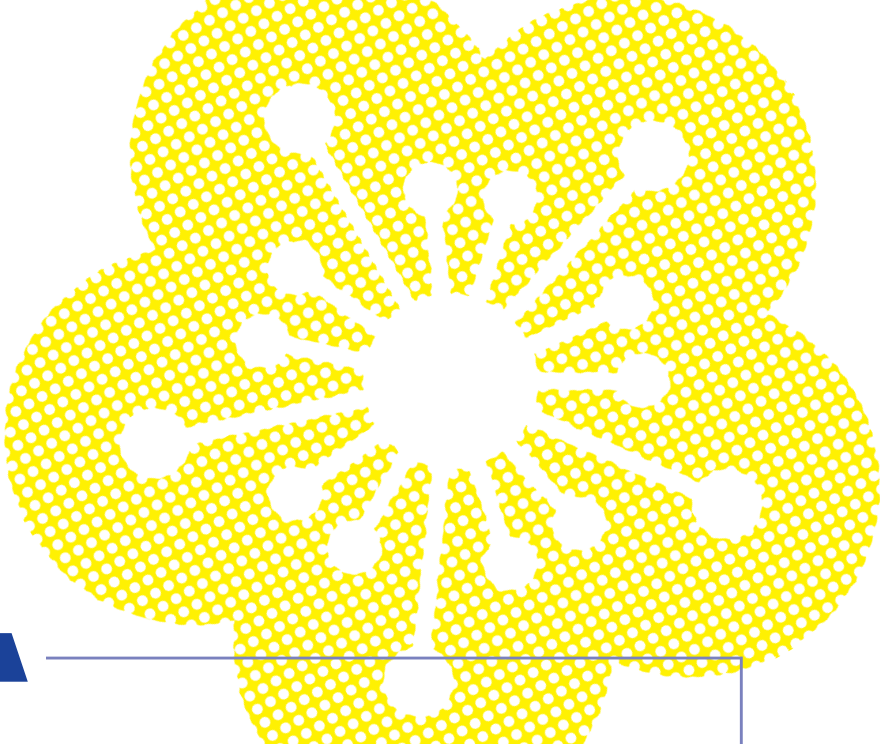




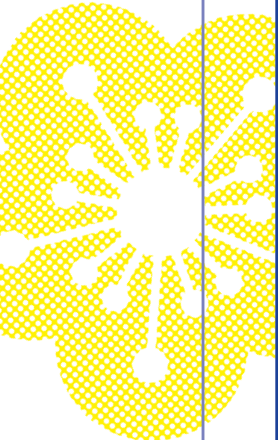
2006

Annual Report

Orient Overseas (International) Limited
(Incorporated in Bermuda with Limited Liability)



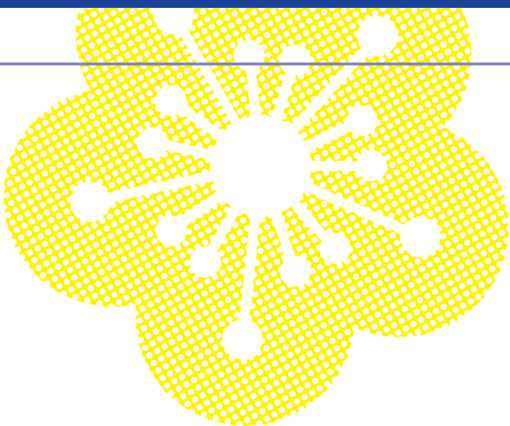
CORPORATE PROFILE



Orient Overseas (International) Limited (“OOIL”), a company with total revenues in excess of US\$4.6 billion, has three principal business activities: container transport and logistics services, ports and terminals and property development and investment. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 160 offices in 50 countries.

Orient Overseas Container Line Limited, operating under the trade name OOCL, its wholly owned subsidiary, is one of the world’s largest integrated international transportation, logistics and terminal companies, and is one of Hong Kong’s most recognised global brands. OOCL is one of the leading international carriers serving China, providing the full range of logistics and transportation services throughout the country. It is also an industry leader in the use of information technology and e-commerce to manage the entire cargo process.

OOIL Group’s property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing’s most prestigious commercial and office developments and owns Wall Street Plaza in New York City. Its key focus is on residential property development in cities in China that have a higher per capita GDP, superior urban infrastructure and high overseas Chinese investment. It has a number of residential developments in Shanghai.

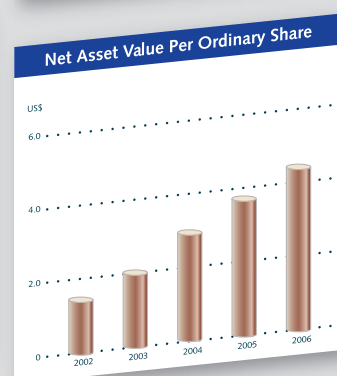
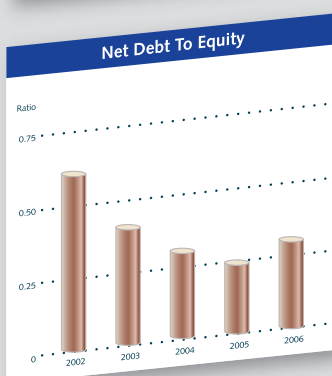
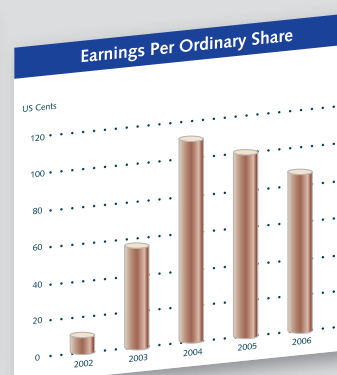


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Financial Highlights

	2006 US\$'000	2005 US\$'000	Change %
Turnover	4,609,751	4,345,647	+6
Finance costs	71,721	55,744	+29
Profit attributable to shareholders	580,603	650,854	-11
Earnings per ordinary share (US cents)	92.8	104.0	-11
Ordinary shareholders' funds	2,727,206	2,284,330	+19
Cash and portfolio investments	1,167,924	1,286,579	-9
Property, plant and equipment	2,777,004	2,593,946	+7
Debt to equity ratio	0.76	0.80	-5
Net debt to equity ratio	0.33	0.24	+38
Net asset value per ordinary share (US\$)	4.36	3.65	+19



Significant Events

January

OOCL and the Grand Alliance announced the restructuring of their service network with a new customer-oriented schedule; offering services improvements and deploying 152 vessels in 2006, including the co-operation of the New World Alliance. ¹

February

The naming ceremony for OOCL's first of the eight "S" Class (5,888 TEUs) container vessels ordered, *OOCL Vancouver*, was held in Koyo Dockyard, Japan. ²

OOCL announced its latest innovation of downloadable e-forms and vessel certificates in PDF format at OOCL's e-Commerce Centre, providing customers with efficient and convenient downloading and printing of e-forms online.

March

OOCL announced the establishment of OOCL (New Zealand) Ltd, based in Auckland, to service customers throughout New Zealand.

OOCL announced a profit after taxation and minority interests of US\$650.9 million for the year ended 31st December 2005 as compared with US\$670.4 million for the same period last year.

The naming ceremony for OOCL's ninth of the 12 "SX" Class (8,063 TEUs) container vessels, *OOCL Asia*, was held in the Geoje Shipyard of Samsung Heavy Industries, Korea. ³

OOCL took delivery of *OOCL Kaohsiung*, a 5,888 TEUs "S" Class container vessel ordered by the Company under a long-term charter agreement. ⁴

OOCL was officially awarded special recognition in the Green Flag Incentive Program for its voluntary efforts to reduce fuel emissions from the Port of Long Beach.

OOCL announced the launch of a twice-weekly Taiwan/Hong Kong to Vietnam Express Service in co-operation with Evergreen and Yang Ming.

April

OOCL announced a new weekly service, linking the Middle East to India, Pakistan and Singapore/Malaysia, called the Gulf-India-Straits Service.

OOCL was notified that the Company had become a *Computerworld Honors Program*® 2006 Laureate.





May

OOCL celebrated the christening of *OOCL Antwerp*, the third of the eight "S" Class container vessels ordered. [5](#)

OOCL announced the introduction of a new fixed-weekly Middle East-Asia Express service to replace the individual Middle East services.

June

OOCL was voted the winner of the 2006 IFW Container Line of the Year Award. [6](#)



The naming ceremony for OOCL's fourth of the eight "S" Class container vessels, *OOCL Dubai*, was held in Koyo Dockyard, Japan. [7](#)

July

OOCL placed orders with Samsung Heavy Industries Co, Ltd for the construction of four container vessels, each with carrying capacity of approximately 4,500 TEUs.

OOIL announced that, following a strategic review of its terminal assets, it has engaged UBS Investment Bank to advise it in relation to the potential disposal of its Terminals Division.



OOCL took delivery of the tenth of the 12 "SX" Class (8,063 TEUs) container vessels, *OOCL Europe*, from Samsung Heavy Industries, Korea. [8](#)

OOCL and the Grand Alliance announced an Asia-United State East Coast service via the Panama Canal in co-operation with the New World Alliance.

August

OOIL announced Interim Results of a profit after taxation and minority interests of US\$280.5 million as compared with US\$308.9 million for the same period last year.

OOCL announced the opening of a new OOCL (UK) Limited office in Belfast, Northern Ireland.



September

OOCL announced the launch of a service connecting the East Mediterranean with South East Asia and USA/Canada East Coast on its AEX service.

OOCL took delivery of *OOCL Zhoushan*, the first of the two 4,583 TEUs container vessels ordered from Hudong-Zhonghua Shipbuilding (Group) Co Ltd. [9](#)

OOCL offers upgraded services in Japan, the KTX4, with faster ships offering direct links and competitive transit times between Kansai/Pusan, Taiwan, South China and Hong Kong.



October

OOCL announced a new Asia-India-Middle East Service, provides direct linkage and additional frequency between China, South East Asia, the Indian Subcontinent and the Middle East.

OOCL placed orders with Samsung Heavy Industries Co Ltd for the construction of four container vessels, each with carrying capacity of approximately 8,063 TEUs. [10](#)



November

OOIL announced the sale of its Terminals Division to Ontario Teachers' Pension Plan Board for US\$2,350 million in cash for 100% of the share capital of the Terminals Division.

The naming ceremony for OOCL's second of the two 4,583 TEUs container vessels ordered, *OOCL Australia*, was held in Hudong-Zhonghua shipyard, Shanghai. [11](#)



December

OOCL announced its participation in the IDX joint shipping service for trades between India and the Indian Subcontinent and the US East Coast.

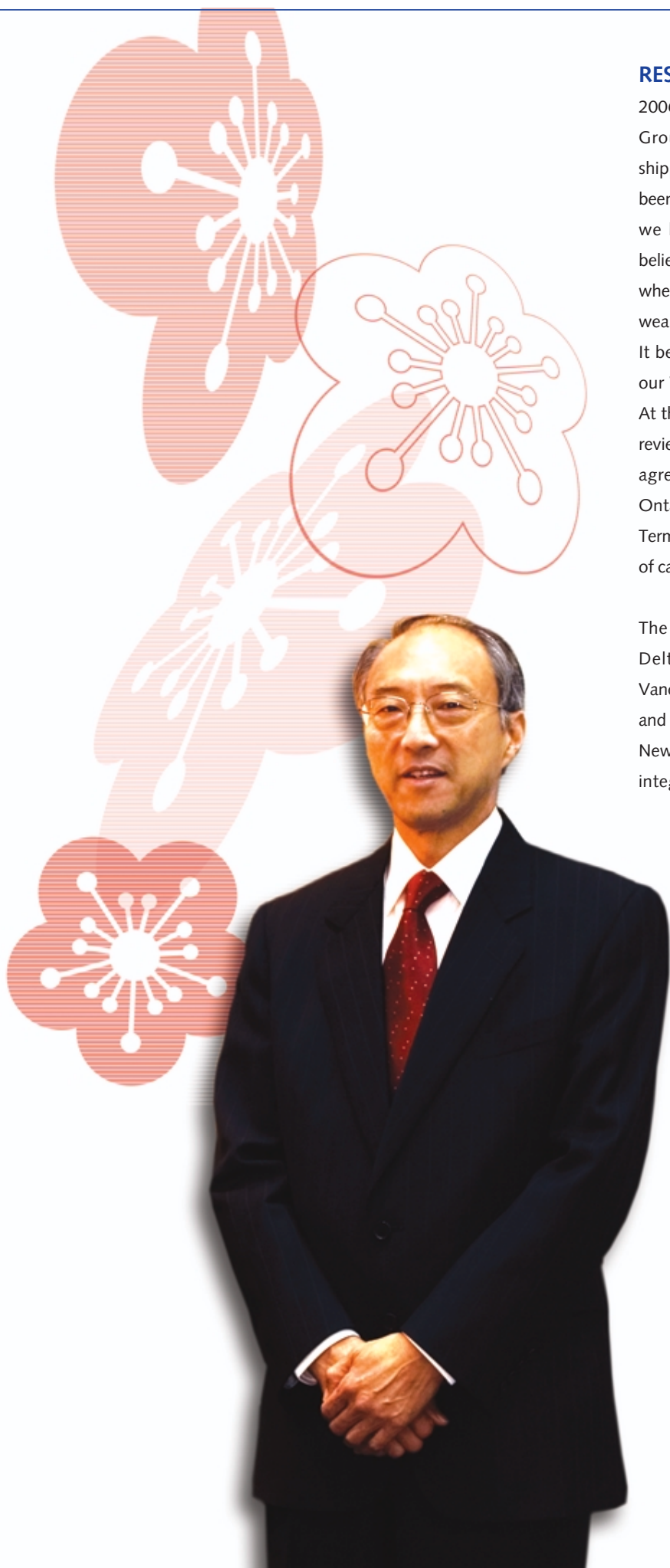
OOCL announced the establishment of two branch offices in Vietnam, based in the capital city of Ha Noi and in the Northern city of Hai Phong.

OOCL announced the establishment of a new office in Colombo, Sri Lanka.

The Group was awarded the winning bid for a piece of land of 57,118 sq m in Pudong New District, Shanghai through listed auction. The land will be developed into a residential project with a total GFA estimated at 102,813 sq m. [12](#)



Chairman's Letter



RESULTS FOR 2006

2006 was a momentous year for the OOIL Group. Market conditions for container shipping were more difficult than they had been during the three previous years and yet we have still managed to record what I believe to be an impressive result especially when placed in the environment of generally weaker freight rates and steeply rising costs. It benefits however, from a revaluation of our Wall Street Plaza investment property. At the same time, and following a strategic review of the businesses, we entered into an agreement on 21st November 2006 with Ontario Teachers' Pension Plan to sell our Terminals Division to them for a consideration of ca. US\$2,400 million, on a debt free basis.

The four container terminals in question, Deltaport and Vanterm in the Port of Vancouver and New York Container Terminal and Global Container Terminal in the Port of New York and New Jersey, had never been integral to our container liner operations.

OOCL is only responsible for a minority of the throughput of each terminal and contract negotiations have always been conducted together with our Grand Alliance partners on an arm's length and purely commercial basis. Given this background and the strong conviction following the strategic review, that the Group's share price had never fairly reflected the true value of these assets, it was decided that we should examine the potential to dispose of them in order to realise this full potential value. Our view was proved to be correct.

Despite the generally more difficult business environment I am pleased to report that Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a net profit for the year of 2006 of US\$581.1 million compared with the net profit of US\$651.3 million reported for 2005, a decrease of 11%. As already reported, an agreement was reached in November 2006 to dispose of the Group's Terminals Division. The continuing operations of the Group, i.e. excluding those of the Terminals Division, recorded a net profit for 2006 of US\$528.3 million which compares with the US\$615.2 million recorded for 2005 on a like for like basis i.e. also excluding the discontinued business of the Terminals Division. I consider this to be a commendable result given the much weaker market conditions of 2006.

As a result of this performance the Board of Directors recommends the payment of a final dividend of US12 cents (HK\$0.94) per share to shareholders for 2006. Together with the interim dividend, this represents a total dividend for the year of US23 cents (HK\$1.79) per share. In addition, and as a result of the sale of the Group's Terminals Division, the Board of Directors has also decided to recommend the payment of a special dividend of US80 cents (HK\$6.24) per ordinary share. Combined, these represent a total dividend of US92 cents (HK\$7.18) per share to ordinary shareholders which, together with the interim dividend, represents a total for the year of US\$1.03 (HK\$8.03).

The total cash proceeds of the transaction amount to US\$2,350 million. After payment of the associated tax liability and fees together with the proposed ordinary and special dividends and combined with the Group's existing cash and near cash holdings, the Group will still hold approximately

US\$2,800 million in cash and near cash reserves against a total debt of US\$2,068 million as at 31st December 2006. The Board is of the opinion that these increased cash resources place the Group in an extremely advantageous position with multiple options open to it in moving forwards.

For our Container Transport and Logistics businesses 2005 ended and 2006 began in an almost slough of despond. As has seemed to happen so many times in the past, commentators and forecasters were predicting a very difficult 2006 predicated on a significant disparity between an abnormally high projected supply increase, through an accelerated rate of deployment of new tonnage into all services, and a fall in demand side volume growth as a result of a slowing US economy and its consequent impact upon the remainder of the global economy. On neither side of the equation in the event, did we see these concerns materialise to the extent predicted. However, the annual and seasonal dip in load factors around Chinese New Year were taken to be something they were not and as a result served only to deepen the despondency. Freight rates had been falling and the fall became steeper as a result, most markedly on the Asia to Europe trades. On these routes, for which the tonnage increase was forecast to be proportionately the largest, carriers feared lower cargo volumes throughout the year and as a result were far too ready to accept lower freight rates in the attempt to secure volume. The Chinese New Year dip in load factors proved itself once again to be purely temporary in nature and as the pattern of the year became apparent as vessels rapidly filled up and near 100% load factors became the norm for the remainder of the year. Nevertheless, as bitter experience has taught us too many times in the past, whilst falling

very fast, freight rates take many months, if not years, to be restored. Only now is this restoration starting to happen.

Our other trades also suffered from this general softening of the market with the exception of our Transatlantic business. All other trades recorded lower profits for 2006 compared with 2005. However, a total pre-tax profit by our Container Transport and Logistics business for 2006 of US\$386.6 million I believe to be a highly commendable result especially within the generally poorer business climate. It does actually represent the third best performance ever after the two exceptional years of 2004 and 2005. It also amply demonstrates the resilience of our margins in what was a poorer market environment which presented us with higher bunker costs, higher terminal handling charges and higher third party transportation costs. Our effective control over both costs and revenue, through the use of our IT systems to their potential, our concentration on customer service and product delivery leading to greater customer loyalty, and a nearer optimum spread of business across the differently performing main trade lanes, we believe give us an advantage.

Management as a whole firmly believes that IT is the major driver of quality performance, cost efficiency and customer satisfaction, and therefore, investments have continuously been made in information systems development as well as in the systems infrastructure of the Group. Despite the recent earthquake in Taiwan in December 2006, our network was largely unaffected thus demonstrating the value and importance of infrastructure investment in the maintenance of undisrupted and uninterrupted quality service.

Moving forwards, OOIL will further enhance the stability of the systems infrastructure and its capabilities for exception management. We shall leverage our IT capabilities to create more innovative solutions for our businesses.

OOCL Logistics progressed well in 2006, though competition continued to be strong. We are building an end-to-end service organisation that focuses on satisfying the demand for service from individual customers. In the middle of 2006, we launched an initiative to promote Reefer logistics by forming focus teams within different layers of the organisation. The initial results are encouraging.

A new IT platform started to roll out to our International Logistics customers during 2006. The migration is targeted to be complete by the middle of 2007. Our customers have already begun to benefit from the additional system features, such as the e-document function which eliminates the conventional and physical handling of commercial documents.

In 2006, we also acquired a total of over 66,000 sq m of additional warehouse space under our own management and operation. Among these additions, the first self-owned and custom-built warehouse in Tianjin was commissioned in November 2006. We shall continue expansion of our warehousing capabilities during 2007.

We stay on course to build OOCL Logistics into a large-scale business with multiple capabilities in key locations throughout the world.

Our Property Development business contributed only modestly during 2006 to Group profits. As I mentioned in last year's

report, due to the timing of previous land acquisitions and our considered views of the market, property development income would slow dramatically during the two years of 2006 and 2007. The Shanghai residential real estate market continued to be soft during 2006 and due to the timing of the majority of the projects, the Company had very little stock for sale during the year. While we remain cautious of the potential effects of the various government measures on the residential real estate market, we nevertheless remain confident in the medium and long-term future of Shanghai and its surrounding areas. On the other hand the Shanghai office market continued to be strong in 2006. The underlying supply and demand balance has been the main driver and we expect this to continue through 2007.

The Group was successful late in 2006 in the tender for a new residential development project in Pudong, Shanghai which will result in a gross floor area of approximately 100,000 sq m. This constitutes another step in our well defined plan to create a stand alone and recurrently profitable property business in Shanghai the value of which we shall have the opportunity to realise within the short to medium term.

We continue to hold our 8% interest in Beijing Oriental Plaza and Wall Street Plaza continues to record a solid result within expectations. As at 31st December 2006, Wall Street Plaza was valued at US\$200 million. This represents a further US\$25 million appreciation in market value over the US\$75 million recorded at the interim stage in 2006. The property enjoyed an occupancy rate of 99% for the better part of the year.

Whilst never entirely satisfied, I believe the overall Group result for the year of 2006 to

have been a creditable achievement given the more adverse business climate and it stands comparison with the performance in 2005. It does, of course benefit from the revaluation of Wall Street Plaza, as I have already mentioned, as well as from an exceptional result from our in-house portfolio investments.

The end of 2006 and into 2007 has followed much the same path as a year ago. There continues to be significant concern in relation to a forecast oversupply of new tonnage into a weaker demand side volume growth environment. However, the experience of only last year suggests that a number of commentators might be coming around to the adoption of a much more balanced approach and market sentiment at this time this year is more buoyant than at the same time last year for a number of reasons. Better management of the introduction of new tonnage was demonstrated by the carriers last year and it is expected that this will persist through 2007. On the other side of the equation, volumes have generally remained noticeably and unseasonably strong through the traditional slack season over the year end and there is less likelihood of the load factor blips caused by the Chinese New Year factory closures being misinterpreted to the extent that they were last year. And indeed, the year has started well with load factors generally higher than expected and freight rates generally stronger than expected.

However, and as always, we must wait to see how this stronger sentiment translates into a movement in freight rates as the year unfolds. The annual round of contract renewals on the Trans-Pacific, the largest of the east-west trades, will be crucial as a demonstration of whether the general direction of freight rate movement has been

reversed and we are back into a recovery in the cycle. The US economy has recently been showing remarkable resilience and stability with the slowdown in the housing sector not having had any undue impact on other sectors of the economy. The volumes of furniture and other household items being shipped across the Pacific have softened as a result, but they have been more than compensated for by rising volumes of other cargo categories. Consumer confidence and retail sales have both retained their general levels of strength and give cause for cautious optimism for the year of 2007 as a whole. Nevertheless, rising costs remain a concern. Although bunker prices have come down in line with lower crude oil prices, terminal handling charges continue to rise as a result of both higher costs and the growing scarcity of available capacity. Our greatest concerns, however, relate to intermodal transportation costs and especially the rising costs of rail transportation. Intermodal cargo rates must rise significantly to cover these increasing costs. If they do not then many intermodal destinations in the US will become uneconomic and carriers will have no choice but to refuse cargoes for these inland destinations.

In the much harsher business environment of last year, when compared with the previous three years, the Group result achieved for 2006 is perhaps even more praiseworthy than before and it is our people, who now number over 6,000 both on land and at sea, to whom this praise should be directed. They continue to more than repay the Group's commitment to them and to the development of them. They in turn remain committed to this Group Core Value which, in combination with the Group's other commitments to IT development and to quality products and processes has allowed

us during 2006 to come through what some have called an industry trough in the business cycle, assuming that the industry has indeed come through, still producing a more than acceptable return for our shareholders.

C C Tung

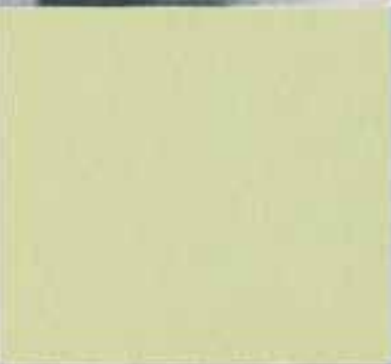
Chairman

Hong Kong, 9th March 2007

Supply Chain



As a total logistics service provider, drawing on the strengths of our powerful information system, we offer customers integrated and tailor-made logistics solutions at every stage in the supply chain.



Operations Review

CONTAINER TRANSPORT, LOGISTICS AND TERMINALS



Following the exceptional years of 2004 and 2005 sentiment took a tumble as we entered 2006 with once again carriers backing down in the face of oversupply forecasts for the year. Freight rates fell, most notably on the Asia to Europe routes, to the extent that the benefits of increased liftings could not outweigh the combined effects of lower freight rates and higher costs. As a result, overall performance suffered. As the vagaries of Chinese New Year passed and the year unfolded however, it soon became apparent that volume growth generally was holding up better than had been expected and that the introduction of new tonnage into service was being managed relatively well and was not having the impact that had been

expected. This situation continued throughout the year with consumer demand maintaining its strength.

Container Transport and Logistics

	2006		2005
(US\$ millions)			
Volumes (teu)	3,894,204	+10.5%	3,523,218
Revenue	4,580.2	+6.0%	4,322.6
E.B.I.T.D.A.	607.7	-23.4%	793.1
Depreciation/Amortisation	(153.0)	+11.7%	(137.0)
E.B.I.T.	454.7	-30.7%	656.1
Finance Costs	(68.1)	+30.5%	(52.2)
Profit Before Tax	386.6	-36.0%	603.9
Tax & M.I.	(14.0)	-45.7%	(25.8)
Net Profit	372.6	-35.5%	578.1



The US economy proved more resilient than many had been forecasting and with European demand for imported merchandise strengthening as the eurozone economies recovered and the former Eastern European states began to exert a positive influence over volume growth, the year ended with vessels sailing full and even, in the case of European bound cargo, with containers being rolled over onto later sailings. Nevertheless, the damage had been done earlier in the year and freight rates could not recover in such a short space of time. Although a series of rate restoration exercises beginning in mid 2006 have helped to improve the situation, rate levels have only recovered by less than half of the erosion suffered during the final quarter of 2005 and the first quarter of 2006.

CONTAINER TRANSPORT

Overall liftings for OOCL rose by 10.5%, greater than the 7.8% recorded for 2005, to 3,894,204 TEUs. However, an overall fall of 4.5% in average revenues per TEU served to contain total revenue growth to 5.6% registering a total of US\$4,253 million for the year. As in 2005 there were further significant adverse movements on the cost side.

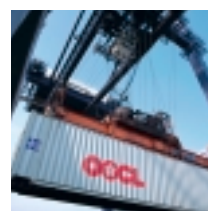
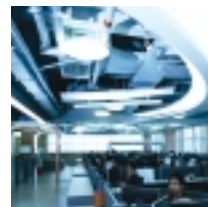
Orient Overseas Container Line

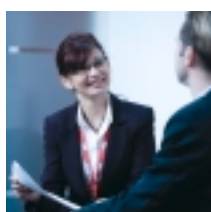
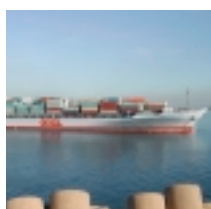
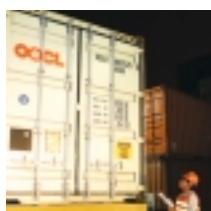
	TOTAL LIFTINGS (TEUs)		TOTAL REVENUES (US\$'000)		
	2006	2005	2006	2005	
Trans-Pacific	1,207,398	+7.3%	1,124,967	1,819,490	+3.0%
Asia-Europe/					
Intra-Europe	679,880	+25.0%	544,031	838,200	+7.7%
Transatlantic	339,693	+4.0%	326,643	566,319	+16.6%
Intra-Asia/					
Australasia	1,667,233	+9.1%	1,527,577	1,029,450	+3.3%
All Services	3,894,204	+10.5%	3,523,218	4,253,459	+5.6%

Overall costs per TEU rose by 1.6% compared with 2005. Variable costs per TEU rose by approximately the same 1.5% compared with 2005 as a result of increased terminal charges and the higher cost of third party transportation services. Fixed costs per TEU also rose by 1.8%. Bunker costs were higher by 22% on a per TEU basis, following a 38% rise in 2005, and in absolute terms, the total cost of bunkers in 2006 was US\$145 million higher than for 2005. Repositioning costs however, actually fell by 2.9% on a per TEU basis, reflective of better business and equipment management and despite the continuing growth in the imbalance between inbound and outbound cargoes.

The costs of chartering in vessels rose by 11%, or US\$27.5 million in absolute terms, as we continued to increase our fleet and services. The overall load factor for 2006 remained largely unchanged at around 83% despite a 10.8% increase in loadable capacity as the fleet expanded during the course of the year.

OOCL's Trans-Pacific services produced an acceptable performance during 2006 despite the weaker market conditions and, on a combined basis i.e. east and west coast services in total, just managed to maintain their position as the single largest contributor to overall OOCL profitability. Despite a 7.3% increase in liftings a 4.1% softening in average freight rates per TEU resulted in just a 3.0% increase in total revenues. Liftings to the US East Coast continued their trend of experiencing the higher volume growth rate at 13.6% compared with 6.1% for the US West Coast.





Volume growth on the Asia/Europe trade routes continued to demonstrate the greatest strength. 2004 saw us register a 27.2% growth in volumes followed by just 5.2% in 2005 although this latter figure was purely a reflection of the much lower increase in loadable capacity during that year. With more tonnage introduced into service during 2006 a 25.0% increase in volumes was recorded. However, due to the very poor market sentiment in late 2005 and early 2006, freight rates suffered markedly and despite the strong increase in liftings therefore, a 14% drop in average revenues per TEU was experienced for the year as a whole leading to just a 7.7% increase in total revenues.

The performance on the Transatlantic routes by comparison was much stronger almost doubling their contribution to Group profitability for the second year running. Just a 4.0% rise in total liftings produced a 16.6% rise in total revenues as a result of a 12% increase in average revenues per TEU.

Following on from the more modest 7.5% increase achieved during 2005, OOCL's Intra-Asia and Australasia businesses experienced a marginally better year recording a volume growth of 9.1%. Following significant increases in average revenues per TEU during 2004 and 2005 a 5.4% fall was suffered during 2006. As a result, total revenues increased by just 3.3% and the contribution to Group profits was reduced accordingly. Performance also suffered significantly as a result of much higher bunker costs although, to some extent, this was offset by lower overall charterhire costs.

During the first half of 2006 OOCL took delivery of the "OOCL Asia" and the "OOCL Europe" in the second half of the year. All are 8,063 TEU vessels built by Samsung Heavy Industries Co, Ltd ("Samsung") in South Korea. They were numbers nine and ten in our first series of twelve. Number eleven, the "OOCL Tokyo", was delivered in January 2007 and completion of this first series of "SX" Class vessels will occur in May 2007 with the delivery by Samsung of the "OOCL Southampton".

In addition to this "SX" Class series, our "S" Class series is being augmented by the delivery, as previously announced, of eight 5,888 TEU vessels, to be built by Imabari Shipbuilding Co, Ltd in Japan. The first, the "OOCL Vancouver", was delivered in February 2006, followed by the "OOCL Kaohsiung", the "OOCL Antwerp" and the "OOCL Dubai" in March, May and June respectively. A fifth, the "OOCL Seattle" was delivered in February of 2007 and the remaining three, the "OOCL Kuala Lumpur", the "OOCL Oakland" and the "OOCL Italy", will be delivered this year during March, May and June respectively.

At the end of 2006 two "P" Class sized vessels of approximately 4,500 TEU capacity were delivered by Hudong - Zhonghua Shipyard, the "OOCL Zhoushan" and the "OOCL Australia". The six vessels, also of approximately 4,500 TEU capacity, ordered in 2005 from Samsung will also start to be delivered this year. The "OOCL Kobe" and "OOCL Yokohama" in June and July respectively followed by another in October. The remaining three are scheduled for delivery in January, February and April 2008.

During 2006 the Group, in furtherance of its fleet expansion plans, placed additional newbuilding orders with Samsung. Four more "SX" Class vessels of 8,063 TEU capacity were ordered for delivery in July, October, November and December of 2009. Once delivered the Group will operate an owned fleet of 16 of this class of vessel in total. The Group also ordered a further four "P" Class sized vessels of approximately 4,500 TEU capacity for delivery in April, May, June and July of 2010. Once these are delivered the Group will operate an owned fleet of 12 of this class of vessel in total.

The Group keeps its fleet deployment and expansion plans under constant review, balancing the need for new and replacement tonnage against the current level of newbuilding prices. The balance between owned and chartered-in tonnage and the comparative operating costs of each is also kept under constant review and changes made as and when deemed necessary. Newbuilding prices remain currently at near historical highs and the orderbook remains unusually long, still at around 3.5 years. Historically, OOCL has been highly successful at timing its forays into the newbuilding market, managing invariably to contract at close to the bottom of the price cycle and take delivery at close to the top of the freight rate cycle. The continuation of this success is becoming increasingly more difficult as the short-term cyclicity of newbuilding prices seems, at last for the time being, to have disappeared.

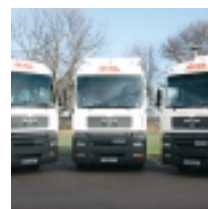
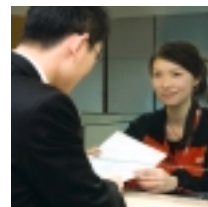
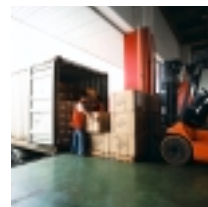
LOGISTICS

For the financial year 2006, the OOCL Logistics business achieved a revenue

increase of 20% with substantial growth in warehousing and trucking, albeit from smaller bases. We shall continue to focus on building our scale over the next few years. We also refined our front end management structure to better serve our customers and for faster growth in key locations around the world.

The International Logistics unit sustained its growth in the Asia to North America market while maintaining a stable business in the Asia to Europe market. We continued to enjoy encouraging developments in the Intra-Asia trades, in which we started our Less than Container Load service in 2006. The Podium system suite was launched in 2006 with multiple modules serving different functions. The core systems were commissioned in October 2006 and we have been migrating customers to the new platform with a mid 2007 completion target. Customers are already benefitting from the new capabilities, such as the e-document function which has eliminated the conventional physical handling of our customers' commercial documents. We will continue to enhance our core competencies and to develop new products based on our individual customer-centric business model, aimed at providing international supply chain management and execution services for our customers. We have also encouraged our front end management team to expand into domestic logistics business areas.

In China, we have established the basic warehouse network in major coastal cities. We shall continue the expansion in more inland points in the years to come. OOCL Logistics' Tianjin Warehouse was officially



commissioned for business in late November 2006 after a 12 month construction period. It is our first self-owned and purpose-built warehouse in China. Our warehouse network, coupled with advanced IT and extensive organisational presence in China, will place us in an advantageous position for further business expansion. We will continue to invest in facilities in China.

In other parts of Asia, we have commenced various warehouse and trucking operations in a number of countries creating a regional platform for future expansion.

In North America, our warehouse business progressed well with our flagship warehouse in Chicago becoming fully functional in early 2006. We will continue to diversify our logistic services in North America.

In Europe, we commenced our warehouse and customs broker business in selected locations. With an improved focus we will experience a faster rate of expansion in 2007.

Our e-Business focused its efforts on building visibility tools for garment customers in 2006 while continuing to support our International Supply Chain business.

In July 2006, we reorganised our Reefer team by combining reefer transportation and logistics. The feedback from customers has been encouragingly positive. We will continue to expand our participation in reefer logistics market.

INFORMATION TECHNOLOGY

To sustain the Group's competitiveness, it is our strategy to capitalise on our IT capabilities to improve yet further quality and cost

efficiency. In pursuit of these goals the Information Systems Department has focused on providing customers with quality services that meet their individual needs and to enhance cost efficiencies through a reliable system infrastructure.

In 2006, the IRIS-2 Gemstone 64-bit Phase II upgrade project was successfully cutover to production in order to provide the capability for a large scale business operation with all scalability concerns removed. Investment has also been made in the CISCO Internet Protocol Phone system, implemented during 2006 with the clear objective to further improve our communications platform. By the last quarter of 2006, 2,200 IP phones, approximately 43% of the total estimated installations, were installed and global completion of the project is expected during 2007. With the completion of the project, our system infrastructure will be further strengthened by taking full advantage of the converged voice and data networks for better customer service and cost efficiency.

The OOCL Data Centre, having obtained the BS 7799 Information Security certification and the accreditation by UKAS in 2005, has been working towards the transition to ISO 27001 to ensure an even more reliable and secure system infrastructure and environment. Moreover, OOCL has been nominated by EMC for its Information Life Cycle Management award and was selected as a 2006 Computerworld Honours Program Finalist, similar to the Computerworld Smithsonian Award that we won for IRIS-2 in 1999.

For our logistics business, our effective information system is always seen as its distinct competitive advantage. Its capabilities will be further extended to provide inventory visibility to the warehouse and manufacturing cycle, thereby enhancing the service offerings by OOCL Logistics in addressing the needs of customers. This business process-focused approach system is geared towards streamlining customers' order cycles, enhancing exception management and defining processes between partners along the supply chain. Quality and efficiency are achieved through information sharing and allowing self-service along the entire length of the supply chain.

CargoSmart, a leading Internet portal providing advanced application and integration services to the ocean container transportation industry, has increased its customer base to over 45,000 globally active users. Importers, exporters and transportation intermediaries choose *CargoSmart* to plan, process, monitor and share their multiple-carrier shipment information to take advantage of its open shipment management platform with low integration costs. In September 2006, *CargoSmart* broke the industry barrier by offering a low-cost customer-paid option for customers to save costs with quality data from carriers, including non-*CargoSmart* member carriers. *CargoSmart* was also selected a Top 100 Logistics IT Provider by *Inbound Logistics* and a Best Supply Chain Software Provider by *Containerisation International*.

IT is one of our strategic focuses. Investments will continue to be made to strengthen our system infrastructure and to enrich our e-business solutions for the transportation, logistics, and portal businesses. These investments to date have not only improved our quality and cost efficiency, but have also provided us with a platform for innovation.

CONTAINER TERMINALS

Under the terms of an agreement dated 21st November 2006 the Terminals Division was sold to Ontario Teachers' Pension Plan. As a result the performance of the four terminals in question, Deltaport and Vanterm in the Port of Vancouver and New York Container Terminal and Global Container Terminal in the Port of New York and New Jersey, has been categorised under "discontinued business".

During 2006 a total of 1,230 vessels called at the four terminals compared with 1,162 in 2005 representing just a 5.85% increase. However throughput increased by 20.8%, representative of the introduction of larger vessels into service, to a total of 1,688,609 lifts, approximately equal to 2,866,338 TEU.

In the Port of New York and New Jersey the two terminals experienced a 3% increase in throughput overall. Global Terminal actually recorded a fall in throughput although more than compensated for by the increase at New York Container Terminal as services were transferred between the two. However, in the Port of Vancouver, the two terminals between them experienced a 33.5% increase in throughput. Together with a general increase across its customer base, the acquisition of C P Ships by Hapag Lloyd led

to a cessation of C P Ships own services into Vancouver which had hitherto called at the Fraser Surrey Docks terminal. As a result the volumes were transferred onto Grand Alliance services calling at the OOIL terminals. This transfer was not without its problems bringing as it did, a significant volume increase over a very short period, but through improved efficiency and work practices the increase was accommodated.

Overall for the Terminals Division, an EBITDA figure of US\$117.0 million was recorded for 2006 representing a 51% increase over that recorded for 2005.

PROPERTY INVESTMENT AND DEVELOPMENT



PROPERTY DEVELOPMENT

During 2006 the Shanghai residential real estate market retained its softness. Very few units were available for sale during the year due to project timings and this will remain so in the shorter term whilst the potential impact of the various government measures begins to become clear. Whilst cautious in the short term therefore, we remain confident in the medium and long-term future of Shanghai and its surrounding areas. Conversely, the Shanghai office market continues its firmness during 2006 driven by the strong underlying demand. We expect this to continue through 2007.

The project on Changle Lu, Luwan district, Shanghai will have a total gross floor area of approximately 145,000 sq m, consisting of

residential units, a hotel and serviced apartments. Construction has begun in early 2007. The project on Changning Road, Changing District, Shanghai, with a total gross floor area of 240,000 sq m, consists of offices, retail units and a hotel. We expect construction to start in 2007. The project on Hengshan Lu will have a total gross floor area of 15,000 sq m consisting of retail units and a hotel and we expect construction to start in 2007.

Construction of the hotel in Kunshan continued during 2006. We expect topping out in 2007. In addition, we continued to work with the Kunshan Government on the master plan for our Kunshan project, located on the eastern edge of Kunshan, adjacent to Jiangsu Province International Business



Centre, a business zone established by the Provincial Government. The site is located 35 km from People's Park in Shanghai and 19 km from downtown Kunshan. The project will be a mixed use development totalling 580,000 sq m consisting of residential, offices, retail elements.

The Group was successful in its tender for a residential site in Nan Ma Tou, Pudong in December 2006. The project will consist of approximately 100,000 sq m of residential units.

Given the location and cost structure of these sites, we are confident that the projects will produce solid returns going forwards.

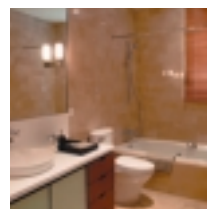
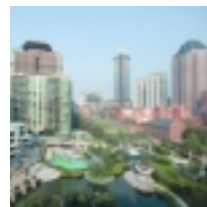
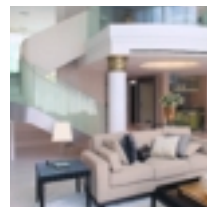
During 2006, the Group terminated a mixed use project in Xi Zang Lu, Huang Pu District, Shanghai due to its economic non-viability. As a result, the Group will dispose of the 50,000 sq m of mass market housing acquired for resettlement purposes related to this project in due course.

In total, the Group's pipeline of real estate projects remains solid, and we expect them to contribute positively and significantly to the Group's real estate development and investment profits going forward. With an experienced team of dedicated real estate professionals based in Hong Kong and Shanghai, we intend and fully expect to build a high quality property development and investment portfolio which will yield meaningful returns for the Group going forwards.

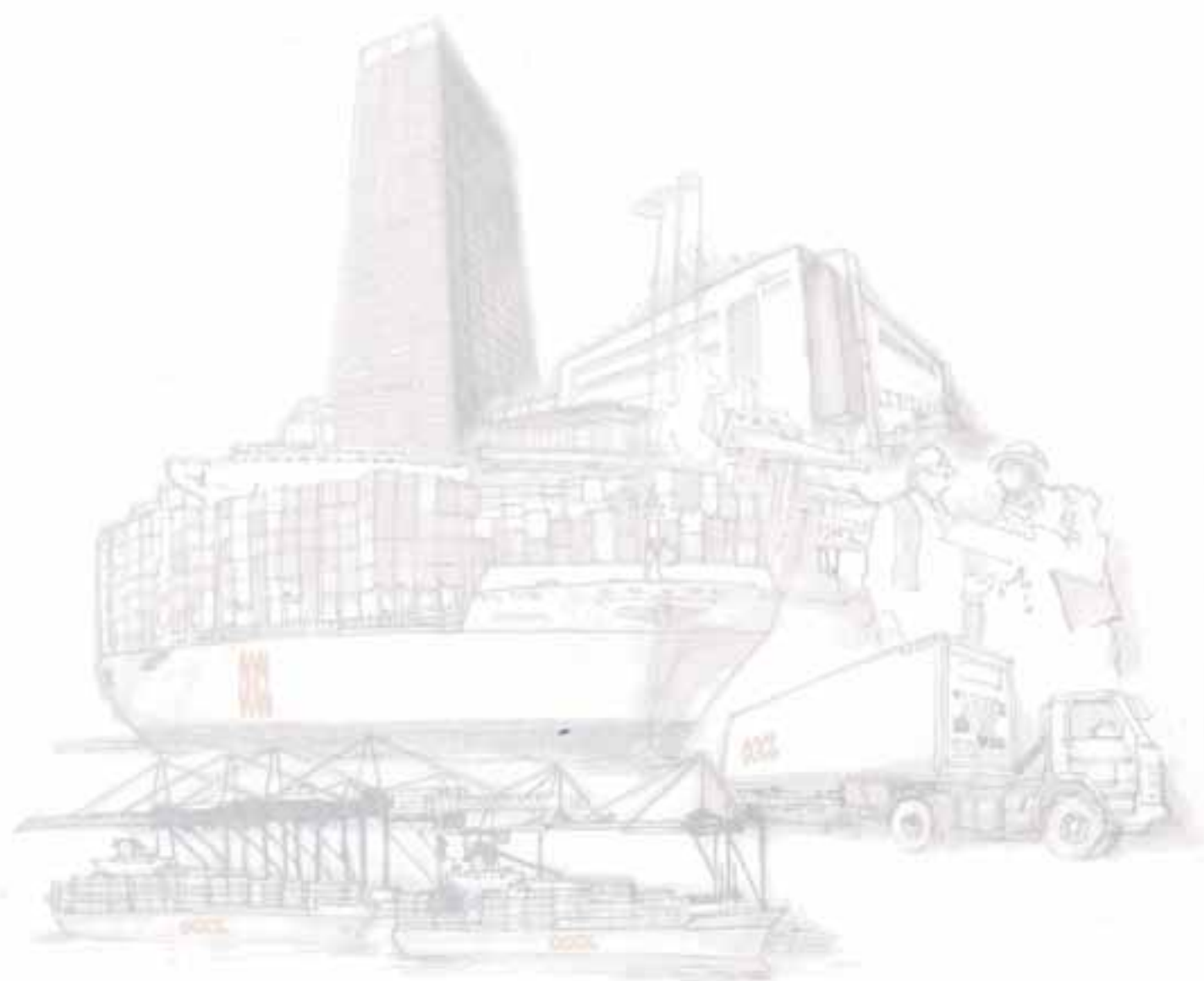
PROPERTY INVESTMENT

The Group continues to hold an 8% interest in Beijing Oriental Plaza. Consisting of a retail mall, office towers, service apartments and a 5-star hotel, the project totals some 585,000 sq m in gross floor area. While the project is now achieving modest profits at the project level, we do not expect it to contribute in the near term to Group profitability.

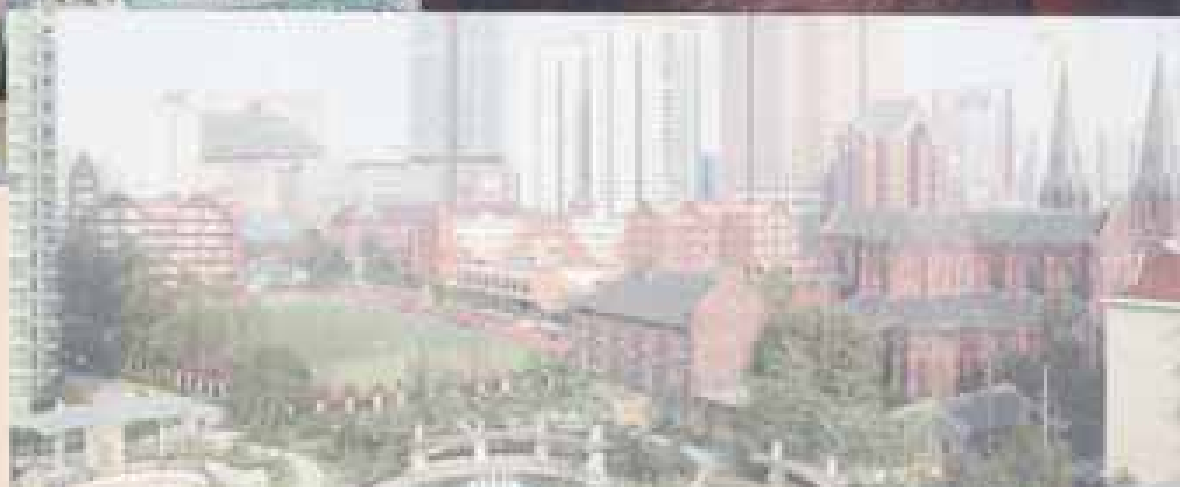
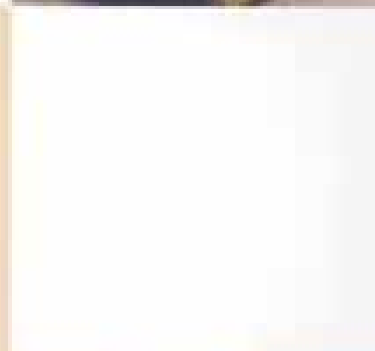
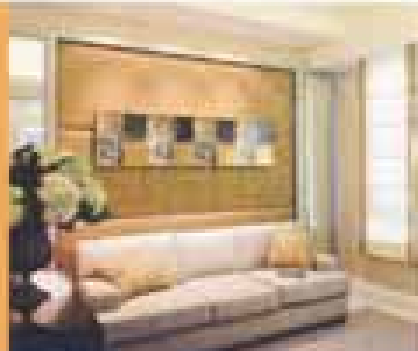
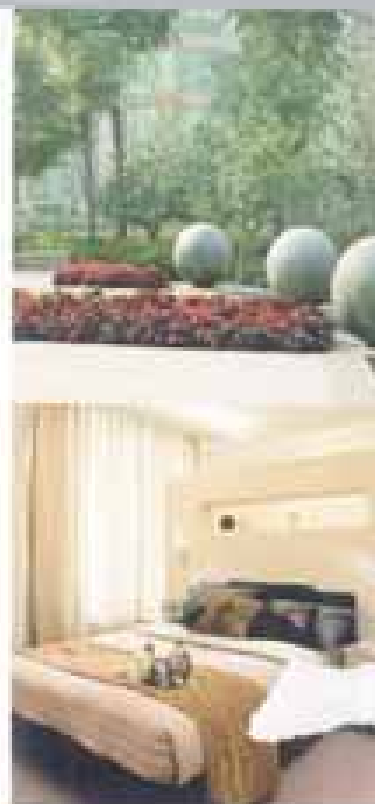
Wall Street Plaza, the Group's investment property in New York City's financial district, maintained an occupancy rate of 99% for the better part of the year. The performance of Wall Street Plaza remains solid, and the property was revalued upward again by a further US\$25 million to a total of US\$200 million as at the year end 2006.



Property Development & Investment



As a property developer and investor, we select choice locations and quality projects with the objective of securing a solid and continuing return. We have established ourselves as a quality residential developer, and will continue to build upon the brand name in Shanghai and beyond.



Corporate Responsibility

The OOIL Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does. Headed by a senior management Steering Committee and a Global Security, Safety and Environment Protection Officer, the Group embraces the Core Value of Community Responsibility at all levels.

SECURITY

The issue of security has always been at the top of the Group's list of priorities. In relation to the more recent rules and regulations, certified as a Customs-Trade Partnership Against Terrorism ("C-TPAT") member, a scheme launched by the US Customs and Border Protection ("CBP") to improve maritime security, OOIL remains committed to the security of its operations against possible compromise and to the maintenance of the highest level of compliance in security related areas.

The Group has developed a Corporate Security Policy and has established internal guidelines, which also are in compliance with C-TPAT, in recognition of the fact that we have the responsibility to ensure the safety and integrity of all our employees, both on shore and at sea, of our managed ships, our customers' cargoes and our port facilities. We must and do therefore, offer our complete co-operation to the Authorities including the Governments of all States in their efforts against any act that would impinge upon maritime or cargo security.

OOIL has also implemented internal security checks to all of its holdings. Its security profile has been validated by CBP, who have physically checked the offices and facilities of OOIL including terminals, warehouses, depots and vessels. CBP concluded that OOIL has demonstrated effective security throughout the organisation as well as a dedication to working with others to strengthen any supply chain security vulnerabilities that might exist. That is the essence of C-TPAT and CBP highly appreciates OOIL's full co-operation.

Our company meets the International Ship and Port Facility Security Code (ISPS Code). Compliance with the ISPS Code ensures that security threats are detected/assessed and that preventative measures be in place on our vessels and at our port facilities. A designated officer on each ship and at each port facility reports to the Company Security Officer who oversees the security plans, drills, and training. With this in place, all our vessels have an exemplary record containing zero breaches of security and totally clean detention records.

The Group's US terminals are all fully compliant with the US Department of Homeland Security and the US Coast Guard marine facility security regulations. In accordance with the Canada Border Services Agency ("CBSA") regulations, although now sold the Group's former terminals in Vancouver are certified to the Transport Canada Marine Transportation Security Regulations ("MTSR") with all the required Certified Security Plans in place. The MTSR Code follows the requirements of the International Ship and Port Facility regulations. TSI in Vancouver is also a member of the Partners in Protection Programme ("PIP") which is administered by the CBSA. It was developed to foster co-operation, to enhance Border Security and to assist in the fight against the illegal movement of contraband into and out of Canada. This PIP Code parallels all the security requirements of the C-TPAT Code in the US. In addition, the Group's Canadian terminals are fully compliant with all Transport Canada Marine Security and Transport Canada Coast Guard regulations.

In addition, to provide world class quality and secure information to customers and partners, our Global Data Centre has also achieved BS7799 certification.

ENVIRONMENT

OOIL fully endorses and embraces a policy under which safety and the protection of the environment are foremost and has formulated a Safety and Environmental Protection Statement that governs this area of its business.

The Group's Core Value of Community Responsibility as regards environmental concern is communicated to all employees through the induction program for new employees. A management system, comprising committees at various levels with members from senior management to functional specialists of the Group, is in place to steer the direction of safety, security and environmental protection policies and initiatives; and to support the implementation.

The Group's modern fleet has constantly been recognised as containing 'quality ships' in both operational safety and environmental protection. The continuation of the Qualship 21 ("Quality Ship") certification of our vessels by the US Coast Guard demonstrates our dedication to high standards. In governing our fleet, we have a well-established Safety, Quality, and Environmental ("SQE") management system. OOIL is the first container shipping line, and in the first ten of all companies globally, to achieve SQE certification accredited by the American Bureau of Shipping ("ABS"). Certificated standards such as ISO 14001 and ISM were built into our daily fleet operations from very early on. With a well-trained staff at sea and onshore, we live up to one of the most rigid safety and pollution-prevention standards in the world.

In recent years, climate change has taken centre stage in the environmental arena and in the industry. While we comply with all IMO Marpol 73/78 standards such as the use of NOx-controlled engines and low sulphur fuel, OOCL simultaneously takes proactive and innovative measures to reduce emissions. Currently, and in conjunction with our suppliers, we are studying the use of Sea Water Scrubber technology on vessels which is anticipated to virtually eliminate sulphur emissions in the air.

Fuel efficiency (i.e. the control of fuel consumption) is the key initiative in reducing carbon dioxide (CO₂) emissions. At OOCL, it includes such measures as real-time vessel controls (weather routing), a ballast water minimisation programme, optimal speed cruising and trim, as well as various other initiatives. Our excellent performance has once again allowed us to enjoy a dockage reduction rate and won us the Green Flag award in consecutive years for our 100% compliance with the Voluntary Speed Reduction Program in the Port of Long Beach.

Our commitment to safety, security, and environmental protection is an initiative throughout our supply chain. The company offers an extensive network of trunk, feeder and barge services which encourage the use of sea transport, the most environmentally friendly mode of cargo transportation. Trucking and rail transport are used only for inland locations which cannot be reached by water borne transport. All trucks owned by OOIL companies are maintained in the best of condition to minimise fuel consumption, gas emissions and noise pollution.

OOIL has a set of strict guidelines and procedures for cargo handling, especially for the handling of hazardous cargoes. In both headquarters and regions, senior managers are assigned the role of safety officers. A set of procedures is also in place to control and manage the acceptance of Dangerous Goods cargoes and these comply with all international and national regulatory requirements and standards in the transport of Dangerous and Hazardous goods ("IMDG and US - CFR49").

The Company works with suppliers that provide environmentally-friendly containers to transport our customer's cargo. Our containers are constructed with environmentally-friendly flooring made of Eucalyptus from man-made forests as opposed to traditional Apitong from old-growth, and use low Volatile Organic Compounds ("VOCs") and Heavy Metal free paints and finishes. Our reefers are Chlorofluorocarbon ("CFC")-free to help in the fight against ozone depletion.

OOIL's container terminals ensure that they only purchase items of equipment which are fuel efficient and have lower emissions engine systems. Both Long Beach Container Terminal ("LBCTI") and Kaohsiung Container Terminal ("KAOCT") have converted to electricity for large cranes. In addition, LBCTI installed Diesel Oxidation Catalysts on all of its yard equipment which reduces emissions from our diesel-powered equipment. The installation of automated gate systems has greatly reduced truck queuing and idling time in the receiving and delivery processes thereby significantly reducing engine emissions. The US Terminals meet all Environmental Protection Agency Standards and have installed oily and waste water runoff separation systems.

In addition, the Group makes extensive use of electronic communications in conducting its business, thus assisting in the conservation of natural resources. Within OOIL's office network, all employees are encouraged to recycle paper and to use the least amounts of natural resources, i.e. energy, water, paper, etc. OOIL is also a pioneer in the field of e-commerce thereby encouraging the advent of "paperless" trade and business. Additionally, the Group enforces a smoke-free office policy in all its workplaces. During the process of vendor and supplier selection, environmental issues are major considerations. Before vessels are chartered-in, on-hire surveys are conducted in which all certificates and classification documents are inspected and confirmed to ensure that the ship is both safe and environmentally friendly.

The Group's achievements, in many aspects, have already greatly exceeded legal requirements and general industry standards in the countries in which and to which it operates. However, as a responsible and committed member of the international community, OOIL strives continually for further improvement in all aspects of its business.

COMMUNITY AND EDUCATION

OOIL prides itself upon being a responsible corporate citizen and recognises that the societies in which its employees live and work contribute greatly to the company's overall success. Care for these communities in which it operates is therefore a major OOIL focus. OOIL concentrates its community efforts on charity programmes designed to provide well-rounded youth education programmes, charity relief to the needy and cultural entertainment to the whole community.

Every week, throughout the world, OOCL employees give something back to the communities in which they live – in the form of charity events, fund-raising or by dedicating their time and efforts. One of the major and on-gong projects in which OOCL has been involved is Project HOPE (Health Opportunities for People Everywhere). OOCL assists through the transportation of the latest medical diagnostic equipment and supplies from the US to China to care for children in urgent need of treatment.

In 2006, OOIL employees made donations, which were matched by the company on a one-to-one basis in support of Disaster Relief. In addition to financial donations, the Company has been contributing transportation and logistics support and providing numerous containers to help with relief work in the affected areas. Assistance in the form of free transportation is regularly given to a number of charitable projects. With sponsorship of the Company, volunteer teams are set up by employees to focus on community servicing, fund raising for charity and donations. In Hong Kong for example, the Hong Kong Council of Social Service accredited the Group as a "Caring Organisation" under its Caring Organisation 2005/06 scheme in recognition of the Group's efforts towards and commitment to the community. In addition, the Group's volunteer team, set up in 2004, organised and participated in many events including fund-raising for the Hong Chi Association through the charity sale of handicrafts made by local mentally handicapped children; blood donation sessions for the Hong Kong Red Cross; container terminal visits for children from the Evangel Children's Home and house cleaning services for live-alone seniors organised by The Hong Kong Society of the Aged.

Other beneficiaries of welfare donations made by OOIL and its employees include social services, orphanages and children's hospitals, cancer research, multiple sclerosis and diabetes research and many others in Asia, North America, Australasia and Europe.

In keeping with OOIL's long tradition of community responsibility, the Tung OOCL Scholarship supports the education of youth. OOIL, in partnership with The Tung Foundation, spends over US\$300,000 per year on educational scholarships for students in mainland China and for the children of employees globally.

EMPLOYEE INFORMATION

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, OOIL understands that the process begins with the treatment of its employees. As a successful corporation, OOIL appreciates that its success, growth and performance rests on the skills, dedication and teamwork of its staff. It regards people as its greatest asset and cares for them accordingly.

In a spirit of mutual respect, OOIL has a clearly defined policy that includes as an equal opportunity employer, the treatment of all employees with fairness and dignity, the encouragement of a culture of open and frank communication throughout the organisation, the investment in its people and care for their hopes and aspirations through people-development programmes, training and education and the recognition and reward of their efforts and achievements.

People development remains a cornerstone of the corporate culture and enables the effective operation of OOIL's policy of career development through recruitment and promotion from within. OOIL has, over the past years, channelled a great deal of time and effort into its various people-development programmes. OOIL advocates continuous learning and supports employee career development through job rotation, local and overseas job assignments as well as through offering formal and informal learning and development opportunities for performance enhancement.

OOIL employs an innovative approach to employee learning and management development. A rich culture of knowledge sharing is in place and a new knowledge-sharing platform was adopted in 2005 to facilitate knowledge and best practice sharing between and amongst all employees. E-learning has offered a whole new string to the company's human-resources bow, creating a learner-centric, interactive path to training and self-improvement as well as opening up learning opportunities to many more people within the business.

As at 31st December 2006, OOIL had 6,763 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 OOIL's salary and bonus schemes 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.

In the interests of adhering to the highest ethical standards on an ongoing basis, the Company has a formulated Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards and to preclude offences under local, national and international laws, any breaches of confidentiality, non-disclosure requirements or intellectual property rights and any conflicts of interest, acts of bribery, corruption or political contribution and any other areas of deemed misconduct. The establishment during 2006 of a formal whistle-blower policy, through which employees can anonymously file reports or register concerns, helps govern the reporting and thorough investigation of allegations of suspected improper activities.

OOIL is committed to the philosophy of equal opportunity in employment. It is the Company's policy not to discriminate against any employee or applicant for employment on the grounds of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status and or any other category whether protected by local laws and legal regulations or not.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US\$'000	2006	2005	Variance
Operating results by activity:			
Container transport and logistics	454,650	656,183	(201,533)
Property investment and development	113,259	13,745	99,514
Unallocated items	57,030	30,501	26,529
Earnings before finance costs and tax	624,939	700,429	(75,490)
Finance costs	(71,721)	(55,744)	(15,977)
Profit before taxation	553,218	644,685	(91,467)
Taxation	(24,883)	(29,487)	4,604
Minority interests	(537)	(437)	(100)
Profit from continuing operations	527,798	614,761	(86,963)
Profit from discontinued operation	52,805	36,093	16,712
Profit attributable to shareholders	580,603	650,854	(70,251)

Container Transport and Logistics

Summary of Operating Results

US\$'000	2006	2005	Variance
Liftings (TEUs)	3,894,204	3,523,218	370,986
Revenue per TEU (US\$)	1,092	1,143	(51)
Turnover			
Asia	3,088,918	3,022,239	66,679
North America	720,459	671,203	49,256
Europe	689,043	556,054	132,989
Australia	81,766	73,122	8,644
Cargo costs	4,580,186	4,322,618	257,568
Vessel and voyage costs	(1,912,134)	(1,732,272)	(179,862)
Equipment and repositioning costs	(1,200,279)	(965,406)	(234,873)
Gross profit	(591,643)	(537,912)	(53,731)
Business and administrative expenses	876,130	1,087,028	(210,898)
Other operating income, net	(450,061)	(459,219)	9,158
Share of results of jointly controlled entities and associated companies	27,599	26,982	617
Earnings before finance costs and tax	453,668	654,791	(201,123)
	982	1,392	(410)
	454,650	656,183	(201,533)

The container transport and logistics business trades under the "OOCL" name and represents the principal revenue contributor to the Group, accounting for over 99% of the Group's revenue in 2006. Container transport and logistics will continue to be the core business of the Group in which the majority of operating assets will be deployed.

The operating results for container transport and logistics also include the operations of Long Beach Container Terminal in California USA and Kaohsiung Terminal in Taiwan as those facilities are mainly employed by OOCL and its alliance members.

Asia

Asia is the largest revenue generating area for the container transport and logistics business. Turnover categorised under this area is composed of the following:

- Eastbound freight of the Asia/North America West Coast service;
- Eastbound freight of the Asia/US East Coast service;
- Westbound freight of the Asia/Northern Europe service;
- Westbound freight of the Asia/Mediterranean service;
- Southbound freight of the Asia/Australia and New Zealand service;
- various Intra-Asia services; and
- the operation of Kaohsiung Terminal in Taiwan.

Turnover from the Asia area rose from US\$3,022.2 million in 2005 to US\$3,088.9 million in 2006 as a result of the continued growth in the volume of exports from China to North America and Europe. The increased volumes carried by the Intra-Asia services also contributed to the revenue growth as a whole for the year.

Overall liftings on the Trans-Pacific Eastbound services increased by 6% while freight rates moved back by 3% when compared with those of 2005. Performance on the Westbound legs of the Asia/Northern Europe services continued to improve against 2005 with an 18% increase in volume, although revenue growth was much hindered by the 16% set back in rates. Intra-Asia also recorded a 9% growth in liftings for the year but a 6% drop in average freight rates.

Overall load factors as a percentage of the capacity available during 2006 remained unchanged as compared with 2005 despite an 11% increase in available capacity during the year. Results from this region will always be dependent upon the economic environment and consumption patterns of North America and Europe.

Kaohsiung Container Terminal in Taiwan forms an integral part of the container transport and logistics business and its terminal facilities were mainly employed by OOCL and its alliance members.

North America

Turnover categorised under the North America area is comprised primarily of the following:

- Westbound freight of the Asia/North America West Coast service;
- Westbound freight of the Asia/US East Coast service;
- Eastbound freight of the US East Coast/Northern Europe service;
- Eastbound freight of the Canada/Northern Europe service; and
- the operation of Long Beach Container Terminal in California, USA.

Revenue increased by US\$49.3 million for this area in 2006. All routes from this region recorded double-digit revenue growth, especially for the Westbound segments of the Trans-Pacific services which accounted for over half of the increase in revenue for the year.

Westbound liftings on the Asia/North America West Coast service grew by 6% over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal recorded a 27% increase. The Eastbound Canada/Northern Europe and US East Coast/Northern Europe services continued to perform well with a combined 5% growth in volume and a 20% increase in revenue.

Overall volumes grew by 8% during 2006 while the average revenue per TEU on all outbound cargoes from North America recorded a 6% increase as compared with last year.

Despite an 8% increase in capacity during the year, overall load factors in the region remained comparable with those of 2005.

Long Beach Container Terminal forms an integral part of the container transport and logistics business with its terminal facilities mainly employed by OOCL and its alliance partners.

Europe

Turnover categorised under the Europe area is composed primarily of the following:

- Westbound freight of the US East Coast/Northern Europe service;
- Westbound freight of the Canada/Northern Europe service;
- Eastbound freight of the Asia/Northern Europe service;
- Eastbound freight of the Asia/Mediterranean service; and
- various Intra-European services.

Turnover for this area in 2006 surpassed that of 2005 by US\$133.0 million. The Eastbound leg of the Asia/Northern Europe services, being the largest volume source for the Europe area, performed well during the year with a 25% growth in volume and a 17% increase in revenue. The Westbound rates of the Transatlantic routes progressed further in 2006, thereby contributing to the revenue increase.

The Eastbound leg of the Asia/Northern Europe services sustained a healthy growth, in terms of volume and revenue, during 2006. Liftings for the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were 4% better than those of 2005 and average revenue per TEU for both services recorded a 15% increase.

Overall load factors as a percentage of capacity available for cargo shipments from this region were 2% higher than those recorded in 2005 notwithstanding a 14% capacity increase for the Europe area during 2006.

Average revenues per TEU on all outbound cargoes from Europe were maintained at a comparable level with that of 2005, amid an 18% increase in overall volume for the region.

Australia

Turnover from this area is principally the Northbound freight of our Asia/Australia and New Zealand services. The Taiwan/Hong Kong/China/Australia service is operated in consortium with China Shipping and the Japan/Korea/China/Hong Kong/Taiwan/Australia service is also running in consortium with China Shipping and ANL. The South East Asia/Australia service is operated in alliance with MISC, MOL and PIL. The New Zealand service is operated under a joint service with MISC, PIL, NYK and MOL.

Liftings on the Northbound Asia/Australia and New Zealand service increased by 6% in 2006 which, together with a 4% rise in revenue per TEU, resulted in a net gain in turnover of US\$8.6 million for the year.

Operating Costs

Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax all of which were largely paid in the local currencies of the areas in which the activities were performed. The buoyant oil prices in 2006 caused significant increases in terminal and transportation related costs. Corresponding with the increased liftings recorded for 2006, total cargo costs rose by US\$179.9 million, or a 10% increase as a result.

Vessel costs include the operating costs and depreciation charges relating to the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the desired service levels. With the deployment of new and larger vessels, total carrying capacity increased from the 232,536 TEU of 2005 to 287,505 TEU in 2006 and the total number of vessels, either owned or chartered in and operated by OOCL, also rose from 65 to 71. Despite a larger fleet in operation for 2006, total vessel costs only increased by 3% as slot hire expenses for the year were much reduced.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. With bunker prices rising from an average of US\$250 per ton in 2005 to an average of US\$314 per ton during 2006 and an enlarged fleet size, costs in this category were driven up by more than 32%.

Equipment costs principally represent maintenance and repair costs, rental payments, depot expenses and depreciation charges relating to the fleet of containers and chassis equipment, while repositioning costs arise mainly from the relocation of empty containers from areas of low activity to high demand regions. With the growth of the container fleet size from the 503,945 TEU of 2005 to 565,970 TEU in 2006 and a 7% step up in positioning costs to maintain the equipment flow against trade imbalances in major routes, total equipment and repositioning costs increased by US\$53.7 million during the year as a result.

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. Despite the increase in business volumes and headcounts, business and administrative expenses in 2006 nevertheless decreased marginally from 2005 level as a result of a lower overall staff remuneration cost.

Other Operating Income

Compared with 2005, other operating income increased by US\$0.6 million in 2006 which principally comprised exchange gains arising from foreign currency transactions and profits on the disposal of retiring container equipment.

Share of Results of Jointly Controlled Entities and Associated Companies

The share of the US\$1.0 million profit from jointly controlled entities and associated companies was attributable to the depot joint venture in Qingdao and income from jointly controlled entities engaging in agency activities. A share of US\$1.4 million profit was recorded for 2005.

Earnings Before Finance Costs and Tax

Earnings before finance costs and tax of US\$454.7 million for the container transport and logistics business in 2006 was 31% below that achieved in 2005. The steady growth in volume was more than offset by the softening freight rates and continual rise in various cost items, especially bunker cost.

Property Investment and Development

Summary of Operating Results

US\$'000	2006	2005	Variance
Rental income	23,740	21,974	1,766
Property management costs	(10,430)	(10,443)	13
Gross profit	13,310	11,531	1,779
Fair value gain on investment property	100,000	—	100,000
Business and administrative expenses	(2,829)	(3,328)	499
Profit from property investment	110,481	8,203	102,278
Profit from property developments	2,778	5,542	(2,764)
Earnings before finance costs and tax	113,259	13,745	99,514

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the “Wall Street area”. The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 20,000 sq ft is occupied by Group companies. The Group also owns an 8% interest in a modern comprehensive office, commercial, hotel and service apartment complex known as “Beijing Oriental Plaza”, with a gross floor area of approximately 585,000 sq m, on a site located at Wangfujing Dajie, Beijing.

In addition, the Group owns interests in a number of jointly controlled entities to participate in property development projects in China. The primary location of these projects is Shanghai. During the year 2004, the Group successfully bid for land contracts relating to a residential and commercial plot in Kunshan, Jiangsu and in 2005, another two parcels of land, one in Hengshan Lu and the other in Changning Lu, in central Shanghai were acquired. For 2006, the Group acquired, through auction, a residential site in Pudong New District, Shanghai.

Rental Income

Rental income for the year, representing mainly the rental income derived from Wall Street Plaza, was higher than that of last year as the building was almost fully let during 2006 with a vacancy rate of less than 1%.

Fair Value Gain on Investment Property

As at 31st December 2006, Wall Street Plaza was valued at US\$200 million by an independent valuer. The investment property was valued at US\$100 million at the end of 2005. Consequently, a fair value gain of US\$100 million was recorded in 2006.

Profit From Property Developments

A profit of US\$2.8 million was recorded from property developments in 2006 compared with US\$5.5 million in 2005. The majority of profit in 2005 arose from the Century Metropolis project in Shanghai which had been completed and profits from this project in 2006 were much reduced. The results for 2006 did, however, benefit from favourable exchange gains on the appreciation of the RMB.

Unallocated Items

US\$'000	2006	2005	Variance
Portfolio investment income	29,607	14,343	15,264
Interest income	40,431	29,155	11,276
Profit on disposal of available-for-sale financial assets	26	29	(3)
Others	(13,034)	(13,026)	(8)
Earnings before finance costs and tax	57,030	30,501	26,529

Investments in equities and, on a longer term basis, in bonds were managed largely by in-house managers under guidelines imposed by the Board. No investment in financial derivatives, where the Group is exposed to financial obligations larger than the amount itself invested, is allowed.

The Group invests surplus liquid funds, other than funds allocated for investments in bonds and listed equity securities, in cash and bank deposits.

Portfolio investments recorded a profit of US\$29.6 million for 2006, an increase of US\$15.3 million as compared with 2005. The portfolio investment result reflected the buoyant equity markets during 2006.

Interest income was US\$11.3 million higher in 2006 which was attributable to the rise in interest rates and the availability of a greater average cash balance.

Others include business and administration expenses for corporate services, exchange differences, the research costs of financial projects and other miscellaneous income and expenses.

Finance Costs

The Group incurs interest expenses on bank loans, finance leases and, to a very small extent, on bank overdrafts. These borrowings are variously secured against vessels, containers, chassis, terminal equipment and the investment property owned by the Group. Finance costs also include financing charges on the asset securitisation programme, dividends on loan stocks and fees on lease administration.

With a gradual rise in interest rates during 2006, finance costs increased correspondingly by US\$16.0 million compared with 2005. The increase in indebtedness as a result of the new loans drawn upon the delivery of newbuildings in 2006 also accounted for the higher finance costs for the year. The average cost of financing rose from 5.2% in 2005 to 5.8% in 2006 as a whole.

Profit before Taxation

Pre-tax profit for the year was US\$553.2 million compared with last year's profit of US\$644.7 million. The reduced earnings were mainly due to the consolidation of the container transport and logistics business after two years of rapid profit growth. On the other hand, the Group's result benefited from the appreciation of Wall Street Plaza's fair value which partly offset the profit reduction in the core business.

Taxation

US\$'000	2006	2005	Variance
Company and subsidiaries:			
North America	17,848	21,199	3,351
Europe	(1,494)	4,458	5,952
China	2,052	1,048	(1,004)
Asia and others	6,477	2,782	(3,695)
Total	24,883	29,487	4,604

The lower tax liabilities in North America for the year principally reflect the drop in profit level from agency and logistics operations while the tax credit in Europe for 2006 was attributable to the write back of a tax provision accrued in previous years. The growth of business activities in Asia, especially Japan, was the main reason for the increase in tax.

Profit From Discontinued Operation

Profit from discontinued operation represents the Group's multi-user terminals in North America (the "Terminals Division") comprising:

TSI Terminal Systems Inc. ("TSI") a wholly owned terminal and management company to operate the Vanterm terminal with 3 berths in Vancouver, Canada and the Deltaport Terminal with 2 berths at Roberts Bank near Vancouver;

New York Container Terminal, Inc. ("NYCTI") with a three berth terminal facility on Staten Island, New York, USA; and

Global Terminal and Container Services, Inc. ("Global") operating a two berth terminal facility in Jersey City, New Jersey, USA.

Pursuant to an agreement reached between the Group and the Ontario Teachers' Pension Plan Board in November 2006, the entire Terminals Division was sold at a total consideration of US\$2.35 billion and the transfer of TSI and Global was completed in January 2007 while the transfer of NYCTI is expected to complete in the first quarter of 2007. Pursuant to the disposal, the operations of the Terminals Division will no longer be included in the Group's results and hence are separately identified as discontinued operation in the year under review.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US\$'000	2006	2005	Variance
Property, plant and equipment	2,777,004	2,593,946	183,058
Investment property and land lease premiums	205,416	107,787	97,629
Jointly controlled entities and associated companies	63,668	27,773	35,895
Intangible assets	29,363	21,030	8,333
Cash and portfolio investments	1,167,924	1,286,579	(118,655)
Accounts receivable and other current assets	1,150,784	739,999	410,785
Other non-current assets	26,852	37,802	(10,950)
TOTAL ASSETS	5,421,011	4,814,916	606,095
Accounts payable and accruals	(561,250)	(607,637)	46,387
Current taxation	(6,629)	(10,944)	4,315
TOTAL ASSETS LESS TRADING LIABILITIES	4,853,132	4,196,335	656,797
Long-term borrowings	1,870,890	1,650,044	220,846
Short-term borrowings, overdrafts and current portion of long-term borrowings	197,908	188,548	9,360
Total debt	2,068,798	1,838,592	230,206
Minority interests and deferred liabilities	57,128	73,413	(16,285)
Ordinary shareholders' funds	2,727,206	2,284,330	442,876
CAPITAL EMPLOYED	4,853,132	4,196,335	656,797
Debt to equity ratio	0.76	0.80	
Net debt to equity ratio	0.33	0.24	
Accounts payable as a % of turnover	12.2	13.9	
Accounts receivable as a % of turnover	8.3	9.6	
% return on average ordinary shareholders' funds	23.2	31.8	
Net asset value per ordinary share (US\$)	4.36	3.65	
Cash and portfolio investments per ordinary share (US\$)	1.87	2.06	
Share price at 31st December (US\$)	6.35	3.37	
Price earnings ratio based on share price at 31st December	6.8	3.2	

Property, Plant and Equipment

US\$'000	2006	2005	Variance
Container transport and logistics	2,776,703	2,293,813	482,890
Container terminals	—	300,009	(300,009)
Property investment and development	301	124	177
	2,777,004	2,593,946	183,058

Container transport and logistics remains the core business of the Group and the one in which the majority of property, plant and equipment is deployed. The assets largely comprise container vessels, containers and chassis, property, terminal and computer equipment and systems. Since 2000, the Group has ordered a total of 12 "SX" Class vessels of 8,063 TEU capacity with the first two delivered in 2003, four in 2004 and two each in 2005 and 2006. The remaining two will be delivered in 2007. In 2004 and 2005, the Group placed orders for a total of eight new container vessels of approximately 4,500 TEU capacity, of which two were delivered in 2006 and three each will be received in 2007 and 2008. During 2006, the Group placed further orders for four new container vessels of 8,063 TEU capacity for delivery in 2009 and four new 4,500 TEU container vessels for delivery in 2010.

The increase in property, plant and equipment in 2006 principally reflects the delivery of four new container vessels during the year, the stage payments and capitalization of lease obligations on new vessels under construction and new container equipment acquired, offset in part by the annual depreciation charges for the year.

Pursuant to the disposal of the Terminals Division at the end of 2006, the net assets of the Terminals Division have been reclassified as "Assets Held For Sale" under current assets as at the balance sheet date.

Investment Property and Land Lease Premiums

US\$'000	2006	2005	Variance
Investment property	200,000	100,000	100,000
Prepayments of land lease premiums	5,416	7,787	(2,371)
	205,416	107,787	97,629

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US\$200.0 million at the end of 2006 by an independent valuer (2005: US\$100.0 million).

Jointly Controlled Entities and Associated Companies

US\$'000	2006	2005	Variance
Container transport and logistics	45,211	12,345	32,866
Property investment and development	18,457	15,428	3,029
	63,668	27,773	35,895

The investment in jointly controlled entities and associated companies by Container Transport and Logistics for 2006 mainly comprises a 20% interest in two associated companies for the development of new container terminals in Tianjin and Ningbo and the interest in a joint venture for the operation of a container depot and transportation business in Qingdao. The increase in the investments in jointly controlled entities and associated companies for Container Transport and Logistics represents the capital injection in the new terminal projects in Tianjin and Ningbo.

For property development activities, investments in jointly controlled entities mainly represents a 47.5% interest in a housing project located at Ziyang Lu, Shanghai ("Century Metropolis") with a total gross floor area of approximately 230,000 sq m. This project was developed in phases with the final phase completed in 2005 and units were mostly handed over to buyer in 2005. The increased balances in jointly controlled entities and associated companies were largely attributable to the share of profit for the year and the exchange gain accrued for the appreciation of the RMB.

Intangible Assets

US\$'000	2006	2005	Variance
Container transport and logistics	29,360	18,716	10,644
Container terminals	—	2,310	(2,310)
Property investment and development	3	4	(1)
	29,363	21,030	8,333

Intangible assets represent computer software development costs which will be written-off over a period of five years.

With the disposal of the Terminals Division at the end of 2006, its intangible assets carrying amount has hence been reclassified as "Assets Held For Sale" under current assets as at the balance sheet date.

Cash and Portfolio Investments

US\$'000	2006	2005	Variance
Container transport and logistics	304,739	289,455	15,284
Container terminals	—	57,577	(57,577)
Property investment and development	20,338	73,873	(53,535)
Cash and portfolio investments	842,847	865,674	(22,827)
	1,167,924	1,286,579	(118,655)

The Group adopts a central treasury system under which certain funds surplus to planned requirements are set aside for portfolio investments in fixed income bonds or equities managed by in-house managers under guidelines imposed by the Board.

Cash and portfolio investments per ordinary share at 31st December 2006 amounted to US\$1.87 compared with US\$2.06 at 31st December 2005.

The Group's investment portfolios are largely invested in US dollar bonds, short-term cash deposits or similar instruments, and listed equities. No investments are made in derivative investment products.

Pursuant to the disposal of the Terminals Division at the end of 2006, its cash balances have been reclassified as "Assets Held For Sale" under current assets as at the balance sheet date.

Accounts Receivable and Other Current Assets

US\$'000	2006	2005	Variance
Container transport and logistics	418,246	347,166	71,080
Container terminals	—	75,688	(75,688)
Assets held for sale	227,240	—	227,240
Property investment and development	490,064	307,568	182,496
Others	15,234	9,577	5,657
	1,150,784	739,999	410,785

Accounts receivable and other current assets increased by US\$410.8 million to US\$1,150.8 million at the end of 2006. The increases for the Container Transport and Logistics principally reflected the increase in trade receivables pursuant to the growth in business volumes of the container transport and logistics operations.

Pursuant to the conclusion of its disposal, the entire Terminals Division has been treated as "Assets Held For Sale" and its net asset value as at the balance sheet date was US\$227.2 million.

As at 31st December 2006, the Group held an 88% interest in a development project in Luwan district, Shanghai, a 95% interest in a hotel and commercial project on Changning Lu, Shanghai, and a 100% interest in a number of projects including a residential and hotel project in Kunshan, Jiangsu, a hotel project in Hengshan Lu, Shanghai and a residential project in Pudong, Shanghai. Accounts receivable and other current assets in property investment and development activities also include the Group's 8% interest in Beijing Oriental Plaza.

Accounts Payable and Accruals

US\$'000	2006	2005	Variance
Container transport and logistics	544,717	535,522	9,195
Container terminals	—	55,160	(55,160)
Property investment and development	15,330	14,510	820
Others	1,203	2,445	(1,242)
	561,250	607,637	(46,387)

Pursuant to the disposal of the Terminals Division at the end of 2006, its accounts payable and accruals carrying amount have been set off against other assets and reclassified as "Assets Held For Sale" in its net asset value under current assets as at the balance sheet date.

Accounts payable and accruals at the end of 2006 were US\$46.4 million lower than that of 2005 as the balances of the Terminals Division have been reclassified. The accounts payable and accruals for the container transport and logistics increased by US\$9.2 million in 2006 which was in line with the growth in business volumes.

Total Debt

US\$'000	2006	2005	Variance
Bank loans	595,896	477,764	118,132
Other loans	211,330	191,507	19,823
Finance lease obligations	1,261,425	1,169,239	92,186
Bank overdrafts	147	82	65
	2,068,798	1,838,592	230,206

Total debt increased during the year by US\$230.2 million principally as a result of the financial obligations taken on pursuant to the delivery of new container vessels during the year and the capitalization of lease obligations undertaken for new vessels under construction, offset in part by the scheduled repayment of loans and the reclassification of the indebtedness of the Terminals Division. The repayment profile of the Group's borrowings is set out in Note 37 to the Accounts.

Debt Profile

As at the end of 2006, over 96% (2005: 92%) of the Group's total debt was denominated in US dollars which effectively reduces the risk of exchange fluctuations. Loans in currencies other than US dollars are hedged with a comparable amount of assets in local currencies.

Of the total US\$2,068.8 million debt outstanding at the end of 2006, US\$194.7 million was fixed rate debt ranging from 3.4% to 9.7% dependent upon the cost of money at the time that each transaction was entered into. The remaining US\$1,874.1 million of indebtedness was subject to floating interest rates at various competitive spreads over three months LIBOR (or equivalent) and relates principally to indebtedness on vessels, container equipment and the investment property, Wall Street Plaza. The Group's average cost of debt at 31st December 2006 was 5.8% (2005: 5.2%).

Shareholders' Funds

In April 2005 the Company issued bonus shares to its shareholders on the basis of one (1) bonus share for every ten (10) ordinary shares held, thereby increasing the number of issued and outstanding shares of the Company from 568,902,998 shares to 625,793,297 shares. With the favourable operating results for the year, the Group's shareholders' funds rose by US\$442.9 million to US\$2,727.2 million as at the end of 2006 with a net asset value per ordinary share of US\$4.36 (2005: US\$3.65).

Net Debt to Equity Ratio

This ratio was higher at 0.33 as at the end of 2006, as against 0.24 for 2005, with the increase in borrowings following the delivery of newbuildings during the year, offset in part by the profits recorded for 2006. This ratio has been closely monitored in the light of the delivery and financing of new vessels ordered and forecasts for the business over the next four years. It is the Group's objective to keep this key ratio below the 1.0 threshold.

Operating Leases and Commitments

In addition to the operating assets owned by the Company and its subsidiaries, the Group also manages and utilises assets through operating lease arrangements. The total rental payment in respect of these leases for 2007 amounted to US\$342.2 million as detailed in Note 39(b) to the Accounts of this report. Assets under operating lease arrangements consist primarily of container boxes, chassis, container vessels and certain terminals in North America.

As at the end of 2006, the Group had outstanding capital commitments amounting to US\$1,014.7 million, principally represented by the orders placed for new container vessels to be delivered between 2007 and 2010.

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

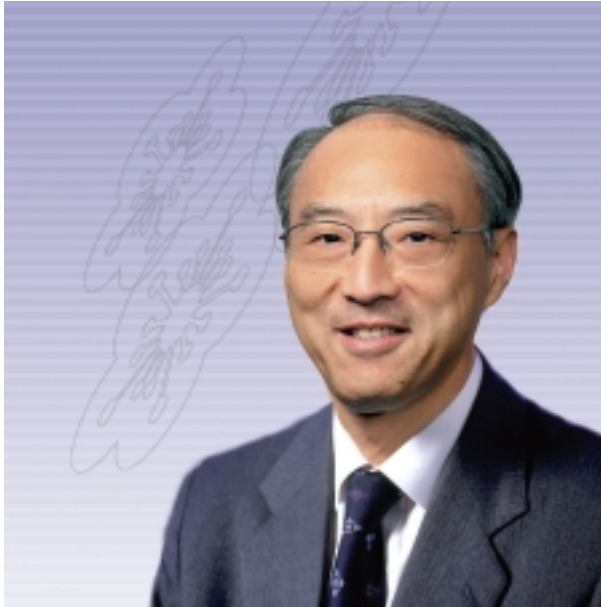
US\$'000	2006	2005	Variance
Net cash inflow from operations	465,368	818,422	(353,054)
Investing and financing inflow:			
Interest and investment income	43,627	34,043	9,584
Sale of property, plant and equipment and investment	25,886	15,439	10,447
New loan drawdown	287,612	485,540	(197,928)
Cash from jointly controlled entities	2,967	18,673	(15,706)
Contribution from minority interests	4,017	—	4,017
Others	7,176	8,719	(1,543)
	371,285	562,414	(191,129)
Investing and financing outflow:			
Interest paid	(91,923)	(63,576)	(28,347)
Dividends paid to shareholders	(162,970)	(177,595)	14,625
Taxation paid	(36,042)	(40,225)	4,183
Purchase of property, plant and equipment and investments	(435,598)	(357,935)	(77,663)
Loan repayments	(167,853)	(539,049)	371,196
Purchase of intangible assets	(15,834)	(9,239)	(6,595)
Others	(253)	(3,225)	2,972
	(910,473)	(1,190,844)	280,371
Net cash (outflow)/inflow	(73,820)	189,992	(263,812)
Beginning cash and portfolio balances	1,286,579	1,105,011	181,568
Classified as assets held for sale	(65,635)	—	(65,635)
Changes in exchange rates	20,800	(8,424)	29,224
Ending cash and portfolio balances	1,167,924	1,286,579	(118,655)
Represented by:			
Unrestricted bank balances and deposits	829,716	962,541	(132,825)
Restricted bank balances and deposits	73,694	87,034	(13,340)
Portfolio investments	264,514	237,004	27,510
	1,167,924	1,286,579	(118,655)

A net cash outflow of US\$73.8 million was recorded for 2006 as compared with an inflow of US\$190.0 million for 2005. Operating cash inflow of US\$465.4 million for the year was US\$353.1 million less than that of 2005. The capital payments and corresponding loan drawdown amounts in 2006 mainly reflected the delivery of new vessels previously ordered. Pursuant to the agreement reached for the disposal of the Terminals Division in 2006, its closing cash balances were excluded and classified as "Assets Held For Sale". As a result, total cash and portfolio balances dropped to US\$1,167.9 million as at the end of 2006 compared with US\$1,286.6 million as at the end of 2005.

Liquidity

As at 31st December 2006, the Group had total cash and portfolio investment balances of US\$1,167.9 million compared with debt obligations of US\$197.9 million repayable in 2007. Total current assets at the end of 2006 amounted to US\$2,322.6 million against total current liabilities of US\$944.8 million. The Group's shareholders' funds are entirely ordinary shareholders' equity and no loan capital is in issue. The Group prepares and updates cashflow forecasts for asset acquisitions, project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a conservative liquidity level and the efficient investment of surplus funds.

Board of Directors



CHEE CHEN TUNG

Mr Tung, aged 64, has been appointed as Chairman, President and Chief Executive Officer of the Company since October 1996. Mr Tung chairs the Executive Committee and the Remuneration Committee of the Company. He is also the Chairman or a Director of various subsidiaries of the Company. Mr Tung graduated from the University of Liverpool, England, where he received his Bachelor of Science degree and acquired a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. Mr Tung is an Independent Non-executive Director of BOC Hong Kong (Holdings) Limited, Cathay Pacific Airways Limited, Wing Hang Bank, Limited, Sing Tao News Corporation Limited, PetroChina Company Limited, Zhejiang Expressway Co Ltd, and U-Ming Marine Transport Corp, which are all listed public companies. Mr Tung is the brother-in-law of Mr Roger King and uncle of Mr Alan Lieh Sing Tung.



TSANN RONG CHANG

Mr Chang, aged 67, has been a Director of the Company since 1988. On 1st July 2006, he was re-designated from an Executive Director to a Non-Executive Director. He is also a member of the Finance Committee and the Share Committee of the Company. Mr Chang is a Certified Public Accountant in Taiwan and holds a Master of Business Administration degree from Indiana State University, USA. Mr Chang has served the Group in various capacities for 38 years and was the Chief Executive Officer of Orient Overseas Container Line Limited and a Director of various subsidiaries of the Company until 31st December 2003. He was the Vice Chairman of the Company from 1st December 2003 to 30th June 2006 and a member of the Executive Committee of the Company until 30th June 2006. He did not hold directorships in any other listed public companies in the last three years.



ROGER KING

Mr King, age 66, has been a Director of the Company since 1992 and is also a Director of an associated company. He became a Non-executive Director of the Company in August 1999. He was the Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period from September 1985 to January 1987 and a Director from 1983 until 1992. Mr King is a graduate of the University of Michigan, BSEE, New York University, MSEE, Harvard Business School, AMP, and Hong Kong University of Science and Technology, PhD in Finance. Prior to joining OOHL in 1974, he served in the United States Navy and worked in computer research and management consultancy at Bell Telephone Laboratories and John Diebold, respectively. Mr King is currently a Non-executive Director of a number of other companies, including Arrow Electronics Corporation, a company listed on the New York Stock Exchange, a Member of the Supervisory Board of TNT, listed in the Netherlands and Sincere Watch (Hong Kong) Limited, listed on the Hong Kong Stock Exchange. He is also the former Executive Chairman of System-Pro Computers Limited, one of the largest personal computer reseller in Hong Kong, the former Non-executive Chairman of Pacific Coffee Limited and the former President and Chief Executive of Sa Sa International Holdings Limited, a listed company in Hong Kong. Mr King is also a member of the Standing Committee of Zhejiang Province People's Political Consultative Conference and the Honorary Consul for the Republic of Latvia in Hong Kong. Mr King is the brother-in-law of Mr Chee Chen Tung and the uncle of Mr Alan Lieh Sing Tung.



NICHOLAS DAVID SIMS

Mr Sims, aged 53, has been a Director, Vice President and the Chief Financial Officer of the Company since October 2000. He serves on the Executive Committee, the Finance Committee, the Compliance Committee and the Share Committee of the Board of the Company and is a Director of various subsidiaries of the Company. Mr Sims was previously the Managing Director of Wayfoong Shipping Services, a member of HSBC Group responsible for ship finance business throughout the Asia Pacific region. Mr Sims joined the HSBC Group in 1973 and served the international banking group in Hong Kong and London.



ALAN LIEH SING TUNG

Mr Tung, aged 39, has been appointed an Executive Director of the Company since 1st May 2005. He is the Managing Director of Orient Overseas Developments Limited, a wholly-owned subsidiary of the Company, which is the holding company for the Group's property investments. Mr Tung has been with the Group in various capacities for 14 years and is a Director of various subsidiaries of the Company. Mr Tung graduated from Princeton University, Politics Department with a Bachelor of Arts degree. He did not hold directorships in any other listed public companies in the last three years. Mr Tung is a nephew of Mr Chee Chen Tung and Mr Roger King.



PHILIP YIU WAH CHOW

Mr Chow, aged 59, has been a Director of the Company since December 2003. He is a member of the Executive Committee, the Finance Committee, the Share Committee and a Director of various subsidiary companies of the Company. Mr Chow holds a Bachelor of Science degree in chemistry and physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has served the Group in various capacities for 31 years and is the Chief Executive Officer of Orient Overseas Container Line Limited.



SIMON MURRAY

Mr Murray, CBE, aged 66, has been an Independent Non-executive Director of the Company since 1992 and was a Non-executive Director of Orient Overseas (Holdings) Limited from 1989 until 1992. He serves on the Audit Committee of the Company. He is currently the Chairman of General Enterprise Management Services (International) Limited (GEMS Ltd), a private equity fund management company. He is also a Director of a number of listed public companies, including Hutchison Whampoa Limited, Cheung Kong Holdings Limited, Arnhold Holdings Limited, Compagnie Financiere Richemont SA, Sino-Forest Corporation and USI Holdings Limited. Mr Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.



DR VICTOR KWOK KING FUNG

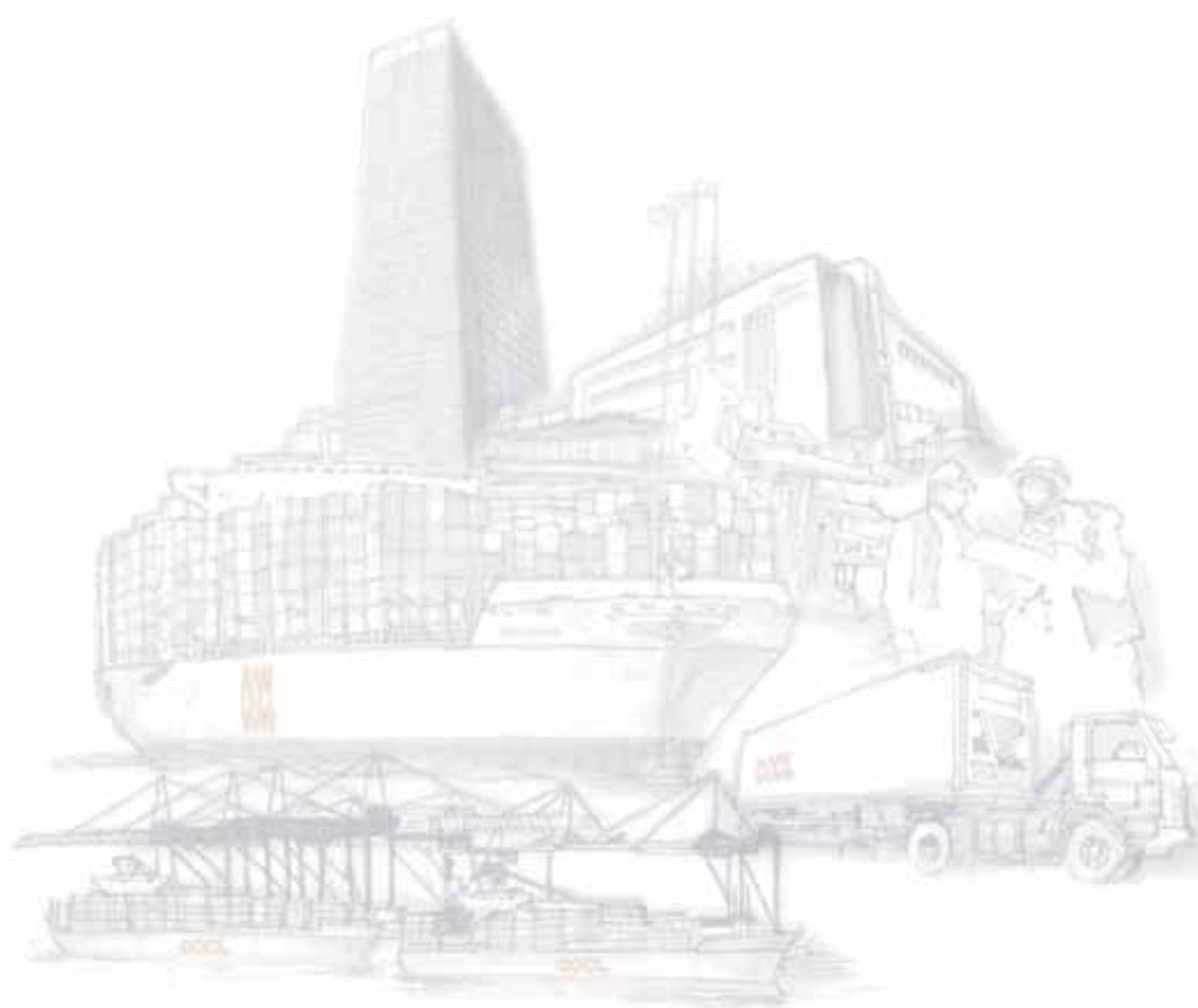
Dr Fung, aged 61, has been an Independent Non-executive Director of the Company since July 1996. He is Chairman of the Audit Committee and serves on the Remuneration Committee of the Company. Dr Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University. He is Chairman of the Li & Fung Group of companies including the publicly listed Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. He is also an Independent Non-executive Director of Bank of China (Hong Kong) Limited, PCCW Limited, Sun Hung Kai Properties Limited, CapitaLand Limited in Singapore and Baosteel Group Corporation in the People's Republic of China. In public service, Dr Fung is Vice-Chairman of the International Chamber of Commerce as from January 2007. He is also Chairman of the Hong Kong Airport Authority, the Hong Kong University Council, the Greater Pearl River Delta Business Council and the Hong Kong - Japan Business Co-operation Committee. Dr Fung is a member of Chinese People's Political Consultative Conference and a member of the Executive Committee of the Commission on Strategic Development of the Government of the Hong Kong Special Administrative Region. From 1991 to 2000, he was the Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. In 2003, the Government of the Hong Kong Special Administrative Region awarded Dr Fung the Gold Bauhinia Star for distinguished service to the community.

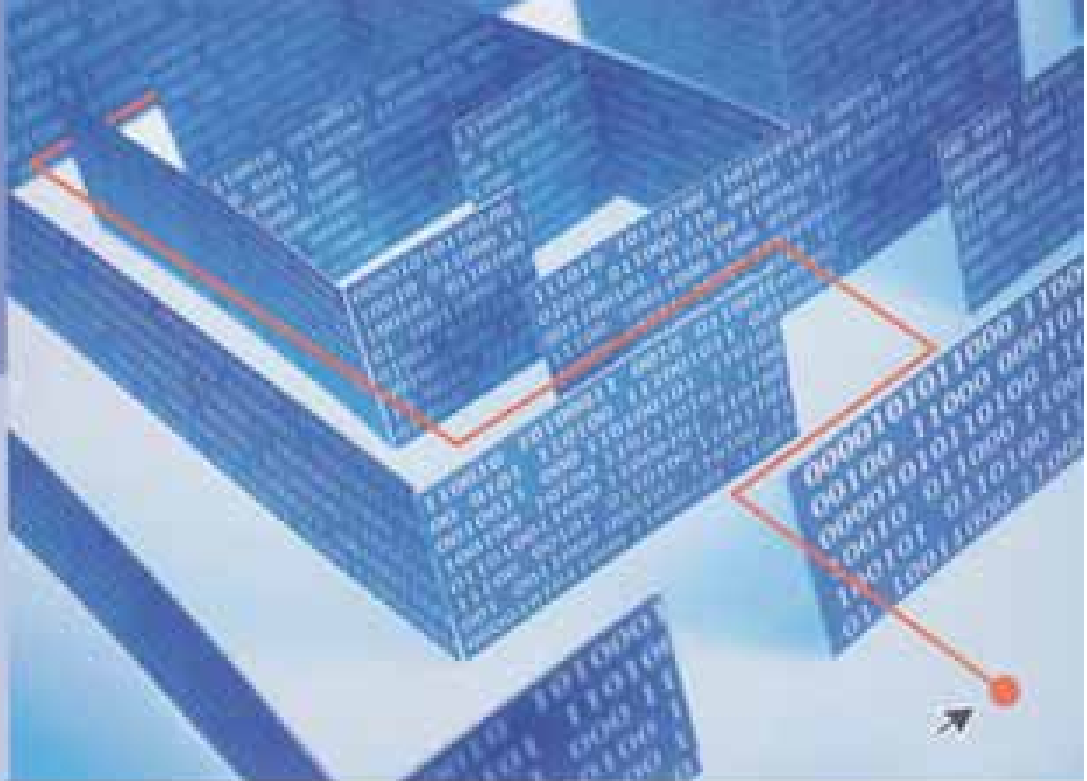


PROF RICHARD YUE CHIM WONG

Professor Wong, aged 54, has been an Independent Non-executive Director of the Company since December 2003. He serves on the Audit Committee and Remuneration Committee of the Company. He graduated from University of Chicago with Bachelor's, Master's and Ph. D. degrees in Economics and is Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions to education, housing, industry and technology development. He was appointed a Justice of the Peace in July 2000.

Information Technology





We lead the industry in IT applications. We continue to commit ourselves to innovative and effective use of technology in order to provide superior transport and logistics solutions to our customers.



Senior Management

C L Ting

Mr Ting, aged 58, has been the Managing Director of OOCL (Asia Pacific) Ltd since April 2001 and Managing Director of OOCL since October 1996. Mr Ting holds a Bachelor and Master degree in Economics from the Universite' Catholique de Louvain, in Belgium. Mr Ting joined the Group in 1974 and has served OOCL and its subsidiaries in various capacities for 33 years.

Peter Leng

Mr Leng, aged 59, has been the President of OOCL (USA) Inc. and a Director of OOCL since July 2003. Mr Leng holds a Bachelor of Arts degree from Soochow University, Taiwan. Mr Leng joined the Group in 1976 and has served OOCL and its subsidiaries in various capacities for 31 years.

Allan Wong

Mr Wong, aged 53, has been the Managing Director of OOCL (Asia Pacific) Ltd and a Director of OOCL since October 2000. Mr Wong holds a Bachelor of Social Science degree and a Master of Business Administration from the Chinese University of Hong Kong. Mr Wong joined the Group in 1976 and has served OOCL and its subsidiaries in various capacities for 30 years and has been the Chief Executive Officer of OOCL Logistics Ltd since June 2004.

Henry Wong

Mr Wong, aged 56, has been the Managing Director of OOCL (Europe) Limited and a Director of OOCL since January 2006. Mr Wong holds a Bachelor degree from The Chinese University of Hong Kong. Mr Wong joined the Group in 1973 and has served OOCL and its subsidiaries in various capacities for 33 years.

Bosco Louie

Mr Louie, aged 55, has been the Director of Corporate Logistics and Fleet Management since January 2004 and a Director of OOCL since March 2006. Mr Louie holds a Bachelor degree from The University of Hong Kong. Mr Louie joined the Group in 1975 and has served OOCL and its subsidiaries in various capacities for 31 years.

Andy Tung

Mr Tung, aged 42, has been Director of Corporate Planning and Marketing of OOCL and a Director of OOCL since March 2006. Mr Tung holds a Bachelor degree from Princeton University and a Master of Business Administration from Stanford University in the USA. Mr Tung has worked for OOCL in various management capacities between 1993 and 1999.

Steve Siu

Mr Siu, aged 49, has been the Chief Information Officer and a Director of OOCL since November 2006. Mr Siu holds a Bachelor of Science degree and a Master of Science degree from the University of Essex, UK and a Master of Business Administration jointly organised by Northwestern University and The Hong Kong University of Science and Technology. Mr Siu joined the Group in 1987 and has served OOCL and its subsidiaries in various capacities for 19 years and has been the Chief Executive Officer of CargoSmart since January 2002.

Financial Calendar

Announcement of results for the half year ended 30th June 2006	4th August 2006
Despatch of 2006 Interim Report to shareholders	23rd August 2006
Announcement of results for the year ended 31st December 2006	9th March 2007
Despatch of 2006 Annual Report to shareholders	29th March 2007
Closure of the Register of Members to determine entitlements to final dividend and special dividend for ordinary shareholders in respect of the year ended 31st December 2006	17th April 2007 to 20th April 2007 both days inclusive
2006 Annual General Meeting	20th April 2007
Payment of 2006 final and special dividend	7th May 2007

Shareholder Information

Ordinary shares:

Issued shares	625,793,297 shares (as at 31st December 2006)
Nominal value	US\$0.10

Annual report

This annual report is available in both English and Chinese.

Shareholders can obtain copies by writing to:

Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong
Attn: Company Secretary

This annual report is also available at our website at <http://www.ooilgroup.com>.

Shareholder services

Any matters relating to your shareholding, including transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to:

Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990

Shareholder enquiries

Any matters relating to shareholders' rights should be addressed in writing to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong
Attn: Company Secretary

Our enquiry hotline is operational during normal office hours:

Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

Ordinary Shareholder Information as at 31st December 2006:

Category	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
Corporate	36	3.6437%	618,786,044	98.8803%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.1012%	2,740	0.0004%
Individual	951	96.2551%	7,004,513	1.1193%
	988	100.00%	625,793,297	100.00%

Number of Shares Held	Shareholders		Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
1 – 10,000	901	91.1944%	1,024,614	0.1637%
10,001 – 100,000	70	7.0850%	2,351,585	0.3758%
100,001 – 1,000,000	9	0.9109%	2,685,374	0.4291%
1,000,001 or above	8	0.8097%	619,731,724	99.0314%
	988	100.00%	625,793,297	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2006, the interests of the 10 largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholder	Number of ordinary shares held	Percentage
Wharnclyff Limited	278,165,570	44.45%
HKSCC Nominees Limited	183,579,054	29.34%
Springfield Corporation	67,045,586	10.71%
Gala Way Company Inc.	48,462,007	7.74%
Monterrey Limited	30,765,425	4.92%
HSBC Nominees (Hong Kong) Limited	10,476,971	1.67%
Mok Kwun Cheung	1,237,111	0.20%
Cheng Tien Shun	619,021	0.10%
Chang Ernest Tsann Rong	612,731	0.10%
Leung Kai Lon & Leong I Hong	552,000	0.09%

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of ORIENT OVERSEAS (INTERNATIONAL) LIMITED (the "Company") will be held on Friday, 20th April 2007 at 10:00 a.m. at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong to transact the following business:

1. To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31st December 2006;
2. To declare a final dividend and a special dividend for the year ended 31st December 2006;
3.
 - (a) To re-elect Mr Chee Chen Tung as Director.
 - (b) To re-elect Mr Philip Yiu Wah Chow as Director.
 - (c) To re-elect Prof Richard Yue Chim Wong as Director.
4. To authorise the Board of Directors to fix the Directors' remuneration;
5. To re-appoint PricewaterhouseCoopers as Auditors and to authorise the Board of Directors to fix their remuneration;
6. To consider and, if thought fit, to pass, with or without modification, the following resolutions as ordinary resolutions:
 - (a) "THAT a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and otherwise deal with the Shares (as hereinafter defined) or additional Shares of the Company and to make, issue or grant offers, agreements, options or warrants which will or might require the exercise of such mandate either during or after the Relevant Period, otherwise than pursuant to a rights issue, bonus issue, issue of scrip dividends or the exercise of rights of subscription or conversion under the terms of any shares, bonds, warrants or other securities carrying a right to subscribe for or purchase shares of the Company issued by the Company or a subsidiary or whose issue is authorised on or prior to the date this resolution is passed, not exceeding twenty percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution."
 - (b) "THAT a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to purchase the Shares (as hereinafter defined), provided however that the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to the respective securities, to be purchased shall not exceed ten percent of the aggregate nominal amount of such shares, or (as the case may be) conversion, subscription or purchase rights attaching to those securities, in issue as at the date of passing of this resolution."

For the purposes of resolutions 6(a) and 6(b):

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by Bermuda law or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“Shares” means shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for or purchase any shares or such convertible securities.

- (c) “**THAT** the general mandate granted to the Directors to allot Shares pursuant to the resolution set out in item 6(a) of the notice of this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased, or that share capital which would fall to be subscribed or purchased pursuant to the conversion, subscription or purchase rights attaching to any other securities purchased, by the Company pursuant to the authority granted by the resolution set out in item 6(b) of the notice of this meeting, provided that such amount shall not exceed ten percent of the aggregate nominal amount of the shares, or (as the case may be) conversion, subscription or purchase rights attaching to those securities, in issue as at the date of passing of this resolution.”

By Order of the Board

Lammy Lee

Secretary

Hong Kong, 29th March 2007

Notes:

- (i) Any member of the Company entitled to attend and vote at the meeting (or at any adjournment thereof) is entitled to appoint a proxy or proxies to attend and vote on his behalf in accordance with the Bye-laws of the Company. A proxy need not be a member of the Company.
- (ii) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) A proxy form is enclosed and in order to be valid, the proxy form must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the “Branch Share Registrar”) together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) as soon as possible but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
- (iv) The register of members of the Company will be closed from 17th April 2007 to 20th April 2007, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final and special dividends, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar for registration not later than 4:30 p.m. on 16th April 2007.
- (v) With regard to item 3 in this notice, details of the retiring Directors are set out in Appendix II to the circular dated 29th March 2007 (the “Circular”).
- (vi) An explanatory statement containing information regarding the ordinary resolution in item 6 of this notice is set out in Appendix I to the Circular.
- (vii) The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

Corporate Governance Report

Corporate Governance Practices

The Board of Directors (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year of 2006, the Company has complied with the SEHK Code, except for the following:

- Code Provision

Code provision of the SEHK Code	Deviation	Considered reason for deviation
Separation of the role of Chairman and Chief Executive Officer of a listed issuer.	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 duplication and is not necessary for the time being.

- Recommended Best Practice

- a nomination committee has not been established
- the remuneration of senior management is disclosed in a band
- operational results are announced and published quarterly instead of financial results

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 23 to the Listing Rules:

A. BOARD OF DIRECTORS

1. Board Composition

The Board currently comprises four Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors.

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

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

Independent Non-Executive Directors

Mr Simon MURRAY

Dr Victor Kwok King FUNG

Professor Richard Yue Chim WONG

The biographical details of the Directors and the relevant relationships between them are set out on the Company's website at <http://www.ooilgroup.com> and in pages 42 to 45 of this annual report.

The Directors, other than Mr Nicholas David SIMS who has a service contract with the Company, have formal letters of appointment setting out the key terms and conditions of their appointment, and are for a fixed term of three years, renewable or extendable automatically by three years on the expiry of such initial term and every successive period of three years and are subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group bringing independent and diversified experience, competencies, skills and judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between Executive and Non-Executive Directors and has provided adequate checks and balances for safeguarding the interests of the shareholders and the Group.

The Board has received from each Independent Non-Executive Director a written annual confirmation of their independence and considers that all the Independent Non-Executive Directors have satisfied their independence of the Group up to the date of this annual report.

During 2006, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Mr Roger KING (Non-Executive Director of the Company) is the brother-in-law of Mr Chee Chen TUNG (Chairman, President and Chief Executive Officer of the Company), and Mr Alan Lieh Sing TUNG (Executive Director of the Company) is the nephew of both Mr Chee Chen TUNG and Mr Roger KING.

Since 1990, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Company and directors and officers of its subsidiaries arising out of corporate activities.

2. Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

The Board has a fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategy and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions and certain specific responsibilities to six committees (Executive, Audit, Remuneration, Finance, Share and Compliance). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company. No such independent professional advice was requested by any Director in 2006.

3. Chairman and Chief Executive Officer

Mr Chee Chen TUNG is the Chairman and the Chief Executive Officer of the Company with the respective roles set out in writing.

- a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:
 - ensure that Directors are briefed and have received accurate, complete, timely and clear information on issues to be discussed at Board meetings;

-
- ensure that the Board has considered all key and appropriate issues in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;
 - approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matters proposed by other Directors for inclusion in the agenda;
 - encourage Directors to contribute fully and actively in the affairs of the Company and the Group and to take the lead to ensure that the Board acts in the best interests of the Company and the Group;
 - at least annually to hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors to facilitate the effective contribution of those Non-Executive Directors and Independent Non-Executive Directors (in particular) and to promote a constructive relationship amongst Executive Directors, Non-Executive Directors and Independent Non-Executive Directors;
 - ensure effective communication with shareholders and that the views of shareholders are communicated to the Board; and
 - attend the annual general meetings and arrange for the chairman of the Audit Committee and the Remuneration Committee, or in the absence of the chairman of the Audit Committee and/or the Remuneration Committee, other members of the Audit Committee and/or the Remuneration Committee, to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meetings, whether on a show of hands or by poll, the Chairman shall be entitled to a second or casting vote.

- b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and Group business. These duties include to:
- provide leadership and supervise the effective management of the principal divisions of the Group;
 - monitor and control the operational and financial performance of the various principal divisions of the Group;
 - implement and report to the Board on the adoption of the Company's strategy, policies and objectives by the principal divisions of the Group;
 - provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the various principal divisions of the Group; and
 - set up programmes for management development and succession planning for the principal divisions of the Group.

4. Board Meetings

Regular Board meetings are scheduled one year in advance to maximize the attendance of Directors. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is not dealt with by way of written resolution or by a committee (except if that committee was specifically established for such purpose by the Board or by the terms of reference of such committee). If considered appropriate, the Board meeting shall be attended by Independent Non-Executive Directors who have no material interest in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their record.

5. Supply of and Access to Information

All Directors have access to Board and Committees' papers and other material either from the Company Secretary or the Chairman so that they are able to make informed decisions on matters placed before them.

6. Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

At the annual general meeting of the Company held on 21st April 2006 at 10:00 a.m. at the Renaissance Harbour View Hotel, Wanchai, Hong Kong (the "2005 AGM"), Mr Tsann Rong CHANG, Mr Alan Lieh Sing TUNG, Mr Roger King and Dr Victor Kwok King FUNG were re-elected as Directors of the Company.

Mr Tsann Rong CHANG was re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 1st July 2006 which was approved by the Board in a board meeting held on 23rd June 2006 attended by Mr Chee Chen TUNG, Mr Tsann Rong CHANG, Mr Philip Yiu Wah CHOW, Mr Nicholas David SIMS, Mr Alan Lieh Sing TUNG, Mr Roger KING and Dr Victor Kwok King FUNG. An announcement relating to Mr CHANG's re-designation was published on 28th June 2006.

7. Board Committees

In addition to the Audit Committee and Remuneration Committee, established in compliance with the Listing Rules, the other committees comprise the Executive Committee, Finance Committee, Share Committee and Compliance Committee. Each committee has its own well defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a written request from such shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the Directors for their record.

a. Executive Committee

The Executive Committee was established in 1996 and currently comprises Mr Chee Chen TUNG (Chairman), Mr Nicholas David SIMS and Mr Philip Yiu Wah CHOW, with Ms Lammy LEE as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

- formulate strategy and policies and to set corporate and management targets and operational initiatives and policies on risk management for the principal divisions of the Group and plans and operational directions for the Group;
- monitor, control and manage operational and financial performance and business affairs of the principal divisions of the Group;
- review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including price sensitive and financial information) required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; (ii) submissions from the Finance Committee, the Share Committee and the Compliance Committee and, if appropriate, to recommend to the Board for consideration and approval;
- approve capital expenditure for a specified amount;
- liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board of the Company for consideration, approval and/or ratification, if necessary; and to
- report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken.

b. **Audit Committee**

The Audit Committee was established in 1992 and currently comprises three members who are Independent Non-Executive Directors, namely, Dr Victor Kwok King FUNG (chairman), Mr Simon MURRAY and Professor Richard Yue Chim WONG, with Mr Vincent FUNG, the Head of Internal Audit as the secretary and Ms Lammy LEE as the assistant secretary of the Audit Committee.

Under its Terms of Reference, the primary duties of the Audit Committee include to:

- make recommendation to the Board on the appointment and removal of external auditors and to assess their independence and performance;
- review the effectiveness of financial reporting processes and internal control systems of the Group and to monitor the integrity thereof;
- review the completeness, accuracy and fairness of the Company's financial statements before submission to the Board;
- consider the nature and scope of internal audit programmes and audit reviews;
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosure; and to
- establish procedures for and to monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

The minutes of the Audit Committee meetings are prepared by the secretary of the Audit Committee with details of all matters considered by the attendees and of decisions reached, including any concerns raised by the attendees and dissenting views expressed. The final version of the minutes is sent to the attendees for their records. The minutes are open for inspection by the Committee members and the Board members.

Under the Group's whistle-blowing policy, employees may report any concerns regarding accounting, internal accounting controls and auditing matters to the Audit Committee without fear of dismissal or retaliation, in order to ensure that the Group complies with all the applicable laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee will review each complaint and decide on how the investigation should be conducted. In 2006, the Audit Committee received no complaint from employees.

During 2006, the work performed by the Audit Committee included:

- (i) the review of the annual accounts for 2005 with a recommendation to the Board for approval;
- (ii) the review of significant audit and accounting issues arising from the external auditors' statutory audit of the annual accounts for 2005 including issues arising from the review of the interim accounts for 2006;
- (iii) the review of the interim accounts for 2006 with a recommendation to the Board for approval;
- (iv) the review of the impact of the new and revised accounting standards on the Company;
- (v) the review of the external auditors' audit strategy and approach;
- (vi) meeting with the external auditors without the presence of management to discuss issues arising from the audits and any other matters the auditors might care to raise;
- (vii) the review of the Internal Audit Department's audit objectives and approval of the annual Internal Audit Plan;
- (viii) the review of the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during 2005;
- (ix) the review of the effectiveness of the internal control systems;
- (x) the review of the whistle-blowing mechanism with a recommendation to the Board for the approval of its implementation;
- (xi) the review of the continuing connected transactions prior to the review and confirmation by the Independent Non-Executive Directors; and
- (xii) the review of the continuing connected transactions annual caps.

c. Remuneration Committee

The Remuneration Committee was established in 2005 and currently comprises Mr Chee Chen TUNG (Chairman) and two Independent Non-Executive Directors of the Company, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG, with Ms Lammy LEE as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

- establish and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme;
- review from time to time and recommend for the Board's consideration, the Company's policy and structure for emoluments of the Executive Directors, senior management of the Company and employees of the Group including the performance-based bonus scheme; and to
- review and recommend for the Board's consideration remuneration packages and compensation arrangements for loss of office of Executive Directors and senior management of the Company.

In 2006, the Board accepted the recommendations of the Remuneration Committee:

- (i) that the emoluments of the Executive Directors of the Company for the year 2006 should continue to be comprised of their respective remunerations as determined by reference to market terms, their individual experience, duties and responsibilities within the Company and its subsidiaries (if applicable) and the Executive Directors also participate in a performance-based discretionary bonus scheme determined by reference to the Company's and the individual's performance;
- (ii) the bonus package for the Chairman and the Executive Directors for the year 2005;
- (iii) the emolument of the Non-Executive Directors of the Company for the year 2006; and
- (iv) the directors' fee of the Independent Non-Executive Directors and fees for acting as committee members for the year 2006.

No Director is involved in determining his own remuneration.

d. Finance Committee

The Finance Committee was established in 1993 and currently comprises Mr Nicholas David SIMS (chairman), Mr Tsann Rong CHANG and Mr Philip Yiu Wah CHOW, with Ms Lammy LEE as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

- assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties, equipment and the financing of the business operations of the Group;
- report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken; and to
- discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company for its approval.

e. Share Committee

The Share Committee was established in 1992 and currently comprises Mr Nicholas David SIMS (chairman), Mr Tsann Rong CHANG and Mr Philip Yiu Wah CHOW, with Ms Lammy LEE as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

- deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;
- deal with share transactions including, but not limited to, share repurchases, the issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and the placement of the Company's shares;
- give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to
- discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

f. Compliance Committee

The Compliance Committee currently comprises Ms Lammy LEE (Chairperson), Mr Nicholas David SIMS, Mr Kit Man FUNG and Mr Vincent FUNG.

The primary duties of the Compliance Committee is to ensure the Company's and its subsidiaries' compliance with disclosure obligations pursuant to the Listing Rules on notifiable transactions, connected transactions and continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules and corporate governance compliance and reporting pursuant to Appendix 14 and Appendix 23 to the Listing Rules.

8. Attendance Records of Board Meetings, Board Committees Meetings and General Meetings

The attendance records of each Director and each member of the six Board Committees are as follows:

	Meetings Attended / Held in 2006								
	Board	Executive Committee	Audit Committee	Remuneration Committee	Finance Committee	Share Committee	Compliance Committee	2005 AGM	SGM
No. of meetings held during the year	7	13	2	1	11	1	4	1	1
Executive Directors									
Mr Chee Chen TUNG (Chairman, President and Chief Executive Officer)	7/7	13/13		1/1				1/1	1/1
Mr Nicholas David SIMS (Vice President and Chief Financial Officer)	6/7	13/13			11/11	1/1	3/4	1/1	0/1
Mr Philip Yiu Wah CHOW	7/7	13/13			10/11	1/1		1/1	1/1
Mr Alan Lieh Sing TUNG	7/7							1/1	1/1
Non-Executive Directors									
Mr Tsann Rong CHANG*	7/7	5/6			6/11	1/1		1/1	1/1
Mr Roger KING	6/7							0/1	1/1
Independent Non-Executive Directors									
Mr Simon MURRAY	3/7		1/2					1/1	0/1
Dr Victor Kwok King FUNG	6/7		2/2	1/1				0/1	0/1
Professor Richard Yue Chim WONG	4/7		1/2	1/1				0/1	1/1
Others									
Ms Lammy LEE (Company Secretary)							4/4		
Mr Kit Man FUNG (Qualified Accountant)							4/4		
Mr Vincent FUNG (Chief Auditor)							3/4		
Average attendance rate	84.13%	95.83%	66.67%	100%	81.82%	100%	87.50%	66.67%	66.67%

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

9. Securities Transactions by Directors

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2006.

10. Share Interests of Directors and Senior Management

a) Directors

Directors' interests in the shares of the Company are set out on page 74 of this annual report.

b) Senior Management's Share Interests

As at 31st December 2006, the senior management of the Company had the following interests in the shares of the Company:

Name	Number of shares interested
Mr Cheng-Lung TING	—
Mr Peter Pan Shih LENG	—
Mr Allan Tak Sing WONG	150,500
Mr Henry Kong Tsun WONG	—
Mr Bosco Bun Hei LOUIE	9,000
Mr Andy Lieh Cheung TUNG	—
Mr Steve Kai Ho SIU	—

11. Emoluments of Directors and Senior Management

a) Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2006 are set out on page 110 and page 111 of this annual report.

b) Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2006 are set out below:

Emoluments bands (US\$)	No. of Individual(s)
192,301 – 256,400 (HK\$1,500,001 – HK\$2,000,000)	1
769,201 – 833,300 (HK\$6,000,001 – HK\$6,500,000)	1
897,401 – 961,500 (HK\$7,000,001 – HK\$7,500,000)	1
1,025,601 – 1,089,700 (HK\$8,000,001 – HK\$8,500,000)	1
1,474,001 – 1,538,000 (HK\$11,500,001 – HK\$12,000,000)	1
1,602,501 – 1,666,600 (HK\$12,500,001 – HK\$13,000,000)	1
1,923,001 – 1,987,100 (HK\$15,000,001 – HK\$15,500,000)	1
	7

biographical details of senior management are set out on page 48 of this annual report

B. ACCOUNTABILITY AND AUDIT

1. External Auditors

PricewaterhouseCoopers were re-appointed as the Company's external auditors by shareholders at the 2005 AGM until the conclusion of the next annual general meeting.

The fee in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 31st December 2006 is set out on page 113 note 11 to the consolidated accounts of this annual report.

2. Directors' and Auditors' acknowledgement

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st December 2006.

Messrs PricewaterhouseCoopers, the auditors of the Company, acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31st December 2006.

3. Internal Controls

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews of the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal divisions and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for the reliability of financial information used within the business or for publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

- A distinct organisational structure for each principal division with defined authority responsibilities and control/measures.
- An annual budget for each principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for each principal division is approved by the Board on an annual basis.
- A comprehensive management accounting system for each principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purposes. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary.
- Systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Committee and the management of the respective principal divisions.

-
- Clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio.
 - The Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal divisions. The Internal Audit Department has unrestricted access to information that allows it to review all aspects of the Group's risk management, control and governance processes. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on higher risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal divisions. The management of the Company and the relevant principal divisions including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations. On a yearly basis, the Internal Audit Department summarizes the major audit findings and other relevant information that have come to the Internal Audit Department's attention during the course of the audits and reports to the Audit Committee.

According to the 2006 Internal Audit report, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Audit Committee has concluded that the Group has maintained sound and effective internal controls to safeguard the Group's assets, and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control systems and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2006.

The Company has implemented the following procedures and internal controls for the handling and dissemination of price sensitive information:

- a) it monitors any price sensitive information and makes appropriate announcement as required by the Listing Rules;
- b) it conducts its affairs by reference to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange;
- c) it has established procedures for handling external affairs about the Group; and
- d) it has established guidelines to be followed by senior management and employees in dealing with confidential and insider information.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairman of the Audit Committee and the Remuneration Committee, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meetings.

The most recent shareholders' meeting of the Company was the special general meeting held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong on 19th December 2006 at 10:00 a.m. (the "SGM"), at which the following ordinary resolution was passed with the voting results as follows:

Ordinary Resolution	Number of votes by poll (%)	
	For	Against
To approve, ratify and confirm the stock purchase agreement dated 21st November 2006 in relation to the sale of the entire issued share capital of the Company's wholly-owned subsidiaries, TSI Terminal Systems Inc., Consolidated (Terminal Holdings) Limited and Global Terminal & Container Services, Inc., which constituted a very substantial disposal.	502,430,015 (100%)	0 (0%)

At the 2005 AGM, the following resolutions were passed with the voting results as follows:

	Resolutions	Ordinary/Special	Number of votes by poll (%)	
			For	Against
1.	To adopt the audited financial statements for the financial year ended 31st December 2005.	Ordinary	447,194,985 (100%)	0 (0%)
2.	To declare the final dividend.	Ordinary	448,776,294 (100%)	0 (0%)
3(i).	To re-elect Mr Tsann Rong CHANG as an Executive Director.	Ordinary	444,440,523 (99.1929%)	3,616,440 (0.8071%)
3(ii).	To re-elect Mr Alan Lieh Sing TUNG as an Executive Director.	Ordinary	444,439,523 (99.1929%)	3,616,440 (0.8071%)
3(iii).	To re-elect Mr Roger KING as a Non-Executive Director.	Ordinary	444,474,523 (99.1929%)	3,616,440 (0.8071%)
3(iv).	To re-elect Dr Victor Kwok King FUNG as an Independent Non-Executive Director.	Ordinary	444,507,853 (99.1930%)	3,616,440 (0.8070%)
4.	To authorise the Board to fix the Directors' remuneration.	Ordinary	448,315,863 (100%)	0 (0%)
5.	To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company and to authorise the Board to fix their remuneration.	Ordinary	448,353,193 (99.9053%)	425,100 (0.0947%)
6(a).	To grant a general mandate to Directors to allot, issue and deal with the Company's shares.	Ordinary	430,680,359 (95.9744%)	18,064,603 (4.0256%)
6(b).	To grant a general mandate to Directors to repurchase the Company's shares.	Ordinary	448,315,862 (99.9053%)	425,100 (0.0947%)
6(c).	To extend the general mandate to issue the Company's shares to cover the shares repurchased by the Company under Resolution 6(b) above.	Ordinary	447,270,692 (99.6645%)	1,505,600 (0.3355%)
7.	To amend the Company's Bye-laws.	Special	448,712,962 (99.9951%)	22,000 (0.0049%)

Shareholders who wish to put forward proposals at shareholders' meetings or who have enquiries to put to the Board of the Company may write to the Company Secretary at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The procedures for shareholders to convene a special general meeting are available on our website or on request to the Company Secretary in writing.

D. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

1. Significant changes in Bye-laws

The Bye-laws of the Company were amended and approved by shareholders at the 2005 AGM to, inter alia, reflect the SEHK code and the Listing Rules and to ensure consistency with the other provisions of the Bye-laws of the Company. Except for the above, there were no significant changes to the Company's Bye-laws.

2. Shareholdings Information

As at 31st December 2006:

Authorised share capital: US\$205,000,000, comprising 900,000,000 ordinary shares of US\$0.1 each, 65,000,000 convertible redeemable preferred shares of US\$1 each and 50,000,000 redeemable preferred shares of US\$1 each.

Issued and fully-paid up capital: US\$62,579,329.7 comprising 625,793,297 ordinary shares of US\$0.1 each.

Details of the shareholding of the ordinary shares of the Company by category as at 31st December 2006 are as follows:

Category	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	36	3.64%	618,786,044
Untraceable Shareholders Registered in name of Computershare Hong Kong Investor Services Limited	1	0.10%	2,740
Individual	951	96.26%	7,004,513
Total	988	100.00%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2006 are as follows:

Number of Shares held	Number of Shareholders	Shareholders % of total
1 – 10,000	901	91.19%
10,001 – 100,000	70	7.09%
100,001 – 1,000,000	9	0.91%
1,000,001 – above	8	0.81%
Total	988	100.00%

3. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeds 25% as at 31st December 2006.

4. Financial Calendar

Important dates for the coming financial year are set out on page 49 of this annual report.

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

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 (Note 1)	326,627,577 (Notes 2 & 3)	424,438,588	67.82%
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 (Note 4)	—	—	79,600	0.01%
Simon Murray	122,200	—	—	122,200	0.02%

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 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.
3. Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.
4. 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 (Note 1)	67.82%
Shirley Shiao Ping Peng	Founder of a discretionary trust	326,627,577 (Note 2)	52.19%
Fortune Crest Inc.	Indirect	326,627,577 (Note 2)	52.19%
Winfield Investment Limited	Indirect	326,627,577 (Notes 2 & 3)	52.19%
Tung Holdings (Trustee) Inc.	Voting	326,627,577 (Note 4)	52.19%
Wharnclyff Limited	Direct	278,165,570 (Notes 2 & 5)	44.45%
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 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.

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.

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

Independent Auditor's Report

To the Shareholders of

Orient Overseas (International) Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated accounts of Orient Overseas (International) Limited (the "Company") set out on pages 81 to 168, which comprise the balance sheets of the Company and the Group as at 31st December 2006, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The Directors are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 9th March 2007

Consolidated Profit and Loss Account

For the year ended 31st December 2006

US\$'000	Note	Restated	
		2006	2005
Turnover	5	4,609,751	4,345,647
Operating costs	6	(3,718,778)	(3,246,033)
Gross profit		890,973	1,099,614
Fair value gain from an investment property	18	100,000	—
Other operating income	7	102,938	75,344
Other operating expenses	8	(472,547)	(481,395)
Operating profit	11	621,364	693,563
Finance costs	12	(71,721)	(55,744)
Share of profits less losses of jointly controlled entities	21	4,346	6,950
Share of losses of associated companies	22	(771)	(84)
Profit before taxation		553,218	644,685
Taxation	13	(24,883)	(29,487)
Profit for the year from continuing operations		528,335	615,198
Discontinued operation :			
Profit for the year from discontinued operation	16	52,805	36,093
Profit for the year		581,140	651,291
Attributable to :			
Equity holders of the Company		580,603	650,854
Minority interests		537	437
		581,140	651,291
Dividends	15	644,669	169,130
Earnings per ordinary share (US cents)	14		
- from continuing operations		84.4	98.2
- from discontinued operation		8.4	5.8
Basic and diluted		92.8	104.0

Year 2005 figures have been restated or reclassified to disclose the results of discontinued operation in a separate line.

Consolidated Balance Sheet

As at 31st December 2006

US\$'000	Note	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	17	2,777,004	2,593,946
Investment property	18	200,000	100,000
Prepayments of lease premiums	19	5,416	7,787
Jointly controlled entities	21	21,848	19,857
Associated companies	22	41,820	7,916
Intangible assets	23	29,363	21,030
Deferred taxation assets	24	1,053	8,203
Pension and retirement assets	25	4,068	6,683
Available-for-sale financial assets	26	22,409	13,021
Restricted bank balances and other deposits	27	88,519	101,859
Other non-current assets	28	85,906	93,569
		3,277,406	2,973,871
Current assets			
Properties under development and for sale	29	378,493	181,545
Inventories	30	57,605	44,511
Debtors and prepayments	31	382,527	415,090
Portfolio investments	32	264,514	237,004
Derivative financial instruments	33	3,510	354
Cash and bank balances	34	829,716	962,541
		1,916,365	1,841,045
Assets held for sale	16	406,232	—
		2,322,597	1,841,045
Total assets		5,600,003	4,814,916

As at 31st December 2006

US\$'000	Note	2006	2005
EQUITY			
Equity holders			
Share capital	35	62,579	62,579
Reserves	36	2,664,627	2,221,751
		2,727,206	2,284,330
Minority interests		12,827	8,129
Total equity		2,740,033	2,292,459
LIABILITIES			
Non-current liabilities			
Borrowings	37	1,870,890	1,650,044
Deferred taxation liabilities	24	33,996	50,204
Pension and retirement liabilities	25	10,305	15,080
		1,915,191	1,715,328
Current liabilities			
Creditors and accruals	38	560,535	603,045
Derivative financial instruments	33	715	4,592
Borrowings	37	197,908	188,548
Current taxation		6,629	10,944
		765,787	807,129
Liabilities directly associated with assets classified as held for sale	16	178,992	—
		944,779	807,129
Total liabilities		2,859,970	2,522,457
Total equity and liabilities		5,600,003	4,814,916
Net current assets		1,377,818	1,033,916
Total assets less current liabilities		4,655,224	4,007,787

C C Tung
Nicholas D Sims
Directors

Balance Sheet

As at 31st December 2006

US\$'000	Note	2006	2005
ASSETS			
Non-current assets			
Subsidiaries	20	169,482	169,482
Restricted bank balances and deposits		109	91
		169,591	169,573
Current assets			
Prepayments		56	53
Amounts due from subsidiaries	20	1,340,887	1,195,708
Cash and bank balances	34	2,856	2,505
		1,343,799	1,198,266
Total assets		1,513,390	1,367,839
EQUITY			
Equity holders			
Share capital	35	62,579	62,579
Reserves	36	396,324	459,773
Total equity		458,903	522,352
LIABILITIES			
Current liabilities			
Accruals		965	1,587
Amounts due to subsidiaries	20	1,053,522	843,900
Total liabilities		1,054,487	845,487
Total equity and liabilities		1,513,390	1,367,839
Net current assets		289,312	352,779
Total assets less current liabilities		458,903	522,352

C C Tung
Nicholas D Sims
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2006

US\$'000	Note	2006	2005
Cash flows from operating activities			
Cash generated from operations	41(a)	465,368	818,422
Interest paid		(37,519)	(25,139)
Interest element of finance lease rental payments		(49,111)	(32,521)
Dividend on preference shares		(5,293)	(5,916)
Hong Kong profits tax paid		(2,388)	(661)
Overseas tax paid		(33,654)	(39,564)
Net cash from operating activities		337,403	714,621
Cash flows from investing activities			
Sale of property, plant and equipment		25,364	15,089
Sale of available-for-sale financial assets		522	350
Purchase of property, plant and equipment		(401,316)	(302,790)
Purchase of available-for-sale financial assets		(243)	(6,743)
Investment in jointly controlled entities		—	(187)
(Increase)/decrease in portfolio investments		(27,510)	12,830
Investment in associated companies		(33,845)	(8,000)
Sale of lease premiums		100	—
Payment of lease premiums		(194)	(4,918)
Acquisition of a subsidiary company, net of cash acquired	41(c)	—	(35,297)
Decrease in amounts due by jointly controlled entities		1,930	18,165
Decrease in bank deposits maturing more than three months from the date of placement		9,763	8,621
Increase in other deposits		—	(3,000)
Purchase of intangible assets		(15,834)	(9,239)
Decrease in other non-current assets		7,076	8,719
Interest received		42,152	32,748
Dividends received from portfolio investments		1,458	1,277
Income from available-for-sale financial assets		17	18
Dividends received from jointly controlled entities		1,037	508
Net cash used in investing activities		(389,523)	(271,849)
Cash flows from financing activities			
New loans		287,612	485,540
Repayment of loans		(113,492)	(477,276)
Redemption of preference shares		(9,237)	(8,511)
Capital element of finance lease rental payments		(45,189)	(53,259)
Contribution from minority interests		4,017	—
Dividends paid to shareholders		(162,970)	(177,595)
Dividend paid to minority interests		(253)	(225)
Net cash used in financing activities		(39,512)	(231,326)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		947,370	744,348
Classified as assets held for sale	16	(65,635)	—
Currency translation adjustments		20,800	(8,424)
Cash and cash equivalents at end of year	41(d)	810,903	947,370

Consolidated Statement of Changes in Equity

For the year ended 31st December 2006

US\$'000	Equity holders			Minority	
	Share capital	Reserves	Sub-total	interests	Total
At 31st December 2004	56,890	1,752,519	1,809,409	7,808	1,817,217
Currency translation adjustments	—	(1,472)	(1,472)	109	(1,363)
Bonus issue (note 35)	5,689	(5,689)	—	—	—
Change in fair value	—	3,134	3,134	—	3,134
Profit for the year	—	650,854	650,854	437	651,291
2004 final dividend	—	(102,334)	(102,334)	—	(102,334)
2005 interim dividend	—	(75,261)	(75,261)	—	(75,261)
Dividend paid to minority interests	—	—	—	(225)	(225)
At 31st December 2005	62,579	2,221,751	2,284,330	8,129	2,292,459
Currency translation adjustments	—	15,666	15,666	397	16,063
Change in fair value	—	9,577	9,577	—	9,577
Profit for the year	—	580,603	580,603	537	581,140
2005 final dividend	—	(94,031)	(94,031)	—	(94,031)
2006 interim dividend	—	(68,939)	(68,939)	—	(68,939)
Contribution from minority interests	—	—	—	4,017	4,017
Dividend paid to minority interests	—	—	—	(253)	(253)
At 31st December 2006	62,579	2,664,627	2,727,206	12,827	2,740,033

Notes to the Consolidated Accounts

1. General information

Orient Overseas (International) Limited ("the Company") is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

On 23rd November 2006, the Group announced that it had entered into a Stock Purchase Agreement dated 21st November 2006 with 0775150 B.C. Ltd and 2119601 Ontario Limited, being newly-formed subsidiaries of Ontario Teachers' Pension Plan Board to sell its 100% interest in TSI Holding S.A., Consolidated (Terminal Holdings) Limited and Global Terminal & Container Services Inc (collectively referred to as the "Disposal Group") for a gross consideration of US\$2.35 billion, receivable in cash. After transaction costs and tax, the post-tax gain arising on the disposal is estimated at US\$1.96 billion, which will be recognised in the consolidated profit and loss account upon completion of the sale in 2007.

An analysis of the results, cash flows and assets and liabilities of the Disposal Group is presented in note 16.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 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.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

The adoption of new/revised HKFRS

In 2006, the Group adopted the amendments and interpretation of HKFRS below, which are relevant to its operations.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The Group has assessed the impact of the adoption of these amendments and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, where the adoption of HKAS 19 (Amendment) impacts the format and extent of disclosures presented in the consolidated accounts.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and accounts and are mandatory for the Group's accounting periods beginning on or after 1st January 2007 or later periods as follows :

Effective from 1st January 2007

HKAS 1 (Amendment)	Presentation of Financial Statements : Capital Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Reporting and Impairment
HK (IFRIC) – Int 11	HKFRS 2 - Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

Effective from 1st January 2009

HKFRS 8	Operating Segments
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The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the accounts will be resulted.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities and associated companies.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

(b) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost or valuation less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

No depreciation is provided for vessels under construction and freehold land.

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment and improvements	10 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	3 to 15 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account. Upon disposal of revalued assets, any revaluation reserve is transferred directly to retained profit.

2.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out annually by Directors or independent external valuers. Changes in fair values are recognised in the profit and loss account.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2. Summary of significant accounting policies (Continued)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the effective date of acquisition and, in respect of an increase in holding in a subsidiary company, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities is included in investments in associated companies or jointly controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Investments

The Group classifies its investments in the following categories: portfolio investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.9 Properties under development and for sale

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in the profit and loss account immediately. In all other respects, inventories in respect of property development activities are carried at the lower of cost and net realisable value.

2. Summary of significant accounting policies (Continued)

2.10 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the equity holders of the Company and all the shares are cancelled.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.15 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

2. Summary of significant accounting policies (Continued)

2.15 Deferred taxation (Continued)

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where require.

For defined benefit pension plans, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and which are used to pay to the employee or dependent a pension after retirement. Such pension costs are assessed using the projected unit method, under which, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the profit and loss account over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

2.18 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss account. The Group regards its financial guarantees provided to its subsidiaries and an investee company as insurance contracts.

2.19 Assets held for sale

The disposal group is classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A discontinued segment is separately presented from continuing segments.

2.21 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2. Summary of significant accounting policies (Continued)

2.21 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.22 Revenue recognition

Revenue comprises the fair value for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (a) Freight revenues from the operation of the container transport and logistics business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.
- (b) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.
- (c) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.
- (d) Sales of properties are recognised when the risk and rewards of the property have been passed to the customers.
- (e) Interest income is recognised on a time-proportion basis using the effective interest method.
- (f) Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (Continued)

2.23 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments 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 or where there is impairment, the impairment is expensed in the profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.24 Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying assets commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.25 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the profit and loss account.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rate of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified either as available-for-sale financial assets or as portfolio investments. The Group is not exposed to commodity price risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, derivative financial instruments, restricted bank balances and other deposits, debtors and prepayments, advance to an investee company, amounts receivable from jointly controlled entities and the corporate guarantee in respect of bank loan facilities extended to an investee company.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents.

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

There are no material fixed rate receivable and borrowings in the Group.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing borrowings. These exposures are managed through the use of derivative financial instruments such as interest rate swap.

3. Financial risk management (Continued)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the balance sheet date.

The fair values of debtors, cash and cash equivalents, creditors and accruals, current borrowings and balances with subsidiaries, jointly controlled entities and advances to an investee company are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Investment property

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4. Critical accounting estimates and judgements (Continued)

(c) Pension

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income for pensions include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumptions is determined on an uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximately the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

(d) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(e) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost. Invoices in relation to these expenses are received approximately up to six months after the expenses have been incurred. Consequently, recognition of operating costs is based on the rendering of services as well as the latest tariff agreed with vendors.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

5. Turnover and segment information

(a) Turnover

US\$'000	2006	2005
Container transport and logistics	4,580,186	4,322,618
Property investment and development	29,565	23,029
	4,609,751	4,345,647

The principal activities of the Group are container transport and logistics and property investment and development.

Turnover represents gross freight, charterhire, service and other income from the operation of the container transport and logistics and sales of properties and rental income from the investment property.

(b) Segment reporting

The principal activities of the Group are container transport and logistics and property investment and development. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Transatlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments.

For the geographical segment reporting, freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory. The Directors consider that the nature of the container transport and logistics activities, which cover the world's major shipping lanes, and the way in which costs are allocated precludes a meaningful allocation of operating profit to specific geographical segments. Accordingly, geographical segment results for container transport and logistics business are not presented.

Unallocated assets under business segment reporting primarily include portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances. While unallocated segment liabilities include borrowings, derivative financial instruments, current and deferred taxation liabilities.

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment

The segment results for the year ended 31st December 2006 are as follows:

US\$'000	Continuing operations					Discontinued operation		Group
	Container transport and logistics	Property investment and development	Unallocated	Elimination	Sub-total	Terminal	Elimination	
Turnover	4,580,186	30,413	—	(848)	4,609,751	500,402	(53,520)	5,056,633
Operating profit	453,668	110,666	57,030	—	621,364	87,402	—	708,766
Finance costs (note 12)					(71,721)	(7,085)		(78,806)
Share of profits less losses of jointly controlled entities (note 21)					4,346	—		4,346
Share of losses of associated companies (note 22)					(771)	—		(771)
Profit before taxation					553,218	80,317		633,535
Taxation					(24,883)	(27,512)		(52,395)
Profit for the year					528,335	52,805		581,140
Capital expenditure	581,689	152	—	—	581,841	51,287	—	633,128
Depreciation	150,028	75	—	—	150,103	28,658	—	178,761
Amortisation	3,034	1,328	—	—	4,362	925	—	5,287

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment results for the year ended 31st December 2005 are as follows:

US\$'000	Continuing operations				Discontinued operation			Group
	Container transport and logistics	Property investment and development	Unallocated	Elimination	Sub-total	Terminal	Elimination	
Turnover	4,322,618	23,932	—	(903)	4,345,647	393,117	(42,523)	4,696,241
Operating profit	654,791	8,271	30,501	—	693,563	51,363	—	744,926
Finance costs (note 12)					(55,744)	(5,915)		(61,659)
Share of profits less losses of jointly controlled entities (note 21)					6,950	—		6,950
Share of loss of an associated company (note 22)					(84)	—		(84)
Profit before taxation					644,685	45,448		690,133
Taxation					(29,487)	(9,355)		(38,842)
Profit for the year					615,198	36,093		651,291
Capital expenditure	576,440	71	—	—	576,511	58,983	—	635,494
Depreciation	132,458	57	—	—	132,515	24,787	—	157,302
Amortisation	4,529	1,058	—	—	5,587	1,234	—	6,821

Inter-segment transfers or transactions are conducted at prices and terms mutually agreed amongst those business segments.

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2006 are as follows:

US\$'000	Container transport and logistics	Property investment and development	Unallocated	Group
Segment assets				
Property, plant and equipment	2,776,703	301	—	2,777,004
Jointly controlled entities	3,391	18,457	—	21,848
Associated companies	41,820	—	—	41,820
Assets held for sale (note 16)	—	—	406,232	406,232
Other assets	462,716	685,553	1,204,830	2,353,099
Total assets	3,284,630	704,311	1,611,062	5,600,003
Segment liabilities				
Creditors and accruals	(544,002)	(15,330)	(1,203)	(560,535)
Liabilities directly associated with assets classified as held for sale (note 16)	—	—	(178,992)	(178,992)
Other liabilities	(10,305)	—	(2,110,138)	(2,120,443)
Total liabilities	(554,307)	(15,330)	(2,290,333)	(2,859,970)

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2005 are as follows:

	Container	Property			
	transport	investment			
	and		and		
US\$'000	logistics	Terminal	development	Unallocated	Group
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	2,686,390	374,372	426,867	1,327,287	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	(542,282)	(58,888)	(14,510)	(1,906,777)	(2,522,457)

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Secondary reporting – geographical segment

The Group's two business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

US\$'000	Turnover	Operating profit/(loss)	Capital expenditure
Year ended 31st December 2006			
Asia	3,094,351	(3,170)	28,145
North America	744,591	110,400	28,750
Europe	689,043	—	1,288
Australia	81,766	—	225
Unallocated*	—	514,134	523,433
	4,609,751	621,364	581,841
Discontinued operation	500,402	87,402	51,287
Elimination	(53,520)	—	—
	5,056,633	708,766	633,128
Year ended 31st December 2005			
Asia	3,023,294	468	39,333
North America	693,177	15,545	31,905
Europe	556,054	—	751
Australia	73,122	—	337
Unallocated*	—	677,550	504,185
	4,345,647	693,563	576,511
Discontinued operation	393,117	51,363	58,983
Elimination	(42,523)	—	—
	4,696,241	744,926	635,494

5. Turnover and segment information (Continued)

(b) Segment reporting (Continued)

Secondary reporting – geographical segment (Continued)

US\$'000	2006	2005
Total assets		
Asia	656,040	379,907
North America	322,090	540,467
Europe	28,546	21,262
Australia	823	627
Unallocated*	4,186,272	3,872,653
	5,193,771	4,814,916
Assets held for sale	406,232	—
	5,600,003	4,814,916

* Operating profit comprises results from container transport and logistics and investment activities. Whereas total assets mainly comprise vessels, containers, intangible assets, portfolio investments, derivative financial instruments, inventories, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances while capital expenditure mainly comprises additions to vessels, containers and intangible assets.

6. Operating costs

US\$'000	2006	2005
Cargo	1,912,134	1,732,272
Vessel and voyage	1,200,279	965,406
Equipment and repositioning	591,643	537,912
Property management and development	14,722	10,443
	3,718,778	3,246,033

7. Other operating income

US\$'000	2006	2005
Income from available-for-sale financial assets		
- profit on disposal	16	18
- dividend income	17	18
Interest income from banks	40,431	29,155
Portfolio investment income		
- fair value gain (realised and unrealised)	25,471	10,344
- interest income	2,678	2,722
- dividend income	1,458	1,277
Gain on foreign exchange forward contracts	8,103	—
Gain on interest rate swap contracts	—	5,152
Profit on disposal of property, plant and equipment	11,644	8,709
Exchange gain	6,810	13,287
Others	6,310	4,662
	102,938	75,344

The investment income from listed and unlisted investments for the year are US\$3.3 million (2005: US\$2.7 million) and US\$0.8 million (2005: US\$1.3 million), respectively.

8. Other operating expenses

US\$'000	2006	2005
Business and administrative	459,557	464,958
Corporate	11,920	11,845
Loss on interest rate swap contracts	1,070	—
Loss on foreign exchange forward contracts	—	4,592
	472,547	481,395

9. Employee benefit expense

US\$'000	2006	2005
Wages and salaries		
- General and administrative staff	352,244	370,982
- Terminal workers	244,906	199,760
- Crew and seamen	28,709	25,696
	625,859	596,438
Pension and retirement benefits		
- Defined contribution plans (note 25)	16,226	15,296
- Defined benefit plans (note 25)	6,812	7,410
	648,897	619,144
Representing :		
Continuing operations	374,103	393,166
Discontinued operation	274,794	225,978
	648,897	619,144

Employee benefit expenses of US\$64.9 million (2005: US\$68.7 million) are included in operating costs in the profit and loss account.

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below:

Name of Director						Employer's
						contribution
US\$'000	Fees	Salary	Discretionary bonuses	Other benefits	to provident fund scheme	Total
For the year ended 31st December 2006						
Mr C C Tung	106	539	976	—	152	1,773
Mr Tsann Rong Chang	—	64	—	—	—	64
Mr Roger King	—	54	—	—	5	59
Mr Nicholas D Sims	115	139	704	114	80	1,152
Mr Philip Chow	—	468	2,336	—	258	3,062
Mr Alan Tung	—	238	115	—	35	388
Mr Simon Murray	19	—	—	—	—	19
Dr Victor K Fung	32	—	—	—	—	32
Prof Richard Wong	26	—	—	—	—	26

The discretionary bonuses paid in 2006 were in relation to performance for year 2005.

10. Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

					Employer's	
					contribution	
Name of Director		Discretionary	Other	to provident		
US\$'000	Fees	Salary	bonuses	benefits	fund scheme	Total
For the year ended 31st December 2005						
Mr C C Tung	106	539	995	—	154	1,794
Mr Tsann Rong Chang	—	64	—	—	—	64
Mr Roger King	—	54	—	—	5	59
Mr Nicholas D Sims	115	136	697	108	53	1,109
Mr Philip Chow	—	456	2,396	—	285	3,137
Mr Alan Tung	—	160	—	—	16	176
Mr Simon Murray	19	—	—	—	—	19
Dr Victor K Fung	32	—	—	—	—	32
Prof Richard Wong	26	—	—	—	—	26

The discretionary bonuses paid in 2005 were in relation to performance for year 2004.

None of the Directors has waived the right to receive their emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) individuals are as follows:

US\$'000	2006	2005
Basic salaries, housing allowances, other allowances and benefits in kind	967	921
Discretionary bonuses	3,737	3,834
Pension costs - defined contribution plans	360	475
	5,064	5,230

10. Directors' and management's emoluments (Continued)**(b) Five highest paid individuals (Continued)**

The emoluments of the five individuals fell within the following bands:

Emolument bands (US\$)	Number of individuals	
	2006	2005
1,474,301 ~ 1,538,400 (HK\$11,500,001 ~ HK\$12,000,000)	1	—
1,602,501 ~ 1,666,600 (HK\$12,500,001 ~ HK\$13,000,000)	1	2
1,730,701 ~ 1,794,900 (HK\$13,500,001 ~ HK\$14,000,000)	1	1
1,923,001 ~ 1,987,100 (HK\$15,000,001 ~ HK\$15,500,000)	1	1
3,012,801 ~ 3,076,900 (HK\$23,500,001 ~ HK\$24,000,000)	1	—
3,076,901 ~ 3,141,000 (HK\$24,000,001 ~ HK\$24,500,000)	—	1
	5	5

(c) Key management compensation

US\$'000	2006	2005
Salaries and other short-term employee benefits	13,771	11,792
Pension costs - defined contribution plans	1,207	1,109
	14,978	12,901

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit

US\$'000	2006		2005	
	Continuing operations	Discontinued operation	Continuing operations	Discontinued operation
Operating profit is arrived at after crediting :				
Operating lease rental income				
Land and buildings	23,740	—	21,974	—
and after charging:				
Depreciation				
Owned assets	117,151	19,348	105,367	12,046
Leased assets	32,952	9,310	29,821	10,068
Operating lease rental expense				
Vessels and equipment	431,399	1	405,442	—
Land and buildings	22,450	29,286	21,036	26,437
Rental outgoings in respect of an investment property	13,546	—	14,223	—
Amortisation of intangible assets	2,743	507	4,307	953
Amortisation of prepayments of lease premiums	1,619	418	1,280	281
Less: Amount capitalised under properties under development and for sale	(1,327)	—	(1,057)	—
	292	418	223	281
Auditors' remuneration				
Audit	2,316	261	2,081	246
Non-audit	1,250	254	1,443	116

Operating lease rental expenses of US\$428.4 million and US\$25.4 million (2005: US\$403.2 million and US\$23.2 million) respectively were included in operating costs and other operating expenses in the profit and loss account.

12. Finance costs

US\$'000	2006	2005
Interest expense		
Bank loans, overdrafts and other loans		
Wholly repayable within five years	20,623	16,697
Not wholly repayable within five years	14,603	12,743
Loans from minority interests		
Wholly repayable within five years	198	—
Not wholly repayable within five years	60	—
Finance lease obligations		
Wholly payable within five years	4,502	5,391
Not wholly payable within five years	43,682	22,288
	83,668	57,119
Amount capitalised under assets	(16,909)	(6,977)
Net interest expense	66,759	50,142
Dividend on preference shares	4,962	5,602
	71,721	55,744

The borrowing cost of the loans to finance the vessels under construction (note 17) and properties under development and for sale (note 29) represents an average capitalisation rate of approximately 4.9% (2005: 3.9%).

13. Taxation

US\$'000	2006	2005
Current taxation		
Hong Kong profits tax	2,572	1,026
Overseas taxation	12,814	14,277
	15,386	15,303
Deferred taxation		
Hong Kong profits tax	—	1,866
Overseas taxation	9,497	12,318
	24,883	29,487

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 7% to 52% (2005: 3% to 52%) and the rate applicable for Hong Kong profits tax is 17.5% (2005: 17.5%).

13. Taxation (Continued)

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US\$'000	2006	2005
Profit before taxation	553,218	644,685
Share of profits less losses of jointly controlled entities	(4,346)	(6,950)
Share of losses of associated companies	771	84
	549,643	637,819
Tax calculated at applicable tax rates	153,218	138,797
Income not subject to tax	(154,727)	(119,943)
Expenses not deductible for tax purposes	27,641	18,062
Tax losses not recognised	2,169	2,193
Temporary differences not recognised	480	(2,580)
Utilisation of previously unrecognised tax losses	(2,492)	(4,434)
Utilisation of previously unrecognised temporary differences	(2,272)	(2,761)
Recognition of previously unrecognised temporary differences	—	11
Change in tax rates	—	(131)
Withholding tax	1,183	198
Other items	(317)	75
	24,883	29,487

14. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to equity holders divided by the number of ordinary shares in issue during the year.

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

	2006	2005
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to equity holders (US\$'000)	527,798	614,761
Earnings per share from continuing operations (US cents)	84.4	98.2
Profit from discontinued operation attributable to equity holders (US\$'000)	52,805	36,093
Earnings per share from discontinued operation (US cents)	8.4	5.8

15. Dividends

US\$'000	2006	2005
Interim paid of US11 cents (2005: US12 cents) per ordinary share	68,939	75,261
Proposed final of US12 cents (2005: US15 cents) per ordinary share	75,095	93,869
Proposed special of US80 cents (2005: nil) per ordinary share	500,635	—
	644,669	169,130

The Board of Directors proposes a final dividend in respect of 2006 of US12 cents per ordinary share (2005: US15 cents after adjusting for the bonus issue). In addition, the Board of Directors proposes a special dividend of US80 cents per ordinary share as a result of the disposal of the Group's Terminals Division. These proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2007.

16. Discontinued operation and assets held for sale

An analysis of the results, cash flows and assets and liabilities of the Disposal Group is as follows:

(a) Discontinued operation

US\$'000	2006	2005
Group		
(i) Results		
Turnover	500,402	393,117
Operating costs	(358,911)	(288,269)
Gross profit	141,491	104,848
Other operating income	1,968	950
Other operating expenses	(56,057)	(54,435)
Operating profit	87,402	51,363
Finance costs	(7,085)	(5,915)
Profit before taxation	80,317	45,448
Taxation	(27,512)	(9,355)
Profit for the year	52,805	36,093
(ii) Cash flows		
Operating cash flows	74,694	50,366
Investing cash flows	(41,314)	(57,326)
Financing cash flows	(15,532)	37,637
Total cash flows	17,848	30,677

16. Discontinued operation and assets held for sale (Continued)

(b) Assets held for sale

		As at
		31st December
US\$'000	Note	2006
ASSETS		
Non-current assets		
Property, plant and equipment	17	243,894
Prepayments of lease premiums	19	1,870
Intangible assets	23	4,300
Pension and retirement assets		4,803
Restricted bank balances and other deposits		3,317
Other non-current assets		587
		258,771
Current assets		
Debtors and prepayments		78,022
Amounts receivable from group companies		7,121
Cash and bank balances		62,318
		147,461
Total assets		406,232
LIABILITIES		
Non-current liabilities		
Borrowings, secured		40,662
Deferred taxation liabilities	24	18,885
Pension and retirement liabilities		4,042
		63,589
Current liabilities		
Creditors and accruals		45,707
Amounts payable to group companies		2,207
Borrowings, secured		59,515
Current taxation		7,974
		115,403
Total liabilities		178,992

Note:

The aggregate net book amounts of leased assets and assets pledged as securities for loans amount to US\$94.3 million and US\$29.4 million respectively.

17. Property, plant and equipment

US\$'000	Container					Buildings			
	vessels and		Terminal			Freehold	under	Vehicles,	
	capitalised	Vessels	equipment			land and	medium-term	furnitures,	
	dry-docking	under	and			buildings	leasehold	computer	
	costs	construction	Containers	Chassis	improvements	outside	land outside	and other	Total
Group									
Cost or valuation									
At 31st December 2005	1,527,231	625,013	689,341	150,034	409,824	55,830	24,875	146,059	3,628,207
Currency translation adjustments	—	—	—	(19)	509	122	704	1,343	2,659
Additions	3,127	326,657	180,030	14,892	55,353	297	16,520	20,224	617,100
Classified as assets held for sale (note 16)	—	—	—	(9,468)	(323,571)	(49,077)	(6,238)	(26,794)	(415,148)
Reclassification	251,102	(251,102)	—	—	(136,407)	—	—	136,407	—
Disposals	(34,585)	—	(28,960)	(2,243)	(5,708)	—	(810)	(34,826)	(107,132)
At 31st December 2006	1,746,875	700,568	840,411	153,196	—	7,172	35,051	242,413	3,725,686
Accumulated depreciation									
At 31st December 2005	414,713	—	239,301	100,260	151,227	28,718	8,508	91,534	1,034,261
Currency translation adjustments	—	—	—	(12)	(289)	61	281	1,077	1,118
Charge for the year	57,551	—	52,108	8,020	36,538	1,126	3,528	19,890	178,761
Classified as assets held for sale (note 16)	—	—	—	(4,616)	(121,046)	(28,086)	(1,111)	(16,395)	(171,254)
Reclassification	—	—	—	—	(61,748)	—	—	61,748	—
Disposals	(31,632)	—	(21,697)	(1,174)	(4,682)	—	(587)	(34,432)	(94,204)
At 31st December 2006	440,632	—	269,712	102,478	—	1,819	10,619	123,422	948,682
Net book amount									
At 31st December 2006	1,306,243	700,568	570,699	50,718	—	5,353	24,432	118,991	2,777,004
At 31st December 2005	1,112,518	625,013	450,040	49,774	258,597	27,112	16,367	54,525	2,593,946
Net book amount of leased assets									
At 31st December 2006	631,541	553,544	99,980	13,601	—	—	—	3,093	1,301,759
At 31st December 2005	510,307	534,749	54,982	17,708	76,768	—	—	1,819	1,196,333

17. Property, plant and equipment (Continued)

US\$'000	Container					Buildings			
	vessels and		Terminal			Freehold	under	Vehicles,	
	capitalised	Vessels	equipment			land and	medium-term	furnitures,	
	dry-docking	under	and			buildings	leasehold	computer	
	costs	construction	Containers	Chassis	improvements	outside	land outside	and other	Total
Group									
Cost or valuation									
At 31st December 2004	1,364,106	380,250	618,983	137,758	334,674	53,633	19,799	126,523	3,035,726
Currency translation adjustments	—	—	—	272	6,727	(73)	439	(244)	7,121
Additions	18,099	389,789	87,311	13,462	78,927	2,437	4,704	26,608	621,337
Reclassification	145,026	(145,026)	—	—	—	—	—	—	—
Disposals	—	—	(16,953)	(1,458)	(10,504)	(167)	(67)	(6,828)	(35,977)
At 31st December 2005	1,527,231	625,013	689,341	150,034	409,824	55,830	24,875	146,059	3,628,207
Accumulated depreciation									
At 31st December 2004	354,361	—	212,507	92,595	128,729	26,777	7,163	81,528	903,660
Currency translation adjustments	—	—	—	134	2,745	(33)	138	(88)	2,896
Charge for the year	60,352	—	40,945	7,916	28,134	1,974	1,274	16,707	157,302
Disposals	—	—	(14,151)	(385)	(8,381)	—	(67)	(6,613)	(29,597)
At 31st December 2005	414,713	—	239,301	100,260	151,227	28,718	8,508	91,534	1,034,261
Net book amount									
At 31st December 2005	1,112,518	625,013	450,040	49,774	258,597	27,112	16,367	54,525	2,593,946
At 31st December 2004	1,009,745	380,250	406,476	45,163	205,945	26,856	12,636	44,995	2,132,066
Net book amount of leased assets									
At 31st December 2005	510,307	534,749	54,982	17,708	76,768	—	—	1,819	1,196,333
At 31st December 2004	384,188	144,620	61,608	23,449	68,071	—	—	352	682,288

17. Property, plant and equipment (Continued)

- (a) Container vessels include three (2005: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US\$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 80A of Hong Kong Accounting Standard 16 "Property, plant and equipment". Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US\$1.5 million (2005: US\$1.9 million).
- (b) Apart from the container vessels mentioned under (a) above, all other property, plant and equipment are carried at cost.
- (c) The aggregate net book amount of assets pledged as securities for loans amounts to US\$913.9 million (2005: US\$447.0 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.
- (d) Interest costs of US\$13.2 million (2005: US\$4.5 million) during the year were capitalised as part of vessels under construction.
- (e) Depreciation charge of US\$130.8 million (2005: US\$120.9 million) during the year has been expensed in operating cost and US\$19.3 million (2005: US\$14.3 million) in business and administrative expenses.

18. Investment property**Group**

US\$'000	2006	2005
Balance at beginning of year	100,000	100,000
Fair value gain	100,000	—
Balance at end of year	200,000	100,000

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066. The property is stated at Directors' valuation of US\$200.0 million (2005: US\$100.0 million), by reference to a professional valuation made by an independent valuer, in December 2006 on an open market basis.

The investment property is pledged for bank borrowings for 2005 and 2006.

19. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

US\$'000	2006	2005
Group		
Medium-term lease outside Hong Kong	5,416	7,787
Balance at beginning of year	7,787	3,110
Currency translation adjustments	115	263
Additions	194	4,918
Disposals	(100)	—
Classified as assets held for sale (note 16)	(1,870)	—
Amortisation	(710)	(504)
Balance at end of year	5,416	7,787

Amortisation of US\$0.3 million (2005: US\$0.2 million) is included in "other operating expenses" in the profit and loss account.

20. Subsidiaries

US\$'000	2006	2005
Company		
Unlisted shares, at cost less provision	169,482	169,482
Amounts due from subsidiaries	1,340,887	1,195,708
Amounts due to subsidiaries	1,053,522	843,900

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment.

Particulars of the principal subsidiaries at 31st December 2006 are shown on pages 156 to 168.

21. Jointly controlled entities

US\$'000	2006	2005
Group		
Balance at beginning of year	21,563	14,796
Share of jointly controlled entities' results		
- Profit before taxation	5,682	10,043
- Taxation	(1,336)	(3,093)
	25,909	21,746
Currency translation adjustments	612	138
Additions	—	187
Dividends received	(1,037)	(508)
Balance at end of year	25,484	21,563
Share of net assets	25,484	21,563
Amounts payable	(3,636)	(1,706)
	21,848	19,857

The amounts payable are unsecured, interest free and have no specific repayment terms.

The Group's share of assets, liabilities and results of the jointly controlled entities is summarised below:

US\$'000	2006	2005
Non-current assets	613	870
Current assets	51,763	53,755
Current liabilities	(26,892)	(33,062)
	25,484	21,563
Income	11,964	22,584
Expenses	(7,618)	(15,634)
Capital commitment	30	28

Particulars of the principal jointly controlled entities at 31st December 2006 are shown on page 168.

22. Associated companies

US\$'000	2006	2005
Group		
Share of net assets		
Balance at beginning of year	7,916	—
Share of associated companies' results		
- Loss for the year	(771)	(84)
	7,145	(84)
Currency translation adjustments	830	—
Additions	33,845	8,000
Balance at end of year	41,820	7,916

The Group's share of assets, liabilities and results of the associated companies is summarised as follows:

US\$'000	2006	2005
Non-current assets	64,834	6,905
Current assets	17,499	1,020
Non-current liabilities	(11,986)	—
Current liabilities	(28,527)	(9)
	41,820	7,916
Income	176	4
Expenses	(947)	(88)

Particulars of the associated companies at 31st December 2006 are shown on page 168.

23. Intangible assets

US\$'000	Computer software development costs
Group	
At 1st January 2005	
Cost	55,287
Accumulated amortisation	(38,360)
Net book amount	16,927
Year ended 31st December 2005	
Opening net book amount	16,927
Currency translation adjustments	124
Additions	9,239
Amortisation	(5,260)
Closing net book amount	21,030
At 31st December 2005	
Cost	64,339
Accumulated amortisation	(43,309)
Net book amount	21,030
Year ended 31st December 2006	
Opening net book amount	21,030
Currency translation adjustments	49
Additions	15,834
Amortisation	(3,250)
Classified as assets held for sale (note 16)	(4,300)
Closing net book amount	29,363
At 31st December 2006	
Cost	73,914
Accumulated amortisation	(44,551)
Net book amount	29,363

Computer software development costs mainly comprise internally generated capitalised software development costs.

Amortisation of US\$2.7 million (2005: US\$4.3 million) is included in "other operating expenses" in the profit and loss account.

24. Deferred taxation assets/(liabilities)

US\$'000	2006	2005
Group		
Deferred taxation assets	1,053	8,203
Deferred taxation liabilities	(33,996)	(50,204)
	(32,943)	(42,001)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US\$'000	2006	2005
Deferred taxation assets to be recovered after more than twelve months	151	3,568
Deferred taxation liabilities to be settled after more than twelve months	(33,996)	(49,913)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

US\$'000	Revenue expenditure	Tax losses	Pensions	Total
Deferred taxation assets				
At 31st December 2004	13,350	4,909	1,208	19,467
Currency translation adjustments	(336)	(184)	—	(520)
Change in tax rates	85	—	23	108
Credited/(charged) to profit and loss account	(6,118)	(3,672)	662	(9,128)
At 31st December 2005	6,981	1,053	1,893	9,927
Currency translation adjustments	38	—	—	38
Credited/(charged) to profit and loss account	9,590	(868)	(311)	8,411
Classified as assets held for sale (note 16)	(10,854)	—	—	(10,854)
At 31st December 2006	5,755	185	1,582	7,522

24. Deferred taxation assets/(liabilities) (Continued)

	Depreciation			
US\$'000	allowances	Revaluation	Pensions	Total
Deferred taxation liabilities				
At 31st December 2004	23,783	19,797	701	44,281
Currency translation adjustments	1,350	—	—	1,350
Change in tax rates	(685)	—	—	(685)
Acquisition of a subsidiary	—	3,803	—	3,803
Charged to profit and loss account	1,759	1,420	—	3,179
At 31st December 2005	26,207	25,020	701	51,928
Currency translation adjustments	1	—	(10)	(9)
Charged to profit and loss account	10,964	7,239	82	18,285
Classified as liabilities directly associated with assets held for sale (note 16)	(29,480)	—	(259)	(29,739)
At 31st December 2006	7,692	32,259	514	40,465

Deferred taxation assets of US\$25.2 million (2005: US\$19.9 million) arising from unused tax losses of US\$118.0 million (2005: US\$100.1 million) have not been recognised in the accounts. Unused tax losses of US\$111.5 million (2005: US\$91.7 million) have no expiry date and the balance will expire at various dates up to and including 2010.

Deferred taxation liabilities of US\$19.3 million (2005: US\$18.5 million) on temporary differences associated with investments in subsidiaries of US\$189.9 million (2005: US\$180.1 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies.

25. Pension and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the profit and loss account for the year were US\$23.0 million (2005: US\$22.7 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 79% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charges for the defined contribution schemes to the profit and loss account during the year are as follows:

US\$'000	2006	2005
Group		
Contributions to the schemes	16,292	15,364
Forfeitures utilised	(66)	(68)
	16,226	15,296

Contributions totalling US\$2.6 million (2005: US\$2.8 million) were payable to the schemes at the balance sheet date.

Defined benefit schemes

The amounts recognised in the balance sheet are as follows:

US\$'000	Note	2006	2005
Group			
Schemes assets		4,068	6,683
Schemes liabilities		(3,856)	(9,527)
Net Schemes assets/(liabilities)	(a)	212	(2,844)
Post retirement medical plans	(b)	(6,449)	(5,553)
		(6,237)	(8,397)
Representing:			
Pension and retirement assets		4,068	6,683
Pension and retirement liabilities		(10,305)	(15,080)
		(6,237)	(8,397)

25. Pension and retirement benefits (Continued)**Defined benefit schemes (Continued)**

The charges recognised in the profit and loss account are as follows:

US\$'000	Note	2006	2005
Schemes	(a)	5,751	5,880
Post retirement medical plans	(b)	1,061	1,530
		6,812	7,410
Representing:			
Continuing operations		5,092	6,265
Discontinued operation		1,720	1,145
		6,812	7,410

(a) Net Schemes assets/(liabilities)

The principal defined benefit schemes are operated in the USA, United Kingdom and Japan, which were valued by Wm Yee Actuarial Consulting, Watson Wyatt Limited and Japan Pension Navigator Co., Ltd respectively. The defined benefit schemes (the "Schemes") cover approximately 8% of the Group's employees and are funded. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the country in which they are situated.

The net Schemes assets/(liabilities) recognised in the balance sheet are determined as follows:

US\$'000	2006	2005
Fair value of plan assets	256,581	244,176
Present value of funded obligations	(282,224)	(302,554)
	(25,643)	(58,378)
Present value of unfunded obligations	—	(742)
Unrecognised actuarial losses	24,316	54,047
Unrecognised prior service cost	1,610	1,994
Unrecognised other (assets)/liabilities	(71)	235
Net Schemes assets/(liabilities)	212	(2,844)

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(a) Net Schemes assets/(liabilities) (Continued)

Movements in the fair value of the plan assets of the Schemes during the year are as follows:

US\$'000	2006	2005
Balance at beginning of year	244,176	251,100
Expected return on plan assets	14,731	13,028
Actuarial gains	3,803	11,791
Currency translation adjustments	28,889	(23,294)
Contributions from the Group	8,864	6,853
Contributions from plan members	721	521
Benefits paid	(18,089)	(15,823)
Reclassification (note)	(26,514)	—
Balance at end of year	256,581	244,176

Movements in the present value of obligations of the Schemes during the year are as follows:

US\$'000	2006	2005
Balance at beginning of year	303,296	300,208
Current service cost	4,483	3,968
Interest cost	14,648	13,791
Actuarial (gains)/losses	(25,236)	24,160
Currency translation adjustments	34,504	(23,529)
Contributions from plan members	721	521
Benefits paid	(18,089)	(15,823)
Reclassification (note)	(32,103)	—
Balance at end of year	282,224	303,296

Note:

Reclassification relates to plan assets/obligations of the Disposal Group.

25. Pension and retirement benefits (Continued)**Defined benefit schemes (Continued)****(a) Net Schemes assets/(liabilities) (Continued)**

The charges of the Schemes recognised in the profit and loss account are as follows:

US\$'000	2006	2005
Current service cost	4,483	3,968
Interest cost	14,648	13,791
Expected return on plan assets	(14,731)	(13,028)
Amortisation of past service cost	259	166
Net actuarial loss	1,092	983
Net expense recognised for the year	5,751	5,880
Representing:		
Continuing operations	4,031	4,735
Discontinued operation	1,720	1,145
	5,751	5,880

Charges of US\$4.0 million (2005: US\$4.7 million) were included in other operating expenses in the profit and loss account.

The main actuarial assumptions made for the Schemes were as follows:

	2006	2005
Discount rate	2 to 6%	2 to 6%
Expected return on plan assets	1 to 8%	1 to 8%
Expected future salary increases	3 to 5%	3 to 5%
Expected future pension increases	3 to 6%	3 to 6%
Actual return on plan assets (US\$'000)	15,994	25,955

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(a) Net Schemes assets/(liabilities) (Continued)

Plan assets of the Schemes are comprised as follows:

US\$'000	2006		2005	
Equity	98,440	38%	105,052	43%
Debt	156,340	61%	136,020	56%
Others	1,801	1%	3,104	1%
	256,581	100%	244,176	100%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

(b) Post retirement medical plans

The Group operates two post retirement medical plans in the USA, which are valued by Wm Yee Actuarial Consulting.

The amount recognised in the balance sheet is determined as follows:

US\$'000	2006	2005
Fair value of plan assets	302	182
Present value of obligations	(7,656)	(9,117)
	(7,354)	(8,935)
Unrecognised actuarial (gains)/losses	(102)	2,171
Unrecognised prior service cost	1,007	1,211
Net liabilities of post retirement medical plans	(6,449)	(5,553)

25. Pension and retirement benefits (Continued)**Defined benefit schemes (Continued)****(b) Post retirement medical plans (Continued)**

Movements in the fair value of the plan assets of the post retirement medical plans during the year are as follows:

US\$'000	2006	2005
Balance at beginning of year	182	84
Expected return on plan assets	27	7
Contributions from the Group	165	147
Benefits paid	(72)	(56)
Balance at end of year	302	182

Movements in the present value of obligations of the post retirement medical plans during the year are as follows:

US\$'000	2006	2005
Balance at beginning of year	9,117	8,102
Current service cost	406	449
Interest cost	416	466
Actuarial (gains)/losses	(2,211)	156
Benefits paid	(72)	(56)
Balance at end of year	7,656	9,117

The charges of the post retirement medical plans recognised in the profit and loss account are as follows:

US\$'000	2006	2005
Current service cost	406	449
Interest cost	416	466
Expected return on plan assets	(27)	(7)
Amortisation of past service cost	204	213
Net actuarial loss	62	409
Net expense recognised for the year	1,061	1,530

The charges were included in other operating expenses in both years.

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(b) Post retirement medical plans (Continued)

The main actuarial assumptions made for the post retirement medical plans were as follows:

	2006	2005
Discount rate	5.8%	5.5%
Healthcare trend rate	8.0%	10.0%

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

US\$'000	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	193	(150)
Effect on the obligations	1,513	(1,208)

(c) The experience adjustments of 2005 and 2006 are as follows:

US\$'000	2006	2005
Fair value of plan assets	256,883	244,358
Present value of defined benefit obligations	(289,880)	(311,671)
Plan deficit	(32,997)	(67,313)
Experience adjustment on plan assets	(918)	(11,666)
Percentage of plan assets (%)	-0.3%	-4.8%
Experience adjustment on plan obligations	5,429	9,377
Percentage of plan obligations (%)	1.9%	3.0%

26. Available-for-sale financial assets

US\$'000	2006	2005
Group		
Balance at beginning of year	13,021	3,508
Currency translation adjustments	74	(32)
Additions	243	6,743
Disposals	(506)	(332)
Change in fair value transferred to equity	9,577	3,134
Balance at end of year	22,409	13,021

Available-for-sale financial assets include the following:

US\$'000	2006	2005
Listed equity securities		
Hong Kong	12,125	7,833
Overseas	7	7
Market value of listed equity securities	12,132	7,840
Unlisted equity securities	8,275	2,991
Unlisted debt securities	2	3
Others	2,000	2,187
	22,409	13,021

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies:

US\$'000	2006	2005
Renminbi	8,172	2,887
Hong Kong dollar	12,593	8,302
Other currencies	1,644	1,832
	22,409	13,021

27. Restricted bank balances and other deposits

US\$'000	2006	2005
Group		
Restricted bank balances	73,694	87,034
Other deposits	14,825	14,825
	88,519	101,859

The restricted bank balances of US\$73.7 million (2005: US\$87.0 million) are funds pledged as securities for banking facilities, redeemable preference shares redemption (note 37) and performance under leasing arrangements or required to be utilised for specific purposes.

The effective interest rate on restricted bank balances was 7.3% (2005: 6.3%); these balances have an average maturity of 3.7 years (2005: 4.7 years).

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar.

28. Other non-current assets

Other non-current assets include an advance to an investee company of US\$79.0 million (2005: US\$85.5 million) which is interest free, unsecured and has no specific terms of repayment.

29. Properties under development and for sale

US\$'000	2006	2005
Group		
Properties under development for sale	378,493	178,698
Completed properties held for sale	—	2,847
	378,493	181,545
Representing:		
Leasehold land and land use rights	123,912	71,199
Development costs	254,581	110,346
	378,493	181,545

29. Properties under development and for sale (Continued)

Interest costs of US\$3.7 million (2005: US\$2.6 million) during the year were capitalised as part of properties under development and for sale.

Amortisation of leasehold land and land use rights of US\$1.3 million (2005: US\$1.1 million) during the year was capitalised as part of development costs.

The properties under development are held at medium-term lease outside Hong Kong.

Bank borrowings are secured on properties under development with the carrying amount of US\$99.6 million (2005: US\$85.3 million).

30. Inventories

US\$'000	2006	2005
Group		
Bunker	51,276	35,546
Consumable stores	6,329	8,965
	57,605	44,511

The cost of inventories recognised as expense and included in operating cost amounts to US\$504.7 million (2005: US\$425.0 million).

31. Debtors and prepayments

US\$'000	2006	2005
Group		
Trade receivables	260,003	284,319
Less: provision for impairment	(4,939)	(7,502)
Trade receivables-net	255,064	276,817
Other debtors	56,594	47,254
Prepayments	50,488	65,061
Utility and other deposits	3,272	3,384
Tax recoverable	17,109	22,574
	382,527	415,090

Trade receivables of US\$223.0 million (2005: US\$219.2 million) were assigned to a third party trustee company which holds these receivables in favour of the Group and an independent third party sponsored by a bank. Under the arrangement, trade receivables of US\$110.0 million (2005: US\$110.0 million) held in the trustee company were securities for a loan of US\$100.0 million (2005: US\$100.0 million).

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted.

The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US\$'000	2006	2005
Below one month	227,635	246,099
Two to three months	21,841	25,912
Four to six months	4,212	4,797
Over six months	1,376	9
	255,064	276,817

31. Debtors and prepayments (Continued)

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The carrying amounts of the Group's trade receivables are mainly denominated in US dollar.

The Group has recognised a loss of US\$0.6 million (2005: US\$0.4 million) in respect of the impairment of its trade receivables during the year ended 31st December 2006. The loss has been included in 'other operating expenses' in the profit and loss account.

32. Portfolio investments

US\$'000	2006	2005
Group		
Listed equity securities		
Hong Kong	37,912	25,273
Overseas	3,461	4,435
Market value of listed equity securities	41,373	29,708
Listed debt securities		
Hong Kong	6,945	6,972
Overseas	40,003	43,978
Unlisted debt securities	—	3,588
Unit trust	2,427	3,325
Money market instruments	173,766	149,433
	264,514	237,004

The carrying amounts of the Group's portfolio investments are mainly denominated in US dollar.

33. Derivative financial instruments

US\$'000	2006	2005
Group		
Assets/(liabilities)		
Foreign exchange forward contracts	3,510	(4,592)
Interest rate swap contracts	(715)	354

34. Cash and bank balances

US\$'000	2006	2005
Group		
Cash at bank and in hand	204,364	342,099
Short-term bank deposits	625,352	620,442
	829,716	962,541

The effective interest rate on short-term bank deposits was 5.2% (2005: 4.3%); these deposits have an average maturity of 14 days (2005: 12 days).

Short-term deposit of US\$9.7 million has been pledged for redeemable preference shares redemption. In 2005, short-term deposits of US\$49.2 million were funds pledged for redeemable preference shares redemption and a bank loan (note 37).

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar.

US\$'000	2006	2005
Company		
Cash at bank and in hand	827	796
Short-term bank deposits	2,029	1,709
	2,856	2,505

35. Share capital

US\$'000	2006	2005
Authorised:		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	50,000	50,000
	205,000	205,000

	Number of shares (thousands)	Ordinary shares US\$'000
Issued and fully paid:		
At 31st December 2004	568,903	56,890
- bonus issue	56,890	5,689
At 31st December 2005 and 2006	625,793	62,579

36. Reserves

Group

US\$'000	Asset revaluation reserve							
	Capital			Vessels	Available-	Foreign	Retained	Total
	Share premium	Contributed surplus	redemption reserve		for-sale financial assets	exchange translation reserve		
Balance at 31st December 2004	178,146	88,547	4,696	9,948	—	(35,291)	1,506,473	1,752,519
Currency translation adjustments								
- Group	—	—	—	—	—	(1,610)	—	(1,610)
- Jointly controlled entities	—	—	—	—	—	138	—	138
Bonus issue	(5,689)	—	—	—	—	—	—	(5,689)
Change in fair value	—	—	—	—	3,134	—	—	3,134
Profit for the year	—	—	—	—	—	—	650,854	650,854
2004 final dividend	—	—	—	—	—	—	(102,334)	(102,334)
2005 interim dividend	—	—	—	—	—	—	(75,261)	(75,261)
Balance at 31st December 2005	172,457	88,547	4,696	9,948	3,134	(36,763)	1,979,732	2,221,751
Currency translation adjustments								
- Group	—	—	—	—	—	14,224	—	14,224
- Jointly controlled entities	—	—	—	—	—	1,442	—	1,442
Change in fair value	—	—	—	—	9,577	—	—	9,577
Profit for the year	—	—	—	—	—	—	580,603	580,603
2005 final dividend	—	—	—	—	—	—	(94,031)	(94,031)
2006 interim dividend	—	—	—	—	—	—	(68,939)	(68,939)
Balance at 31st December 2006	172,457	88,547	4,696	9,948	12,711	(21,097)	2,397,365	2,664,627

36. Reserves (Continued)

Company

	Share	Contributed	Capital	Retained	
US\$'000	premium	surplus	redemption reserve	profit	Total
Balance at 31st December 2004	178,146	88,547	4,696	153,379	424,768
Bonus issue	(5,689)	—	—	—	(5,689)
Profit for the year	—	—	—	218,289	218,289
2004 final dividend	—	—	—	(102,334)	(102,334)
2005 interim dividend	—	—	—	(75,261)	(75,261)
Balance at 31st December 2005	172,457	88,547	4,696	194,073	459,773
Profit for the year	—	—	—	99,521	99,521
2005 final dividend	—	—	—	(94,031)	(94,031)
2006 interim dividend	—	—	—	(68,939)	(68,939)
Balance at 31st December 2006	172,457	88,547	4,696	130,624	396,324

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US\$99.5 million (2005: US\$218.3 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US\$219.2 million (2005: US\$282.6 million) as at 31st December 2006, before the proposed final and special dividends of US\$75.1 million and US\$500.6 million respectively (2005: final dividend of US\$93.9 million) (note 15).

37. Borrowings

US\$'000	2006	2005
Group		
Non-current		
Bank loans		
- secured	468,859	356,870
Other loans		
- secured	100,436	106,020
Loans from minority interests		
- secured	37,735	—
Redeemable preference shares and premium (note)	55,834	65,514
Finance lease obligations	1,208,026	1,121,640
	1,870,890	1,650,044
Current		
Bank overdrafts, unsecured	147	82
Bank loans		
- secured	123,195	120,894
- unsecured	3,842	—
Other loans		
- secured	460	3,896
- unsecured	—	6,840
Loans from minority interests		
- secured	2,481	—
- unsecured	4,704	—
Redeemable preference shares and premium (note)	9,680	9,237
Finance lease obligations	53,399	47,599
	197,908	188,548
Total borrowings	2,068,798	1,838,592

37. Borrowings (Continued)

The maturity of borrowings is as follows:

				Loans	Redeemable		
				from	preference	Finance leases	
US\$'000	Bank loans	Bank overdrafts	Other loans	minority interests	shares and premium	Present value	Minimum payments
As at 31st December 2006							
2007	127,037	147	460	7,185	9,680	53,399	113,346
2008	73,846	—	430	4,963	10,145	54,100	118,848
2009	67,140	—	6	4,963	10,632	66,477	127,873
2010	114,733	—	100,000	4,963	11,142	47,381	105,678
2011	82,999	—	—	4,963	11,677	91,591	146,541
2012 onwards	130,141	—	—	17,883	12,238	948,477	1,423,655
	595,896	147	100,896	44,920	65,514	1,261,425	2,035,941
Wholly repayable							
within five years	292,074	147	100,896	4,704	—	110,963	
Not wholly repayable							
within five years	303,822	—	—	40,216	65,514	1,150,462	
	595,896	147	100,896	44,920	65,514	1,261,425	
As at 31st December 2005							
2006	120,894	82	10,736	—	9,237	47,599	82,096
2007	83,914	—	1,392	—	9,680	82,714	107,791
2008	52,383	—	1,362	—	10,145	48,304	89,869
2009	45,680	—	939	—	10,632	54,741	90,141
2010	93,271	—	100,932	—	11,142	35,593	73,120
2011 onwards	81,622	—	1,395	—	23,915	900,288	1,286,451
	477,764	82	116,756	—	74,751	1,169,239	1,729,468
Wholly repayable							
within five years	140,110	82	115,361	—	—	111,668	
Not wholly repayable							
within five years	337,654	—	1,395	—	74,751	1,057,571	
	477,764	82	116,756	—	74,751	1,169,239	

37. Borrowings (Continued)

The effective interest rates at the balance sheet date were as follows:

	2006				2005				
	US\$	£	Rmb	others	US\$	Can\$	£	Rmb	others
Bank loans	6.0%	—	5.1%	—	5.4%	5.0%	—	4.7%	—
Other loans	5.5%	—	—	—	4.8%	2.4%	—	—	—
Loans from minority interests	5.5%	—	6.1%	—	—	—	—	—	—
Redeemable preference shares and premium	7.1%	—	—	—	7.1%	—	—	—	—
Finance lease obligations	5.6%	5.7%	—	5.4%	5.0%	7.5%	4.9%	—	5.3%

The carrying amounts and fair values of the non-current borrowings are as follows:

US\$'000	Carrying amounts		Fair values	
	2006	2005	2006	2005
Bank loans	468,859	356,870	464,897	356,870
Other loans	100,436	106,020	100,436	106,045
Loans from minority interests	37,735	—	37,735	—
Redeemable preference shares and premium	55,834	65,514	57,293	68,169
Finance lease obligations	1,208,026	1,121,640	1,208,171	1,124,310
	1,870,890	1,650,044	1,868,532	1,655,394

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.1% (2005: 5.8%).

The carrying amounts of short-term borrowings approximate their fair values.

37. Borrowings (Continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

US\$'000	2006	2005
US dollar	1,996,963	1,697,510
Pound sterling	63,195	59,080
Canadian dollar	—	45,938
Renminbi	8,546	35,935
Other currencies	94	129
	2,068,798	1,838,592

The fixed interest rate borrowings of the Group as at 31st December 2006 amounting to US\$194.7 million (2005: US\$174.0 million). The remaining borrowings of US\$1,874.1 million (2005: US\$1,664.6 million) were subject to floating interest rates.

Note:

In June 2002, the Group entered into, inter alia, a Shareholders Agreement, as subsequently amended, with, inter alios, two unrelated third parties (together the "Preference Shareholders") in relation to a subsidiary. Under the Shareholders Agreement, the Preference Shareholders acquired from the Group 90 cumulative preference shares (the "Preference Shares") of €150 each in this subsidiary and contributed an aggregate of US\$100.0 million less the nominal value of the Preference Shares as share premium (the "Premium"). The Preference Shareholders are entitled to receive annual dividends of 7.08% per annum on the aggregate amount of the nominal value of the Preference Shares and Premium outstanding from time to time. To the extent permitted by local law, the Preference Shareholders may propose a repayment of the Premium annually, provided that such repayment does not exceed a maximum percentage specified in the Shareholders Agreement.

38. Creditors and accruals

US\$'000	2006	2005
Group		
Trade payables	139,327	160,927
Other creditors	69,916	52,296
Accrued expenses	320,751	365,730
Deferred revenue	30,541	24,092
	560,535	603,045

The ageing analysis of the Group's trade payables, prepared in accordance with date of invoices, is as follows:

US\$'000	2006	2005
Below one month	87,770	121,595
Two to three months	48,554	34,373
Four to six months	1,605	1,848
Over six months	1,398	3,111
	139,327	160,927

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US\$'000	2006	2005
US dollar	57,740	73,792
Canadian dollar	10,086	22,707
Hong Kong dollar	23,604	19,534
Other currencies	47,897	44,894
	139,327	160,927

39. Commitments

Group

(a) Capital commitments

US\$'000	2006	2005
Contracted but not provided for		
Continuing operations	634,981	284,618
Discontinued operation	23,855	—
	658,836	284,618
Authorised but not contracted for		
Continuing operations	235,494	459,899
Discontinued operation	120,395	—
	355,889	459,899
	1,014,725	744,517

39. Commitments (Continued)

Group (Continued)

(b) Operating lease commitments

The future aggregate minimum lease rental expense under non-cancellable operating leases are payable in the following years:

US\$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2006			
2007	293,667	48,521	342,188
2008	240,205	44,509	284,714
2009	168,128	38,813	206,941
2010	110,157	46,065	156,222
2011	86,586	44,816	131,402
2012 onwards	674,554	1,648,319	2,322,873
	1,573,297	1,871,043	3,444,340
Representing:			
Continuing operations	1,573,290	54,249	1,627,539
Discontinued operation	7	1,816,794	1,816,801
	1,573,297	1,871,043	3,444,340
As at 31st December 2005			
2006	248,103	45,050	293,153
2007	202,084	41,661	243,745
2008	190,560	37,608	228,168
2009	141,181	34,395	175,576
2010	108,562	32,987	141,549
2011 onwards	762,690	363,012	1,125,702
	1,653,180	554,713	2,207,893

39. Commitments (Continued)**Group (Continued)****(c) Operating lease rental receivable**

The future aggregate minimum lease rental income on land and buildings under non-cancellable operating leases are receivable in the following years:

US\$'000	2006	2005
2006	—	19,770
2007	19,141	18,986
2008	18,706	18,071
2009	15,613	14,948
2010	12,477	11,061
2011	10,282	8,849
2012 onwards	26,618	17,614
	102,837	109,299

40. Financial guarantees**Group**

The Group has given corporate guarantee of approximately US\$43.1 million (2005: US\$43.1 million) in respect of bank loan facilities extended to an investee company. At 31st December 2006, the amount utilised by the investee company was US\$32.5 million (2005: US\$33.9 million).

Company

- (a) The Company has given guarantees of approximately US\$2,010.2 million (2005: US\$1,287.1 million) for its subsidiaries and approximately US\$43.1 million (2005: US\$43.1 million) for an investee company in respect of loans, finance lease obligations and bank overdraft facilities. At 31st December 2006, the amounts utilised by the subsidiaries and the investee company were US\$1,698.2 million (2005: US\$1,283.7 million) and US\$32.5 million (2005: US\$33.9 million) respectively.

At 31st December 2006, guarantees given by the Company in relation to the Disposal Group amounted to US\$84.3 million. At 31st December 2006, the amount utilised by the Disposal Group was US\$84.3 million.

- (b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$608.6 million (2005: US\$172.5 million), including guarantees in relation to the Disposal Group amounting to US\$29.6 million.

The Directors consider that the subsidiaries, the investee company and the Disposal Group are financially resourceful in settling the obligations.

41. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

US\$'000	2006	2005
Operating profit from continuing operations	621,364	693,563
Operating profit from discontinued operation	87,402	51,363
Interest income	(41,607)	(32,827)
Dividend income from portfolio investments	(1,458)	(1,277)
Depreciation	178,761	157,302
Fair value gain from an investment property	(100,000)	—
Profit on disposal of property, plant and equipment	(12,436)	(8,709)
Income from available-for-sale financial assets	(17)	(18)
Profit on disposal of available-for-sale financial assets	(16)	(18)
Amortisation of intangible assets	3,250	5,260
Amortisation of prepayments of lease premiums and leasehold land and land use rights	710	1,561
Net gain on derivative financial instruments	(7,033)	(560)
(Decrease)/increase in net pension liabilities	(2,921)	52
Operating profit before working capital changes	725,999	865,692
Increase in properties under development and for sale	(193,204)	(32,124)
Increase in inventories	(13,094)	(14,503)
Increase in debtors and prepayments	(55,945)	(38,847)
Increase in creditors and accruals	1,612	33,406
Increase in net derivative financial instruments liabilities	—	4,798
Cash generated from operations	465,368	818,422

41. Notes to consolidated cash flow statement (Continued)

(b) Analysis of changes in financing

US\$'000	Minority interests	Borrowings	Total
At 31st December 2004	7,808	1,581,414	1,589,222
Currency translation adjustments	109	(3,420)	(3,311)
Inception of finance leases	—	314,022	314,022
Minority interests' share of profit	437	—	437
Dividend paid to minority interests	(225)	—	(225)
Net cash outflow from financing	—	(53,506)	(53,506)
At 31st December 2005	8,129	1,838,510	1,846,639
Currency translation adjustments	397	8,005	8,402
Inception of finance leases	—	202,619	202,619
Minority interests' share of profit	537	—	537
Contribution from minority interests	4,017	—	4,017
Dividend paid to minority interests	(253)	—	(253)
Net cash inflow from financing	—	119,694	119,694
Liabilities directly associated with assets classified as held for sale (note 16)	—	(100,177)	(100,177)
At 31st December 2006	12,827	2,068,651	2,081,478

41. Notes to consolidated cash flow statement (Continued)

(c) Acquisition of a subsidiary company

On 7th April 2005, the Group entered into a sale and purchase agreement to acquire 100% equity interest of Shanghai Waigaoqiao Xuhui Clubhouse Co Ltd ("SWXCCL"), which principally engaged in operating a clubhouse in Shanghai. It is the management's intention to redevelop the site to a service apartment and retail complex.

The consideration for the acquisition was US\$35.4 million, comprising US\$17.5 million, being the consideration for the purchase of the 100% equity interest of SWXCCL, and US\$17.9 million, being the consideration for the purchase of the advances from the previous shareholders.

Particulars of the assets and liabilities acquired are as follows:

US\$'000	Fair value	Carrying amount
Properties under development and for sale	49,962	18,653
Deferred income and other taxation liabilities	(14,649)	—
Debtors and prepayments	77	77
Cash and bank balances	84	84
Creditors and accruals	(93)	(93)
Net assets acquired	35,381	18,721
Purchase consideration settled in cash	35,381	
Cash and bank balances acquired	(84)	
Cash outflow on acquisition	35,297	

(d) Analysis of cash and cash equivalents

US\$'000	2006	2005
Bank balances and deposits maturing within three months from the date of placement	811,050	947,452
Bank overdrafts	(147)	(82)
	810,903	947,370

42. Approval of accounts

The accounts were approved by the Board of Directors on 9th March 2007.

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2006

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries					
Beaufort Shipping Ltd	100	500 ordinary shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Cargo System Warehouse and Transport Ltd	100	3,000 ordinary shares of HK\$100 each HK\$300,000	Investment holding and container transportation	Hong Kong	Hong Kong
Consolidated Leasing & Terminals, Inc.	100	1 common stock of no par value US\$100	Equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 ordinary shares of US\$10 each US\$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 2 Inc.	100	10,000 ordinary shares of US\$10 each US\$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Dongguan Orient Container Co Ltd	100	Registered capital HK\$29,000,000	Container depot	China *	China
Far Gain Investment Ltd	100	2 ordinary shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong
Global Terminal & Container Services, Inc.	100	24,750 common stock of no par value US\$5,500,000	Terminal operating	USA	USA
Glory Top Investment Ltd	100	10,000 ordinary shares of HK\$1 each HK\$10,000	Portfolio investment	Hong Kong	Hong Kong
Goodlink Shipping Ltd	100	500 ordinary shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Hai Dong Transportation Co Ltd	100	100,000 ordinary shares of HK\$1 each HK\$100,000	Container transport	Hong Kong	Hong Kong
Hillingdon Steamship and Navigation Company Ltd	100	200 ordinary shares of US\$100 each US\$20,000	Investment holding	Bermuda	Worldwide
Howland Hook Leasing Corporation	100	1,000,000 common stock of US\$1 each US\$1,000,000	Terminal equipment owning and leasing	USA	USA
Island Securing and Maintenance, Inc.	100	1,000 common stock of no par value US\$10,000	Lashing and maintenance of container equipment	USA	USA
Joyocean Navigation Ltd	100	500 ordinary shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
Kenwake Ltd	100	1,600,000 ordinary shares of £1 each	Investment holding	United Kingdom	United Kingdom
	100	520,000 5% cumulative preference shares of £1 each £2,120,000			
Kunshan Guangting Property Co Ltd	100	Registered capital US\$20,000,000	Property development	China *	China
Kunshan Orient Overseas Kunan Property Co Ltd	100	Registered capital RMB160,000,000	Property development	China *	China
Laronda Company Ltd	100	5,000 ordinary shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Long Beach Container Terminal, Inc.	100	5,000 common stock of no par value US\$500,000	Terminal operating	USA	USA
Longtex Investment Ltd	100	2 ordinary shares of HK\$1 each HK\$2	Investment holding	Hong Kong	China
Maritime Delivery Services Inc.	100	1,000 common stock of US\$10 each US\$10,000	Trucking service	USA	USA
Millerian Company Ltd	100	5,000 ordinary shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
New York Container Terminal, Inc.	100	100 common stock of US\$0.1 each	Terminal operating	USA	USA
	100	12,200 preferred stock of US\$0.1 each US\$1,230			
Newcontainer No. 1 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 2 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 3 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 4 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Newcontainer No. 5 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 6 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 15 (Luxembourg) Shipping S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 7 Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 31 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 32 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
OOCL (Asia Pacific) Ltd	100	2 ordinary shares of HK\$1 each HK\$2	Liner territorial office	Hong Kong	Asia Pacific

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL (Assets) Holdings Inc.	100	500 ordinary shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 ordinary shares of US\$1 each US\$50,000	Investment holding	Liberia †	USA
OOCL (Australia) Pty Ltd	100	200,000 ordinary shares of A\$1 each A\$200,000	Liner agency	Australia	Australia
OOCL (Benelux) NV	100	226,271 ordinary shares of no par value €609,799	Liner agency	Belgium	Belgium
OOCL (Canada) Inc.	100	10,000 common stock of no par value C\$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd	100	2 ordinary shares of HK\$1 each HK\$2	Investment holding	Hong Kong	China
OOCL (Denmark) A/S	100	1,000 ordinary shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Deutschland) GmbH	100	Registered capital €130,000	Liner agency	Germany	Germany
OOCL (Europe) Ltd	100	5,000,000 ordinary shares of £1 each £5,000,000	Investment holding and liner territorial office	United Kingdom	Europe
OOCL (Finland) Ltd Oy	100	150 ordinary shares of €16.82 each €2,522.82	Liner agency	Finland	Finland

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL (France) SA	100	60,000 ordinary shares of €15.24 each €914,694.10	Liner agency	France	France
OOCL (HK) Ltd	100	500 ordinary shares of HK\$100 each HK\$50,000	Liner agency	Hong Kong	Hong Kong
OOCL (India) Private Ltd	100	1,000 equity shares of Rupees100 each Rupees100,000	Liner agency	India	India
OOCL (Ireland) Ltd	100	100 ordinary shares of €1.25 each €125	Liner agency	Ireland	Ireland
OOCL (Italy) S.r.l.	100	1 quota of €10,000 each €10,000	Liner agency	Italy	Italy
OOCL (Japan) Ltd	100	160,000 ordinary shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd	100	16,000 common stock of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd	100	2 ordinary shares of HK\$1 each HK\$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd	100	10,000 ordinary shares of US\$1 each US\$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Macau) Ltd	100	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	Macau

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL (Philippines) Inc.	100	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Portugal), Lda	100	1 quota of €500 each	Liner agency	Portugal	Portugal
	100	1 quota of €24,500 each €25,000			
OOCL (Russia) Ltd	100	1 participatory share of Rub10,000 each Rub10,000	Liner agency and forwarding	Russia	Russia
OOCL (Singapore) Pte Ltd	100	100,000 ordinary shares of S\$1 each S\$100,000	Liner agency	Singapore	Singapore
OOCL (Sweden) AB	100	100,000 ordinary shares of SEK1 each SEK100,000	Liner agency	Sweden	Sweden
OOCL (Switzerland) AG	100	200,000 ordinary shares of CHF1 each CHF200,000	Liner agency	Switzerland	Switzerland
OOCL (Taiwan) Co Ltd	100	10,000,000 ordinary shares of NT\$10 each NT\$100,000,000	Liner agency	Taiwan	Taiwan
OOCL (UK) Ltd	100	3,100,000 ordinary shares of £10 each £31,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 common stock of US\$1 each US\$1,030	Liner agency	USA	USA
OOCL China Domestics Ltd	100	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China ±	China

	Effective				
	percentage	Particulars of			
	held by	issued share capital /		Principal	Country of
Name of Company	Group	registered capital		activities	incorporation
Area of					
operations					
Subsidiaries (Continued)					
OOCL Logistics (Asia Pacific) Ltd	100	200 ordinary shares of US\$100 each US\$20,000	Investment holding, transportation and logistics	Bermuda	Asia Pacific
OOCL Logistics (Canada) Ltd	100	1,000 common stock of C\$1 each C\$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada
OOCL Logistics (China) Ltd	100	Registered capital US\$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd	100	2 ordinary shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd	100	50,000 ordinary shares of HK\$10 each HK\$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd	100	35,000 equity shares of Rupees100 each Rupees 3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd	100	200 ordinary shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd	100	30,000 common stock of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics (Singapore) Pte Ltd	100	2 ordinary shares of S\$1 each S\$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
OOCL Logistics (Taiwan) Ltd	100	4,250,000 ordinary shares of NT\$10 each NT\$42,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan
OOCL Logistics (USA) Inc.	100	100 common stock of no par value US\$200	Logistics, cargo consolidation and forwarding	USA	Worldwide
OOCL Logistics Warehousing and Transportation (Dalian) Co Ltd	100	Registered capital US\$200,000	Transportation and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Shanghai) Co Ltd	100	Registered capital US\$1,000,000	Transportation and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co Ltd	100	Registered capital US\$4,700,000	Transportation and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Xiamen) Co Ltd	100	Registered capital US\$500,000	Transportation and logistics services	China *	China
OOCL Shipping BV	100 —	30 ordinary shares of €150 each 90 cumulative preference shares of €150 each €18,000	Ship management and chartering	Netherlands	Worldwide
OOCL Ships (Marshall Islands) Ltd	100	500 ordinary shares of no par value US\$5,000	Ship chartering	Marshall Islands	Worldwide
OOCL Transport & Logistics Holdings Ltd	100	169,477,152 ordinary shares of US\$1 each US\$169,477,152	Investment holding	Bermuda	Worldwide
OOIL (Investments) Inc.	100	500 ordinary shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
Orient Container No. 1 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Orient Container No. 3 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US\$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No. 4 Shipping Inc.	100	100 ordinary shares of no par value US\$100	Ship owning	Liberia †	Worldwide
Orient Overseas (Shanghai) Investment Co Ltd	100	Registered capital US\$44,250,000	Investment holding	China *	China
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corp.	100	10 common stock of no par value US\$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co Ltd	100	Registered capital US\$2,800,000	Liner agency	China *	China
Orient Overseas Container Line (Europe) Ltd	100	66,000,000 ordinary shares of £1 each £66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Luxembourg) S.A.	— 100	3,375 class A shares of US\$5 each 30,375 class B shares of US\$5 each US\$168,750	Investment holding	Luxembourg	Luxembourg
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	100,000 ordinary shares of RM1 each RM100,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 ordinary shares of €1 each €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd	100	5,000 ordinary shares of US\$1 each US\$5,000	Container transport and ship management	Cayman Islands	Worldwide

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Orient Overseas Container Line Inc.	100	500 ordinary shares of no par value US\$25,000,000	Investment holding	Liberia †	Worldwide
Orient Overseas Container Line Ltd	100	10,000 ordinary shares of HK\$100 each HK\$1,000,000	Container transport	Hong Kong	Worldwide
Orient Overseas Developments Ltd	100	10,000 ordinary shares of HK\$10 each HK\$100,000	Investment holding	Hong Kong	Hong Kong
Orient Overseas Property (Shanghai) Co Ltd	100	Registered capital US\$2,100,000	Property development	China *	China
Senning Property Ltd	100	1,000 ordinary shares of US\$1 each US\$1,000	Property development	British Virgin Islands	China
Shanghai OOCL Container Transportation Co Ltd	60	Registered capital US\$9,350,000	Container depot	China §	China
Shanghai Orient Overseas Huangpu Real Estate Co Ltd	100	Registered capital US\$30,000,000	Property development	China *	China
Shanghai Orient Overseas Kaixuan Real Estate Co Ltd	95	Registered capital US\$80,000,000	Property development	China §	China
Shanghai Orient Overseas Yongye Real Estate Co Ltd	88	Registered capital US\$30,000,000	Property development	China §	China
Shanghai Waigaoqiao Xuhui Club Co Ltd	100	Registered capital RMB184,950,000	Property development	China *	China
Soberry Investments Ltd	100	5,000 ordinary shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	Worldwide

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations

Subsidiaries (Continued)

Surbiton Ltd	100	500 ordinary shares of no par value US\$5,000	Portfolio investment	Liberia †	Worldwide
Treasure King Shipping Ltd	100	500 ordinary shares of no par value US\$5,000	Ship chartering	Liberia †	Worldwide
TSI Terminal Systems Inc.	100	233,400 common stock of C\$1 each C\$233,400	Terminal operating	Canada	Canada
Wall Street Plaza, Inc.	100	40 class A common stock of US\$1 each	Investment holding	USA	USA
	100	160 class B common stock of US\$1 each			
	100	20,000 12% series A non-cumulative non-voting preferred stock of US\$1,000 each			
	100	18,000 11% series B non-cumulative non-voting preferred stock of US\$1,000 each			
	100	19,500 12% series C non-cumulative non-voting preferred stock of US\$1,000 each			
	100	19,000 12% series D non-cumulative non-voting preferred stock of US\$1,000 each US\$76,500,200			

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

	Effective				
	percentage	Particulars of			
	held by	issued share capital /	Principal	Country of	Area of
Name of Company	Group	registered capital	activities	incorporation	operations
Subsidiaries (Continued)					
Wayton (Luxembourg) S.à r.l.	90	75 ordinary shares of US\$250 each US\$18,750	Ship owning	Luxembourg	Worldwide
Wealth Capital Corporation	100	500 ordinary shares of no par value US\$5,000	Investment holding	Liberia †	Worldwide
Associated companies					
Ningbo Far East Terminal Co Ltd	20	Registered capital RMB390,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co Ltd	20	Registered capital US\$160,000,000	Terminal operating	China §	China
Jointly controlled entities					
OOCL (UAE) LLC	49	300 ordinary shares of AED1,000 each AED300,000	Liner agency	Dubai	Dubai
OOCL (Vietnam) Co Ltd	49	Legal capital US\$500,000	Liner agency	Vietnam	Vietnam
Qingdao Orient International Container Storage & Transportation Co Ltd	59	Registered capital RMB69,900,000	Container depot	China §	China
Shanghai Orient Overseas Xujiahui Real Estate Co Ltd	47.5	Registered capital US\$10,000,000	Property development	China §	China

Direct subsidiaries of the Company.

† Companies incorporated in Liberia but redomiciled to the Marshall Islands.

* Wholly foreign-owned enterprise.

§ Sino-foreign equity joint venture enterprise.

± Domestic joint venture enterprise.

Major Customers and Suppliers

Approximately 6.9% and 20.0% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.5% and 5.3% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

10 Years Financial Summary

US\$'000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Consolidated Profit and Loss Data										
Turnover	1,895,997	1,832,764	2,139,071	2,395,160	2,378,950	2,457,952	3,241,113	4,140,328	4,345,647	4,609,751
Operating profit	68,033	48,327	122,729	166,399	107,391	90,846	359,384	729,008	693,563	621,364
Finance costs	(42,471)	(42,911)	(41,421)	(48,246)	(45,614)	(30,634)	(18,740)	(43,787)	(55,744)	(71,721)
Profit before taxation	26,548	3,674	80,341	131,464	71,089	62,902	353,306	696,337	644,685	553,218
Profit for the year from continuing operations	24,204	170	67,623	112,477	61,809	51,948	329,161	670,598	615,198	528,335
Profit for the year from discontinued operation	—	—	—	—	—	—	—	—	36,093	52,805
Profit for the year	24,204	170	67,623	112,477	61,809	51,948	329,161	670,598	651,291	581,140
Preferred share dividends	4,875	2,564	—	—	—	—	—	—	—	—
Profit/(loss) attributable to ordinary shareholders	18,790	(2,867)	67,221	111,863	61,287	51,738	329,044	670,449	650,854	580,603
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	3.0	(0.5)	10.7	17.9	9.8	8.3	53.9	108.5	98.2	84.4
from discontinued operation	—	—	—	—	—	—	—	—	5.8	8.4
Dividends (US cents)	1.36	—	2.48	3.31	2.06	2.06	13.76	27.27	27.00	103.00
Weighted average number of ordinary shares in issue ('000)	625,742	625,742	625,742	625,742	625,742	625,742	610,486	618,024	625,793	625,793

Notes:

- (1) The estimated useful life of container vessels was revised from 20 years to 25 years in 1998. The depreciation of container vessels prior to 1998 has not been restated to reflect the change.
- (2) The accounting policy on dry-docking and special survey costs was changed in 1997 and again in 2000. The figures prior to 1999 has not been restated to reflect this change.
- (3) The accounting policy on pre-operating costs was changed in 2000 and the figures prior to 1998 have not been restated to reflect this change.
- (4) The accounting policies on employee benefits and income taxes were changed in 2002 and the figures prior to 2000 have not been restated to reflect this change.
- (5) The net asset value, dividends and earnings/(loss) per ordinary share of previous years have been restated for the bonus issue.
- (6) The results of discontinued operation prior to 2005 have not been restated or reclassified.

US\$'000	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Consolidated Balance Sheet Data										
Property, plant and equipment	992,807	1,042,076	1,006,412	1,286,197	1,365,378	1,342,438	1,579,798	2,132,066	2,593,946	2,777,004
Cash, portfolio and bond investments	458,944	375,531	455,954	458,025	402,424	412,446	680,806	1,105,011	1,286,579	1,167,924
Assets held for sale	—	—	—	—	—	—	—	—	—	406,232
Liabilities directly associated with assets classified as held for sale	—	—	—	—	—	—	—	—	—	(178,992)
Other net current assets/(liabilities)	(252,718)	(304,157)	(327,047)	(346,574)	(343,659)	(341,356)	(422,020)	(227,924)	(165,629)	56,348
Gross assets	1,871,842	1,800,625	1,862,864	2,155,254	2,150,284	2,189,340	2,754,910	4,014,602	4,814,916	5,600,003
Long-term debt	646,726	587,210	560,457	753,761	760,386	682,759	840,677	1,427,690	1,650,044	1,870,890
Total long and short-term debt	800,452	771,989	733,036	952,053	936,459	895,608	1,098,162	1,581,499	1,838,592	2,068,798
Net debt	341,508	396,458	277,082	494,028	534,035	483,162	417,356	476,488	552,013	900,874
Shareholders' funds	690,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330	2,727,206
Ordinary shareholders' funds	660,883	656,326	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330	2,727,206
Other Financial Information										
Depreciation	75,364	65,590	69,544	84,118	88,227	101,948	114,740	144,860	157,302	178,761
Capital expenditure	216,785	95,077	46,276	378,458	232,353	89,873	437,801	806,491	635,494	633,128
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	1.2	1.2	1.0	1.2	1.2	1.0	1.0	0.9	0.8	0.8
Net debt to equity ratio	0.5	0.6	0.4	0.6	0.7	0.6	0.4	0.3	0.2	0.3
Return on average ordinary shareholders' funds (%)	2.8	(0.4)	9.9	14.9	7.6	6.2	33.4	45.9	31.8	23.2
Accounts payable as a % of turnover	19.2	19.5	18.9	16.3	15.0	15.6	15.0	13.4	13.9	12.2
Accounts receivable as a % of turnover	13.6	12.9	11.7	10.2	7.3	7.9	7.6	8.7	9.6	8.3
Net asset value per ordinary share (US\$)	1.05	1.05	1.14	1.27	1.30	1.37	1.95	2.89	3.65	4.36

Fleet and Container Information

Fleet

The following table sets out the Group's vessels deployed in all its services at 31st December 2006.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Tianjin	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Ningbo	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Rotterdam	8,063	Owned	Trans-Pacific	2004	25.2	Hong Kong
OOCL Long Beach	8,063	Finance Lease	Trans-Pacific	2003	24.6	Hong Kong
OOCL San Francisco	5,714	Owned	Trans-Pacific	2000	24.6	Hong Kong
OOCL France	5,560	Long Term Chartered	Trans-Pacific	2001	24.9	Liberia
OOCL Shanghai	5,560	Long Term Chartered	Trans-Pacific	1999	24.9	Liberia
OOCL Netherlands	5,390	Long Term Chartered	Trans-Pacific	1997	24.6	Hong Kong
OOCL Britain	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Hong Kong	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Japan	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Zhoushan	4,583	Owned	Trans-Pacific	2006	24.2	Hong Kong
OOCL Chicago	5,714	Owned	Asia-USEC	2000	24.6	Hong Kong
OOCL Germany	5,560	Long Term Chartered	Asia-USEC	2000	24.9	Liberia
OOCL Korea	5,560	Long Term Chartered	Asia-USEC	2001	24.9	Germany
OOCL Los Angeles	5,560	Long Term Chartered	Asia-USEC	2000	24.9	Germany
OOCL Thailand	5,560	Long Term Chartered	Asia-USEC	2002	24.9	Germany
OOCL Singapore	5,390	Owned	Asia-USEC	1997	24.6	Hong Kong
OOCL America	5,344	Owned	Asia-USEC	1995	24.6	Hong Kong
OOCL Faith	3,161	Long Term Chartered	Europe-USEC	1996	21.0	Hong Kong
OOCL Fortune	3,161	Owned	Europe-USEC	1987	21.0	Hong Kong
OOCL Qingdao	8,063	Finance Lease	Asia-Europe	2004	25.2	Hong Kong
OOCL Shenzhen	8,063	Finance Lease	Asia-Europe	2003	25.0	Hong Kong
OOCL Asia	8,063	Finance Lease	Asia-Europe	2006	25.2	Hong Kong
OOCL Europe	8,063	Finance Lease	Asia-Europe	2006	25.2	Hong Kong
Bunga Seroja Satu	7,943	Chartered	Asia-Europe	2006	25.0	Malaysia
OOCL Atlanta	8,063	Finance Lease	Asia-Europe	2005	25.2	Hong Kong
OOCL New York	5,560	Long Term Chartered	Asia-Europe	1999	24.9	Germany
OOCL Malaysia	5,560	Long Term Chartered	Asia-Europe	2000	24.9	Liberia
OOCL Montreal	4,402	Long Term Chartered	Intra-Europe	2003	23.0	Hong Kong
OOCL Belgium	2,808	Owned	Intra-Europe	1998	21.0	Hong Kong
OOCL Sweden	917	Chartered	Intra-Europe	2006	18.0	Gibraltar
OOCL St Petersburg	868	Chartered	Intra-Europe	2005	18.0	The Netherlands
OOCL Narva	868	Chartered	Intra-Europe	2004	18.0	Germany
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL Finland	868	Chartered	Intra-Europe	2006	18.0	United Kingdom
Elizabeth	448	Chartered	Intra-Europe	2006	15.0	Antigua
OOCL Australia	4,583	Owned	Asia-Australia	2006	24.2	Hong Kong

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Friendship	3,218	Long Term Chartered	Asia-Australia	1996	21.0	Hong Kong
OOCL Freedom	3,161	Long Term Chartered	Asia-Australia	1996	21.0	Hong Kong
OOCL Fair	3,161	Owned	Asia-Australia	1987	21.0	Hong Kong
OOCL Fidelity	3,161	Owned	Asia-Australia	1987	21.0	Hong Kong
OOCL Melbourne	2,762	Long Term Chartered	Asia-Australia	2003	22.0	Hong Kong
OOCL Sydney	2,762	Long Term Chartered	Asia-Australia	2003	22.0	Singapore
OOCL Acclaim	1,560	Chartered	Asia-Australia	1997	18.5	Panama
OOCL Vancouver	5,888	Long Term Chartered	Intra-Asia	2006	25.0	Panama
OOCL Kaohsiung	5,888	Long Term Chartered	Intra-Asia	2006	25.0	Hong Kong
OOCL Antwerp	5,888	Long Term Chartered	Intra-Asia	2006	25.0	Panama
OOCL Dubai	5,888	Long Term Chartered	Intra-Asia	2006	25.0	Hong Kong
OOCL Osaka	2,762	Long Term Chartered	Intra-Asia	2003	22.0	Panama
OOCL Xiamen	2,762	Long Term Chartered	Intra-Asia	2003	22.0	Panama
OOCL Energy	2,732	Chartered	Intra-Asia	2006	22.5	Liberia
OOCL Envoy	2,544	Owned	Intra-Asia	1979	20.5	Hong Kong
Camilla Rickmers	1,728	Chartered	Intra-Asia	2004	19.6	Marshall Islands
Ling Yun He	1,702	Chartered	Intra-Asia	2006	20.0	China
OOCL Ability	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Ambition	1,560	Chartered	Intra-Asia	1997	18.5	Hong Kong
San Clemente	1,512	Chartered	Intra-Asia	2005	19.0	Liberia
Sunset Bay	1,504	Chartered	Intra-Asia	2006	21.0	Liberia
OOCL Achievement	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
OOCL Advance	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
Sima Pride	1,201	Chartered	Intra-Asia	2004	19.3	Singapore
Pac Aquila	1,078	Chartered	Intra-Asia	2004	19.5	Singapore
Franconia	1,042	Chartered	Intra-Asia	2006	20.0	Liberia
Dongtai Fortune	1,033	Chartered	Intra-Asia	2005	17.0	Hong Kong
Hub Gallardo	700	Chartered	Intra-Asia	2006	17.0	Marshall Islands
Unicorn Brilliant	588	Chartered	Intra-Asia	2004	15.3	Panama
TOTAL 69 VESSELS	276,817					

Note: As at 31st December 2006, OOCL California and OOCL China have been chartered out to MISC and Bunga Seroja Satu has been chartered in from MISC under the swapping program.

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 349,273 units (565,970 TEU) as of 31st December 2006. Approximately 75.1% of the container fleet in TEU capacity was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2006 the Group owned, purchased on finance lease terms or leased under operating lease terms 17,927 trailer chassis.

Terminal Information

LONG BEACH CONTAINER TERMINAL, INC.



Location: Long Beach, California, USA.

Status of Terminal: A 104 acre, three berth container terminal facility operated under a long-term preferential use agreement from the Port of Long Beach, which expires in 2011.

Equipment/Facilities: Three container vessel berths; seven post-Panamax quayside container gantry cranes; twelve rubber-tired gantry cranes; 81 yard tractors; nine top handlers; eight side picks; 12 utility forklifts; 61 yard chassis; various pick-up trucks and other vehicles and handling equipment.

Building Facilities: 13,000 sq ft main office building; 3,200 sq ft marine operations building; 9,600 sq ft repair shop.

Principal Customers: OOCL, NYK, Hapag Lloyd.

KAOHSIUNG CONTAINER TERMINAL



Location: Pier 66 Kaohsiung Harbour, Kaohsiung, Taiwan.

Status of Terminal: One of the original container facilities from the Kaohsiung Harbour Bureau. The entire terminal was deepened in 2002 to have deep-water berths of 14.5 meters. The entire facility was modernised in the last several years with new terminal equipment and infrastructure. The new office building has been used since October 2006.

Equipment/Facilities: Two container-vessel-berths (685 meters long) on a total of approximately 57 acres operating on 24-hour 7-day basis for vessel and gate activities. Equipment include: six post-Panamax quay cranes including four with 19 rows and twin-20 ft lifting capacity; 14 rail-mounted gantry cranes (RMGs); five empty stackers and various shipside handling equipment.

Building Facilities (approximate area): 2,000 sq m main office building, 7,000 sq m CFS, 2,200 sq m maintenance building.

Principal Customers: ANL, APL, COSCO, China Shipping, Evergreen Marine Corp, Hapad Lloyd, Hyundai Marine, Malaysia International Shipping Co, Mediterranean Shipping Company, NYK, OOCL, Yang Ming.

Property Information

Property Development

a) Completed Projects

Project Name	Use	Location	Address	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Orient Garden	Residential	Shang Tang Lu, Hangzhou	No. 239 Shang Tang Lu, Hangzhou	50	1999	39,884
Fontainebleau	Residential	Xing Guo Lu, Shanghai	No. 288 Xing Guo Lu, Shanghai	100	1999	2,614
Joffre Gardens	Residential	Nan Chang Lu, Shanghai	No. 555 Nan Chang Lu, Shanghai	47.5	2000	72,502
The Courtyards	Residential	Zhenning Lu, Shanghai	No. 55 Zhenning Lu, Shanghai	47.5	2001	65,789
Century Metropolis	Residential	Ziyang Lu, Shanghai		47.5		
		– Phase 1A	No. 168 Hong Qiao Lu, Shanghai		2001	63,279
		– Phase 1B	No. 168 Hong Qiao Lu, Shanghai		2003	83,298
		– Phase 2A	No. 128 Hong Qiao Lu, Shanghai		2003	27,227
		– Phase 2B	No. 168 Hong Qiao Lu, Shanghai		2005	59,664

b) Projects Under Construction/Development

Project Name	Use	Location	Address	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Changle Lu	Residential/Hotel	Changle Lu, Shanghai	Lot No. 12 Lu Wan District, Shanghai	88	2009/2010	145,500
Kunshan	Residential/Retail	Kunshan, Jiangsu – Phase 1 – Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan Jiangsu Province	100	2009 After 2009	100,000 480,000
Kunshan	Hotel	Kunshan, Jiangsu – Phase 1 – Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan Jiangsu Province	100	2008 After 2008	40,407 42,775
Heng Shan Lu	Hotel	Heng Shan Lu, Shanghai	No. 85, Heng Shan Lu, Shanghai	100	2009	15,000
Changning Lu	Office/Hotel/Retail	Changning Lu, Shanghai – Phase 1 – Other Phases	Plot 32/8, 88 Street, Changning Lu, Changning District, Shanghai	95	2010 After 2010	110,000 132,800
Nanmatou	Residential	Nanmatou Jiedao, Shanghai – Phase 1 – Other Phases	Plot 15/1 & 86/1, No. 8 Nanmatou Jiedao Pudong New District, Shanghai	100	2009 After 2009	51,400 51,400

Corporate Information

Executive Directors

Mr Chee Chen TUNG (Chairman)
Mr Nicholas David SIMS
Mr Philip Yiu Wah CHOW
Mr Alan Lieh Sing TUNG

Non-executive Directors

Mr Roger KING
Mr Tsann Rong CHANG

Independent Non-executive Directors

Mr Simon MURRAY
Dr Victor Kwok King FUNG
Prof Richard Yue Chim WONG

Company Secretary

Ms Lammy Chee Fun LEE

Authorised Representatives

Mr Nicholas David SIMS
Ms Lammy Chee Fun LEE

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The Stock Exchange of Hong Kong Limited
Stock Code : 0316

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