



ORIENT OVERSEAS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with Limited Liability)

website: <http://www.ooilgroup.com>

(Stock code: 316)

2006 RESULTS ANNOUNCEMENT

The Directors of Orient Overseas (International) Limited (“the Company”) announce the audited results of the Company and its subsidiaries (“the Group”) for the year ended 31st December 2006 as follows:

| US\$'000 | Note | 2006 | Restated 2005 |
|--|------|-----------------------|--------------------|
| Turnover | 3 | 4,609,751 | 4,345,647 |
| Operating costs | | <u>(3,718,778)</u> | <u>(3,246,033)</u> |
| Gross profit | | 890,973 | 1,099,614 |
| Fair value gain from an investment property | | 100,000 | - |
| Other operating income | | 102,938 | 75,344 |
| Other operating expenses | | <u>(472,547)</u> | <u>(481,395)</u> |
| Operating profit | 5 | 621,364 | 693,563 |
| Finance costs | 6 | (71,721) | (55,744) |
| Share of profits less losses of jointly controlled entities | | 4,346 | 6,950 |
| Share of losses of associated companies | | <u>(771)</u> | <u>(84)</u> |
| Profit before taxation | | 553,218 | 644,685 |
| Taxation | 7 | <u>(24,883)</u> | <u>(29,487)</u> |
| Profit for the year from continuing operations | | 528,335 | 615,198 |
| Discontinued operation : | | | |
| Profit for the year from discontinued operation | | <u>52,805</u> | <u>36,093</u> |
| Profit for the year | | <u>581,140</u> | <u>651,291</u> |
| Attributable to : | | | |
| Equity holders of the Company | | 580,603 | 650,854 |
| Minority interests | | <u>537</u> | <u>437</u> |
| | | <u>581,140</u> | <u>651,291</u> |
| Dividends | 8 | <u>644,669</u> | <u>169,130</u> |
| Earnings per ordinary share (US cents) | 9 | | |
| - from continuing operations | | 84.4 | 98.2 |
| - from discontinued operation | | <u>8.4</u> | <u>5.8</u> |
| Basic and diluted | | <u>92.8</u> | <u>104.0</u> |

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 | | 2,777,004 | 2,593,946 |
| Investment property | | 200,000 | 100,000 |
| Prepayments of lease premiums | | 5,416 | 7,787 |
| Jointly controlled entities | | 21,848 | 19,857 |
| Associated companies | | 41,820 | 7,916 |
| Intangible assets | | 29,363 | 21,030 |
| Deferred taxation assets | | 1,053 | 8,203 |
| Pension and retirement assets | | 4,068 | 6,683 |
| Available-for-sale financial assets | | 22,409 | 13,021 |
| Restricted bank balances and other deposits | | 88,519 | 101,859 |
| Other non-current assets | | 85,906 | 93,569 |
| | | <u>3,277,406</u> | <u>2,973,871</u> |
| Current assets | | | |
| Properties under development and for sale | | 378,493 | 181,545 |
| Inventories | | 57,605 | 44,511 |
| Debtors and prepayments | 10 | 382,527 | 415,090 |
| Portfolio investments | | 264,514 | 237,004 |
| Derivative financial instruments | | 3,510 | 354 |
| Cash and bank balances | | 829,716 | 962,541 |
| | | <u>1,916,365</u> | <u>1,841,045</u> |
| Assets held for sale | | 406,232 | - |
| | | <u>2,322,597</u> | <u>1,841,045</u> |
| Total assets | | <u>5,600,003</u> | <u>4,814,916</u> |
| EQUITY | | | |
| Equity holders | | | |
| Share capital | | 62,579 | 62,579 |
| Reserves | | 2,664,627 | 2,221,751 |
| | | <u>2,727,206</u> | <u>2,284,330</u> |
| Minority interests | | <u>12,827</u> | <u>8,129</u> |
| Total equity | | <u>2,740,033</u> | <u>2,292,459</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 1,870,890 | 1,650,044 |
| Deferred taxation liabilities | | 33,996 | 50,204 |
| Pension and retirement liabilities | | 10,305 | 15,080 |
| | | <u>1,915,191</u> | <u>1,715,328</u> |
| Current liabilities | | | |
| Creditors and accruals | 11 | 560,535 | 603,045 |
| Derivative financial instruments | | 715 | 4,592 |
| Borrowings | | 197,908 | 188,548 |
| Current taxation | | 6,629 | 10,944 |
| | | <u>765,787</u> | <u>807,129</u> |
| Liabilities directly associated with assets classified as held for sale | | 178,992 | - |
| | | <u>944,779</u> | <u>807,129</u> |
| Total liabilities | | <u>2,859,970</u> | <u>2,522,457</u> |
| Total equity and liabilities | | <u>5,600,003</u> | <u>4,814,916</u> |
| Net current assets | | <u>1,377,818</u> | <u>1,033,916</u> |
| Total assets less current liabilities | | <u>4,655,224</u> | <u>4,007,787</u> |

NOTES

1. Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2006 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

2. Accounting policies and basis of preparation

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

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. Accounting policies and 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 |
|---------|--------------------|

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.

3. Turnover

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

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.

4. Segment information

Business segment

| US\$'000 | Continuing operations | | | | | Discontinued operation * | | Group |
|---|-----------------------------------|-------------------------------------|-------------|-------------|-----------|--------------------------|-------------|-----------|
| | Container transport and logistics | Property investment and development | Unallocated | Elimination | Sub-total | Terminal | Elimination | |
| For the year ended 31st December 2006 | | | | | | | | |
| 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 6) | | | | | (71,721) | (7,085) | | (78,806) |
| Share of profits less losses of jointly controlled entities | | | | | 4,346 | - | | 4,346 |
| Share of losses of associated companies | | | | | (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 |

| US\$'000 | Continuing operations | | | | | Discontinued operation * | | Group |
|---|-----------------------------------|-------------------------------------|-------------|-------------|-----------|--------------------------|-------------|-----------|
| | Container transport and logistics | Property investment and development | Unallocated | Elimination | Sub-total | Terminal | Elimination | |
| For the year ended 31st December 2005 | | | | | | | | |
| 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 6) | | | | | (55,744) | (5,915) | | (61,659) |
| Share of profits less losses of jointly controlled entities | | | | | 6,950 | - | | 6,950 |
| Share of loss of an associated company | | | | | (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.

* Discontinued operation relates to the disposal of the Group's Terminals Division. The gain arising on the disposal, after transaction costs and tax, is estimated to be US\$1.96 billion, which will be recognised in the consolidated profit and loss account upon completion of the sale in 2007.

4. Segment information (Continued)

Business segment (Continued)

As at 31st December 2006

| 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 | - | - | 406,232 | 406,232 |
| Other assets | 462,716 | 685,553 | 1,204,830 | 2,353,099 |
| Total assets | <u>3,284,630</u> | <u>704,311</u> | <u>1,611,062</u> | <u>5,600,003</u> |
| Segment liabilities | | | | |
| Creditors and accruals | (544,002) | (15,330) | (1,203) | (560,535) |
| Liabilities directly associated with assets classified as held for sale | - | - | (178,992) | (178,992) |
| Other liabilities | (10,305) | - | (2,110,138) | (2,120,443) |
| Total liabilities | <u>(554,307)</u> | <u>(15,330)</u> | <u>(2,290,333)</u> | <u>(2,859,970)</u> |

As at 31st December 2005

| US\$'000 | Container transport and logistics | Terminal | Property investment and 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 | <u>2,686,390</u> | <u>374,372</u> | <u>426,867</u> | <u>1,327,287</u> | <u>4,814,916</u> |
| 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 | <u>(542,282)</u> | <u>(58,888)</u> | <u>(14,510)</u> | <u>(1,906,777)</u> | <u>(2,522,457)</u> |

4. Segment information (Continued)

Geographical segment

| 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 |
| | <u>4,609,751</u> | <u>621,364</u> | <u>581,841</u> |
| Discontinued operation | 500,402 | 87,402 | 51,287 |
| Elimination | <u>(53,520)</u> | <u>-</u> | <u>-</u> |
| | <u><u>5,056,633</u></u> | <u><u>708,766</u></u> | <u><u>633,128</u></u> |
| 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 |
| | <u>4,345,647</u> | <u>693,563</u> | <u>576,511</u> |
| Discontinued operation | 393,117 | 51,363 | 58,983 |
| Elimination | <u>(42,523)</u> | <u>-</u> | <u>-</u> |
| | <u><u>4,696,241</u></u> | <u><u>744,926</u></u> | <u><u>635,494</u></u> |
| 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 | | <u>4,186,272</u> | <u>3,872,653</u> |
| | | 5,193,771 | 4,814,916 |
| Assets held for sale | | <u>406,232</u> | <u>-</u> |
| | | <u><u>5,600,003</u></u> | <u><u>4,814,916</u></u> |

5. 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 | <u>23,740</u> | <u>-</u> | <u>21,974</u> | <u>-</u> |
| 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 |
| Auditor's remuneration | | | | |
| Audit | 2,316 | 261 | 2,081 | 246 |
| Non-audit | <u>1,250</u> | <u>254</u> | <u>1,443</u> | <u>116</u> |

6. 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 |
| | <u>83,668</u> | <u>57,119</u> |
| Amount capitalised under assets | <u>(16,909)</u> | <u>(6,977)</u> |
| Net interest expense | 66,759 | 50,142 |
| Dividend on preference shares | 4,962 | 5,602 |
| | <u>71,721</u> | <u>55,744</u> |

7. Taxation

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

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%).

8. 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 | <u>500,635</u> | <u>-</u> |
| | <u>644,669</u> | <u>169,130</u> |

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 sale 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.

9. 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) | <u>625,793</u> | <u>625,793</u> |
| Group's profit from continuing operations attributable to equity holders (US\$'000) | <u>527,798</u> | <u>614,761</u> |
| Basic earnings per share from continuing operations (US cents) | <u>84.4</u> | <u>98.2</u> |
| Profit from discontinued operation attributable to equity holders (US\$'000) | <u>52,805</u> | <u>36,093</u> |
| Basic earnings per share from discontinued operation (US cents) | <u>8.4</u> | <u>5.8</u> |

10. Debtors and prepayments

| US\$'000 | 2006 | 2005 |
|---------------------------------|----------------|----------------|
| Trade receivables | 260,003 | 284,319 |
| Less : provision for impairment | <u>(4,939)</u> | <u>(7,502)</u> |
| 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 | <u>17,109</u> | <u>22,574</u> |
| | <u>382,527</u> | <u>415,090</u> |

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

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

| 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 | <u>1,376</u> | <u>9</u> |
| | <u>255,064</u> | <u>276,817</u> |

11. Creditors and accruals

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

11. Creditors and accruals (Continued)

The ageing analysis of the trade payables of the Group 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 |
| | <u>139,327</u> | <u>160,927</u> |

Results for 2006

Despite the generally more difficult business environment I am please 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 in North America (the "Terminals Division") which comprised of TSI Terminal Systems, Inc., Global Terminal & Container Services, Inc. and New York Container Terminal, Inc. 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. It benefits however, from a revaluation of our Wall Street Plaza investment property.

Review of Operations

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 for 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.

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.

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.

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*”.

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. 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.

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 pipeline 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.

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.

Following a strategic review of the businesses, we entered into an agreement on 21st November 2006 with Ontario Teachers' Pension Plan Board 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.

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.

Outlook

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.

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 a 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, 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 US Dollars 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.

Liquidity and Financial Resources

As at 31st December 2006, the Group had cash and portfolio investments amounting to US\$1,167.9 million and a total indebtedness of US\$2,068.8 million. The net debt to equity ratio was 0.33:1 at end of year 2006, compared with 0.24 :1 at end of 2005.

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

Employee Information

As at 31st December 2006, the Group has 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 the Group's salary scheme, and discretionary bonus schemes based on the performance of the Company, which are regularly reviewed. Other benefits are also provided including medical insurance and pension funds, and social and recreational activities are arranged around the world.

Closure of Register of Members

The register of members of the Company will be closed from 17th April 2007 to 20th April 2007, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final and special dividends, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16th April 2007.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2006, 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.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

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 had adopted its own code on corporate governance practices (the “CG Code”) which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the “SEHK Code”) contained in Appendix 14 to the 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 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 that there is no separation of the role of Chairman and Chief Executive Officer. Mr Chee Chen TUNG currently assumes the role of both Chairman and Chief Executive Officer of the Company. The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

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

Audit Committee

The Audit Committee currently comprises three Independent Non-Executive Directors, with the head of Internal Audit of the Company as the secretary and the Company Secretary as the assistant secretary of the Audit Committee.

The Audit Committee has reviewed the annual results of 2006.

Remuneration Committee

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

Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors (the “Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of 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 Model Code and the Code throughout the year of 2006.

Annual General Meeting and Annual Report

The annual general meeting (the “Annual General Meeting”) of the Company will be held on 20th April 2007. Notice of the meeting will be sent to shareholders together with the annual report on or before 29th March 2007.

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

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

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

Directors

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

Forward looking Statements

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

On behalf of the Board

Chee Chen TUNG

Chairman

Hong Kong, 9th March 2007

Please refer to the published version of this announcement in The Standard on 12th March 2007.

Website : <http://www.ooilgroup.com>