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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Orient Overseas (International) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular

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**ORIENT OVERSEAS (INTERNATIONAL) LIMITED**

**東方海外(國際)有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock code: 316)

**VERY SUBSTANTIAL DISPOSAL  
PROPOSED SALE OF THE ENTIRE ISSUED SHARE CAPITALS OF  
TSI, CONSOLIDATED TERMINAL HOLDINGS AND GLOBAL**

**Sole Financial Adviser to Orient Overseas (International) Limited**



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A notice convening the SGM of the Company to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2006 at 10:00 a.m. is set out on pages N-1 to N-2 of this Circular. A form of proxy for use by the Shareholders at the SGM is enclosed and whether or not you intend to attend the SGM in person, you are requested to complete and return it in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this Circular, the following expressions have the following meanings unless the context requires otherwise:*

“Aggregate Consideration”	aggregate consideration for the Transaction, being US\$2.35 billion (approximately HK\$18.33 billion), of which: <ul style="list-style-type: none"><li>(i) US\$1.65 billion (approximately HK\$12.87 billion) is allocated to the shareholding interest in TSI,</li><li>(ii) US\$470 million (approximately HK\$3.67 billion) is allocated to the shareholding interest in Consolidated Terminal Holdings, and</li><li>(iii) US\$235 million (approximately HK\$1.83 billion) is allocated to the shareholding interest in Global;</li></ul>
“Archmore”	Archmore Limited, a company incorporated in the Republic of Liberia;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Buyer”	0775150 B.C. Ltd. and 2119601 Ontario Limited, being newly formed subsidiaries of Ontario Teachers’ Pension Plan Board;
“CAD\$”	Canadian Dollars, the lawful currency of Canada;
“Circular”	this circular, including the appendices hereto;
“Company”	Orient Overseas (International) Limited, a company incorporated in Bermuda;
“Completion”	completion of the Transaction, and shall mean the Initial Completion and/or the Second Completion where applicable;
“CLTI”	Consolidated Leasing & Terminals, Inc., a company incorporated in Delaware, U.S.A., which holds the entire issued share capital of Global;
“Consolidated Terminal Holdings”	Consolidated (Terminal Holdings) Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of OOCL Terminals Holdings;
“Consolidated Terminal Holdings Shares”	500 ordinary shares of par value US\$1.00 each, representing the entire issued share capital of Consolidated Terminal Holdings;
“Directors”	the directors of the Company;

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## DEFINITIONS

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“Edgemont”	Edgemont Investment Limited, a company incorporated in the Republic of Liberia;
“Fortune Crest”	Fortune Crest Inc., a company incorporated in the British Virgin Islands;
“Gala Way”	Gala Way Company Inc., a company incorporated in the British Virgin Islands;
“Global”	Global Terminal & Container Services, Inc., a company incorporated in New Jersey, U.S.A., which is a wholly-owned subsidiary of CLTI;
“Global Shares”	24,750 shares of common stock of no par value each, representing the entire issued share capital of Global;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of The Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Completion”	completion, at the option of the Sellers or the Buyer, in respect of the sale and purchase of the TSI Shares and the Global Shares respectively (but not in respect of the Consolidated Terminal Holdings Shares);
“Javier”	Javier Associates Limited, a company incorporated in the British Virgin Islands;
“Latest Practicable Date”	30 November 2006, being the latest practicable date before printing of this Circular for ascertaining certain information for the purpose of inclusion in this Circular;
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“NYCT”	New York Container Terminal, Inc., a company incorporated in New York, U.S.A.;
“Major Shareholders”	Wharnclyff Limited and Gala Way Company Inc.;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules;
“Monterrey”	Monterrey Limited, a company incorporated in the Republic of Liberia;

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## DEFINITIONS

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“Mr. Alan Tung”	Mr. Alan Lieh Sing Tung, an Executive Director of the Company; nephew of Mr. C C Tung, Mrs. Peng and Mr. King, and son of Mr. C H Tung;
“Mr. C C Tung”	Mr. Chee Chen Tung, an Executive Director, Chairman, President and Chief Executive Officer of the Company; brother of Mr. C H Tung and Mrs. Peng, brother-in-law of Mr. King and uncle of Mr. Alan Tung;
“Mr. C H Tung”	Mr. Chee Hwa Tung, brother of Mr. C C Tung and Mrs. Peng, brother-in-law of Mr. King and father of Mr. Alan Tung;
“Mr. King”	Mr. Roger King, a Non-Executive Director of the Company; brother-in-law of Mr. C H Tung, Mr. C C Tung and Mrs. Peng, and uncle of Mr. Alan Tung;
“Mrs. Peng”	Mrs. Shirley Shiao Ping Peng, sister of Mr. C H Tung and Mr. C C Tung, sister-in-law of Mr. King and aunt of Mr. Alan Tung;
“OOCL Terminals Holdings”	OOCL (Terminals) Holdings Limited, which holds the entire issued share capital of Consolidated Terminal Holdings;
“Remaining Group”	the Group immediately after completion of the Transaction;
“Sale Shares”	the TSI Shares, the Consolidated Terminal Holdings Shares and the Global Shares;
“Second Completion”	the completion of the sale and purchase of the Consolidated Terminal Holdings Shares;
“Sellers”	TSI Holding, OOCL Terminals Holdings and CLTI;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	a special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve the Transaction;
“Shareholders”	shareholders of the Company;
“Shares”	ordinary shares of US\$0.10 each in the share capital of the Company;
“Springfield”	Springfield Corporation, a company incorporated in the Republic of Liberia;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Stock Purchase Agreement”	agreement dated 21 November 2006 entered into between TSI Holding, OOCL Terminals Holdings, CLTI, the Company and the Buyer relating to the sale and purchase of the Sales Shares;
“TEU”	Twenty-foot equivalent container unit;
“THTI”	Tung Holdings (Trustee) Inc., a company wholly-owned by Mr. Chee Chen Tung, and which holds the voting rights in respect of the shares in the Company held by the Substantial Shareholders;
“TSI”	TSI Terminal Systems Inc., a company incorporated in British Columbia, Canada, which is a whollyowned subsidiary of TSI Holding;
“TSI Holding”	TSI Holding S.A., which holds the entire issued share capital of TSI;
“TSI Shares”	233,400 ordinary shares of par value CAD\$1.00 each, representing the entire issued share capital of TSI;
“Transaction”	the sale by the Sellers and the purchase by the Buyer of the Sale Shares subject to the terms and conditions of the Stock Purchase Agreement;
“UBS Investment Bank”	UBS Investment Bank is a business group of UBS AG;
“U.S.A.”	United States of America;
“US\$”	United States Dollars, the lawful currency of the United States of America;
“Wharnclyff”	Wharnclyff Limited, a company incorporated in the Republic of Liberia;
“Winfield”	Winfield Investment Limited, a company incorporated in the Republic of Liberia; and
“%”	per cent.

*Note:* The exchange rates used for reference purpose in this Circular are US\$1.00 to HK\$7.80 and CAD\$1.00 to HK\$6.82.

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LETTER FROM THE BOARD

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**ORIENT OVERSEAS (INTERNATIONAL) LIMITED**

**東方海外(國際)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 316)**

***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. Roger KING

Mr. Tsann Rong CHANG

***Independent Non-Executive Directors:***

Mr. Simon MURRAY

Dr. Victor Kwok King FUNG

Prof. Richard Yue Chim WONG

***Principal Office:***

33rd Floor

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

***Registered Office:***

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

4 December 2006

*To the Shareholders of the Company*

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
PROPOSED SALE OF THE ENTIRE ISSUED SHARE CAPITALS OF  
TSI, CONSOLIDATED TERMINAL HOLDINGS AND GLOBAL**

**INTRODUCTION**

On 23 November 2006, the Company announced that the Company, and its indirect wholly owned subsidiaries, TSI Holding, OOCL Terminals Holdings and CLTI had entered into a Stock Purchase Agreement dated 21 November 2006 with the Buyer pursuant to which the Sellers have agreed to sell

\* for identification only

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## LETTER FROM THE BOARD

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and the Buyer has agreed to purchase the entire issued share capital of each of TSI, Consolidated Terminal Holdings and Global for an aggregate consideration of US\$2.35 billion (approximately HK\$18.33 billion). The Buyer has also agreed to assume net debt of approximately US\$60 million (approximately HK\$468 million).

The entities being sold, directly or through their respective subsidiaries, operate four North American container terminals. TSI Holding is the sole shareholder of TSI, which operates two container terminals in the Port of Vancouver, Canada. OOCL Terminals Holdings is the sole shareholder of Consolidated Terminal Holdings, which through NYCT, an indirect wholly-owned subsidiary of OOCL Terminals Holdings and Consolidated Terminal Holdings, operates a container terminal in the Port of New York, U.S.A. CLTI is the sole shareholder of Global, which owns and operates a container terminal in the Port of New Jersey, U.S.A. They are third party multi-user container terminals and are separate and stand-alone businesses from the main operations of the Group.

After the Transaction, the Group will continue to own and operate its existing terminals at Kaohsiung Container Terminal and Long Beach, California, U.S.A., and maintain its investments in Tianjin Port Alliance International Container Terminal Co., Ltd. and Ningbo Far East Terminal Co. Limited. The Company currently has no plans to dispose of these terminals and investments as it and its alliance partners are the principal users of these terminals.

UBS Investment Bank is acting as the sole financial adviser to the Company in relation to the Transaction.

The purpose of this Circular is:

- (a) to provide you with the details on, among other things, the Transaction; and
- (b) to give you notice of the SGM to consider and, if thought fit, to approve the Transaction.

### THE STOCK PURCHASE AGREEMENT

#### Date

21 November 2006

#### Parties involved

- (a) TSI Holding
- (b) OOCL Terminals Holdings
- (c) CLTI
- (d) the Company

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## LETTER FROM THE BOARD

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(e) 0775150 B.C. Ltd.

(f) 2119601 Ontario Limited

### **Subject Matter**

The sale and purchase of the Sale Shares.

### **Consideration**

The Aggregate Consideration for the sale and purchase of the Sale Shares is US\$2.35 billion (approximately HK\$18.33 billion) in cash for 100% of the Sale Shares. Additionally, the Buyer will assume net debt of approximately US\$60 million (approximately HK\$468 million). The consideration was determined after having conducted an open bidding process.

In the event that the conditions to the sale and purchase of the Sale Shares, other than the consent from the Port Authority of New York and New Jersey (which is a condition to completion of the sale of the Consolidated Terminal Holdings Shares), are satisfied or otherwise waived, the Sellers or the Buyer may elect to proceed to Initial Completion in respect of the sale and purchase of the TSI Shares and the Global Shares and defer completion of the sale and purchase of the Consolidated Terminal Holdings Shares. At Initial Completion payment shall be made in respect of the sale and purchase of the TSI Shares and the Global Shares of an aggregate amount of US\$1.88 billion (approximately HK\$14.66 billion). In relation to the sale and purchase of the Consolidated Terminal Holdings Shares, to the extent that the parties are subsequently able prior to 31 May 2007 to satisfy the conditions relating to those shares that were outstanding at the Initial Completion, the parties shall proceed to Second Completion and the Buyer shall pay the consideration of US\$470 million (approximately HK\$3.67 billion) in respect of the purchase of such shares at that time.

In the event that Completion occurs after 31 December 2006, the Buyer shall additionally pay to the Sellers by way of additional consideration an adjustment amount equal to 0.5% per month of the Aggregate Consideration calculated on a daily basis for the period from 31 December 2006 until the day immediately preceding Completion. If the Sellers or the Buyer elect to proceed to Initial Completion after 31 December 2006, the Buyer shall pay to the Sellers at Initial Completion an adjustment amount on the portion of the Aggregate Consideration relating to the TSI Shares and the Global Shares. If the parties subsequently proceed to the Second Completion relating to the Consolidated Terminal Holdings Shares after 31 December 2006, the Buyer shall pay an adjustment to the Sellers at Second Completion on the portion of the Aggregate Consideration relating to the Consolidated Terminal Holdings Shares.

Subject to certain withholding payments pursuant to the Income Tax Act (Canada) in respect of the purchase of the TSI Shares, the Buyer shall pay the Aggregate Consideration at Completion or Initial Completion, if applicable. In the event that TSI Holding qualifies for an exemption under the Income Tax Act (Canada) and a certificate to such effect is received from the Minister of National Revenue (Canada), amounts withheld at Completion or Initial Completion, as the case may be, from the sale of the TSI Shares shall be remitted to TSI Holding on the 30th day following the month in which the sale and purchase of the TSI Shares is completed.

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## LETTER FROM THE BOARD

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### Conditions Precedent and Completion

The sale and purchase of the Sale Shares pursuant to the Stock Purchase Agreement are conditional upon the satisfaction or (where applicable) waiver of a number of conditions, including the following:

- (i) the representations and warranties made by the Sellers and the Buyer in the Stock Purchase Agreement being true and correct (without regard to materiality) on the date of Completion as if made at that date except to the extent that the failure of such representation and warranties to be so true and correct would not have, or be reasonably likely to have, a material adverse effect on the results of operations, assets, conditions (financial or otherwise), business or liabilities of TSI, Consolidated Terminal Holdings, Global and their respective subsidiaries taken as a whole;
- (ii) the Sellers and the Buyer shall have performed all obligations and complied with all covenants in the Stock Purchase Agreement that are required to be performed or complied with by each of them at or prior to the Completion in all material respects;
- (iii) completion by the Sellers of a reorganisation of the capital structure, including by way of issuing a new class of shares, and amendments to the organisational or constitutional documents and status of the entities being sold and their subsidiaries for the purposes of facilitating completion of the sale and purchase of the Sale Shares;
- (iv) the Shareholders shall have passed an ordinary resolution approving the Transaction;
- (v) the waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated;
- (vi) the Canadian regulatory authorities shall have issued an approval, or the waiting period shall have expired under the Competition Act (Canada), as amended;
- (vii) the receipt by the Sellers of written notice from the Committee on Foreign Investment in the U.S.A. (“CFIUS”) that the Transaction is not subject to Section 721 of the Defense Production Act of 1950 effected by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988 (“Exon-Florio”), the determination by CFIUS under §800.502 of Exon-Florio not to undertake an investigation of the Transaction or the determination by the President of the U.S.A. not to exercise its authority under §721 of Exon-Florio with respect to the Transaction;
- (viii) the Vancouver Port Authority shall have consented to the change of control resulting from the Transaction, as required under (i) a lease dated as of 1 January 1993 between the Vancouver Port Authority and TSI, as amended, (ii) a lease (Pod 4) dated as of 1 January 2004 between the Vancouver Port Authority and TSI, as amended, and (iii) a lease (Pod 3) dated as of 1 January 2004 between the Vancouver Port Authority and TSI, as amended, and, in each case, certain ancillary documents entered into in connection therewith;

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## LETTER FROM THE BOARD

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- (ix) the Port Authority of New York and New Jersey shall have consented to the change of control resulting from the Transaction, as required under an agreement dated as of 30 June 1995 between the Port Authority of New York and New Jersey and NYCT, as amended, and certain ancillary documents entered into in connection therewith.

Conditions (iv) and (v) above may not be waived by the parties. In relation to conditions (i) and (ii), the Sellers' and the Buyer's respective representations and warranties and their respective performance of obligations and covenants in the Stock Purchase Agreement may be waived by the other party or parties. Conditions (vi) to (ix) above may be waived by agreement of the parties to the Stock Purchase Agreement. Condition (iii) above may only be waived by the Buyer. Any such waiver must be in writing and signed by authorised representatives of the relevant parties.

Completion shall take place on the third business day following the satisfaction or waiver by the Sellers or the Buyer of the conditions to which its or their obligations are subject, provided that if Completion has not occurred by 31 May 2007, then either the Sellers or the Buyer may terminate the Stock Purchase Agreement.

In the event that the conditions to the sale and purchase of the Sale Shares, other than the consent of the Port Authority of New York and New Jersey (which is a condition to completion of the sale of Consolidated Terminal Holdings Shares), are satisfied or otherwise waived, the Sellers or the Buyer may elect to proceed to Initial Completion and defer completion of the sale and purchase of the Consolidated Terminal Holdings Shares. Thereafter, and until the termination date of 31 May 2007, the Buyer and OOCL Terminals Holdings shall continue to cause to be done all reasonable acts and things as may be necessary, proper or advisable, consistent with applicable laws, to proceed to Second Completion as soon as reasonably practicable, provided that if Second Completion has not occurred by 31 May 2007, then either the Sellers or the Buyer may terminate the Stock Purchase Agreement insofar as it relates to the sale and purchase of the Consolidated Terminal Holdings Shares.

The Company will make an announcement as to the progress of the Completion of the Transaction.

As at the Latest Practicable Date, none of the conditions have yet been fulfilled and/or waived.

The parties to the Stock Purchase Agreement expect that the Completion will take place by the end of the first quarter of 2007.

### **INFORMATION ON TSI, CONSOLIDATED TERMINAL HOLDINGS AND GLOBAL**

As at the date of the Stock Purchase Agreement, TSI Holding, OOCL Terminals Holdings and CLTI held 100% of the issued share capital of each of TSI, Consolidated Terminal Holdings and Global respectively. Following Completion of the Transaction, TSI, Consolidated Terminal Holdings and Global will cease to be subsidiaries of TSI Holding, OOCL Terminals Holdings and CLTI and the Buyer will be the holder of 100% of the issued share capital of each of TSI, Consolidated Terminal Holdings and Global.

TSI, Consolidated Terminal Holdings and Global operate container terminals in Vancouver, New York and New Jersey. The container terminals recorded a total throughput of 2,567,720 TEUs for the twelve months ended 30 June 2006.

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## LETTER FROM THE BOARD

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The audited combined total net assets of the Sale Shares at 30 June 2006 as set out in Appendix I was approximately US\$199.9 million (approximately HK\$1.56 billion) attributable as follows:-

	<i>US\$ million</i>
Global	52.1
Consolidated Terminal Holdings	32.1
TSI	115.7

The combined results attributable to the Sale Shares for the year ended 31 December 2004 and for the year ended 31 December 2005 were as follows:

- (i) the combined total earnings before interest, tax, depreciation and amortization for the year ended 31 December 2004 was approximately US\$66.0 million (approximately HK\$514.8 million) and separately as follows:-

	<i>US\$ million</i>
Global	11.6
Consolidated Terminal Holdings	20.3
TSI	34.1

- (ii) the combined total earnings before interest, tax, depreciation and amortization for the year ended 31 December 2005 was approximately US\$76.4 million (approximately HK\$595.9 million) and separately as follows:-

	<i>US\$ million</i>
Global	17.6
Consolidated Terminal Holdings	10.4
TSI	48.4

- (iii) the combined total net profits for year ended 31 December 2004 before taxation was approximately US\$42.8 million (approximately HK\$333.8 million); and after taxation, approximately US\$28.2 million (approximately HK\$220.0 million) and separately as follows:-

*Before Taxation*

	<i>US\$ million</i>
Global	4.6
Consolidated Terminal Holdings	16.7
TSI	21.5

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## LETTER FROM THE BOARD

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### *After Taxation*

	<i>US\$ million</i>
Global	2.8
Consolidated Terminal Holdings	12.3
TSI	13.1

- (iv) the combined total net profits for year ended 31 December 2005 before taxation was approximately US\$45.4 million (approximately HK\$354.1 million); and after taxation, approximately US\$36.1 million (approximately HK\$281.6 million) and separately as follows:-

### *Before Taxation*

	<i>US\$ million</i>
Global	11.3
Consolidated Terminal Holdings	4.4
TSI	29.7

### *After Taxation*

	<i>US\$ million</i>
Global	6.6
Consolidated Terminal Holdings	9.3
TSI	20.2

The audited consolidated total assets and total liabilities of the Group amounted to approximately US\$4,970.9 million (HK\$38,773.0 million) and US\$2,476.0 million (HK\$19,312.8 million) respectively as at 30 June 2006. Upon Completion, the unaudited pro forma total assets and total liabilities of the Remaining Group as at 30 June 2006, will be approximately US\$6,774.6 million (HK\$52,841.9 million) and US\$2,291.7 million (HK\$17,875.3 million) respectively.

The financial information contained in this Circular has been prepared in accordance with the Hong Kong Financial Reporting Standards.

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## LETTER FROM THE BOARD

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### PROCEEDS FROM THE TRANSACTION

The Company has not currently made any decision as to the use of proceeds from the Transaction, and will undertake a review of the potential uses of proceeds from the Transaction, including expansion of the core businesses of the Group and mechanisms for returning capital to Shareholders such as special dividends and share repurchases. Pending the outcome of the review, the proceeds from the Transaction will be retained by the Company. As the Company expects that Completion will take place by the end of the first quarter of 2007, it anticipates providing further details by the time it releases its full year results in March 2007.

### FINANCIAL EFFECT OF AND REASONS FOR THE TRANSACTION

TSI, Consolidated Terminal Holdings and Global operate container terminals in Vancouver, New York and New Jersey. The container terminals recorded a total throughput of 2,567,720 TEUs for the twelve months ended 30 June 2006 and have since experienced strong growth. Major expansion schemes are planned for both Deltaport in the Port of Vancouver and New York Container Terminal in the Port of New York. The container terminals are separate and stand-alone businesses from the main operations of the Group. With the rapid and sustained global growth in container terminal throughput, the market value of these container terminals has risen significantly. The Company believes that the true value of these assets has not been fully recognised in its recent share price and, as a result, the Company is of the view that a disposal of the container terminals at the purchase price will unlock substantial value for the Shareholders.

While the Group is a user of these terminals, it represents only a minority of the total throughput and user contracts are negotiated on an arm's length and purely commercial basis. The Company has on-going terminal usage contracts with each of the entities being sold, the earliest of which is expiring at the end of 2007. The Company intends to initiate discussions with the Buyer relating to the extension of such arrangements, but any such extension is separate from the Transaction.

Until Completion (or, if applicable, Initial Completion and Second Completion as appropriate), TSI, Consolidated Terminal Holdings and Global are wholly-owned subsidiaries of the Company. Immediately after Completion, (or, if applicable, Initial Completion and Second Completion as appropriate), the Company will no longer hold any interest in the Sale Shares. TSI, Consolidated Terminal Holdings and Global will cease to be subsidiaries of the Company upon Completion (or, if applicable, Initial Completion and Second Completion as appropriate), and their assets and liabilities will no longer be included in the Company's consolidated balance sheet after Completion (or, if applicable, Initial Completion and Second Completion as appropriate).

Upon Completion, the Company is expected to realise an estimated gain of approximately US\$1.98 billion (approximately HK\$15.4 billion) (please refer to Note 4(c) in Appendix III) from the Transaction, which is expected to be accounted for in the consolidated financial statements of the Company as set out in the "Consideration" and "Conditions Precedent and Completion" section of this letter. The estimated gain is derived from the Aggregate Consideration less the total of: (i) the net asset value; (ii) estimated expenses; and (iii) taxes relating to Transaction.

Further information regarding the financial effect of the Transaction is set out in Appendix III.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

The principal business of the Group is container transport and logistics services, ports and terminals and property development and investment.

Orient Overseas Container Line Limited, a wholly owned subsidiary of the Company operating under the trade name OOCL, 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.

The Group's property development and investment division is focused primarily on opportunities in China. The Group continues to build its development business in the Greater Shanghai area. Its pipeline projects include residential, commercial, retail and hotel products. In addition, the Group holds an eight percent interest in Beijing Orient Plaza, one of Beijing's most prestigious commercial and office developments in Beijing and wholly owns Wall Street Plaza, a commercial development in New York City. The Group will continue to work towards the creation of a long term and balanced property business for the future.

### INFORMATION ON THE BUYER

The Ontario Teachers' Pension Plan is an independent corporation responsible for investing the CAD\$96 billion (approximately HK\$654.8 billion) fund and administering the pensions of Ontario's 163,000 elementary and secondary school teachers and 101,000 retired teachers.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Buyer and its ultimate beneficial owner are independent third parties, and not connected with any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries, and of their respective associates.

### LISTING RULES IMPLICATIONS FOR THE COMPANY

The Transaction constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules, and is subject to the approval of the Shareholders at the SGM. No Shareholder is required to abstain from voting at the SGM.

Set out on pages N-1 to N-2 of this Circular is a notice of the SGM to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 19 December 2006 at 10:00 a.m.. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

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## LETTER FROM THE BOARD

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### IRREVOCABLE UNDERTAKING(S) FROM MAJOR SHAREHOLDER(S)

At the request of the Buyer, Tung Holdings (Trustee) Inc., which holds the voting rights in respect of Shares held by the Major Shareholders representing approximately 52.19% of the entire issued share capital of the Company, has given an irrevocable undertaking to the Buyer to vote in favour of the resolution to be proposed to the Shareholders to approve the Transaction.

### RECOMMENDATION

Having considered the factors and reasons set out herein, the Directors, including the independent non-executive Directors, are of the opinion that the Stock Purchase Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM.

### ADDITIONAL INFORMATION

This document constitutes the Circular which the Company is required to send to you pursuant to the Listing Rules in respect of the Transaction.

Your attention is drawn to the information set out in Appendices I, II, III and IV to this Circular.

Yours faithfully,  
By order of the Board  
**Chee Chen Tung**  
*Chairman*

*The following is the text of the accountants' report from PricewaterhouseCoopers, the auditors and reporting accountants of the Company for each of the three years ended 31st December 2003, 2004 and 2005 and six months ended 30th June 2005 and 2006, prepared for the purpose of incorporation in this circular.*



羅兵咸永道會計師事務所

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4th December 2006

The Directors  
Orient Overseas (International) Limited

Dear Sirs,

We set out below our report on the financial information relating to Orient Overseas (International) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the three years ended 31st December 2003, 2004 and 2005 and six months ended 30th June 2005 and 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 4th December 2006 in connection with the sale of the entire issued share capital of each of TSI Terminal Systems Inc., Consolidated (Terminal Holdings) Limited and Global Terminal & Container Services, Inc. (the "Circular").

The Company was incorporated in Bermuda on 29th July 1986 with limited liability under the Company Act 1981 of Bermuda. As at the date of this report, the Company had direct and indirect interest in the principal subsidiaries as set out on pages I-79 to I-93 of section II below. All companies comprising the Group have adopted 31st December as their financial year end date. We have audited the consolidated financial statements of the Group for each of the three years ended 31st December 2003, 2004 and 2005 and the six months ended 30th June 2006 which have been prepared in accordance with Hong Kong Financial Reporting Standards. No audited consolidated financial statements of the Group have been prepared for the six months ended 30th June 2005.

The financial information as set out in section I to IV below (the "Financial Information") has been prepared based on audited consolidated financial statements of the Group for each of the three years ended 31st December 2003, 2004 and 2005 and the six months ended 30th June 2006 and the unaudited consolidated financial statements of the Group for the six months ended 30th June 2005 after making such adjustments as are appropriate. The Directors of the Company are responsible for preparing these financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for the three years ended 31st December 2003, 2004 and 2005 and the six months ended 30th June 2006 and have carried out such additional procedures as are necessary in accordance with the Auditing Guidance 3.340 "Prospectuses and the Reporting Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, we have reviewed the consolidated financial statements of the Group for the six months ended 30th June 2005 in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the consolidated financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the consolidated financial statements for the six months ended 30th June 2005.

The Directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion and conclusion, based on our examination and review, on the Financial Information and to report our opinion and conclusion.

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis set out in Section II below, gives a true and fair view of the state of affairs of the Group and the Company as at 31st December 2003, 2004, 2005 and 30th June 2006 and of the consolidated results and cash flows of the Group for the periods then ended. Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Financial Information for the six months ended 30th June 2005.

## I. FINANCIAL INFORMATION

## Consolidated Profit and Loss Accounts

US\$'000	Note	Years ended 31st December			Six months ended	
		2003	2004	2005	30th June 2005	2006
					(Unaudited)	
Turnover	5	3,241,113	4,140,328	4,696,241	2,247,864	2,386,340
Operating costs	6	(2,520,202)	(3,012,758)	(3,534,302)	(1,704,289)	(1,938,936)
<b>Gross profit</b>		720,911	1,127,570	1,161,939	543,575	447,404
Fair value gain from an investment property		—	—	—	—	75,000
Other operating income	7	36,319	37,090	76,294	28,812	44,045
Other operating expenses	8	(376,402)	(435,652)	(493,307)	(221,351)	(224,299)
<b>Operating profit</b>	11	380,828	729,008	744,926	351,036	342,150
Finance costs	12	(40,184)	(43,787)	(61,659)	(27,199)	(33,273)
Share of profits less losses of jointly controlled entities	20	6,615	11,116	6,950	5,609	2,345
Share of loss of an associated company	21	—	—	(84)	—	(37)
<b>Profit before taxation</b>		347,259	696,337	690,133	329,446	311,185
Taxation	13	(18,098)	(25,739)	(38,842)	(20,489)	(30,629)
<b>Profit for the year/period</b>		<u>329,161</u>	<u>670,598</u>	<u>651,291</u>	<u>308,957</u>	<u>280,556</u>
<b>Attributable to:</b>						
Equity holders of the Company		329,044	670,449	650,854	308,859	280,500
Minority interests		117	149	437	98	56
		<u>329,161</u>	<u>670,598</u>	<u>651,291</u>	<u>308,957</u>	<u>280,556</u>
<b>Dividends</b>	15	<u>84,330</u>	<u>170,688</u>	<u>169,292</u>	<u>75,261</u>	<u>68,837</u>
<b>Earnings per ordinary share (US cents)</b>						
Basic and diluted	14	<u>54.5</u>	<u>108.5</u>	<u>104.0</u>	<u>49.4</u>	<u>44.8</u>

## Consolidated Balance Sheets

		As at 31st December			As at
	Note	2003	2004	2005	30th June
		2006			
<i>US\$'000</i>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	16	1,476,399	2,132,066	2,593,946	2,663,345
Investment property	17	100,000	100,000	100,000	175,000
Prepayments of lease premiums	18	3,399	3,110	7,787	7,751
Jointly controlled entities	20	24,298	31,255	19,857	21,769
Associated company	21	—	—	7,916	14,879
Intangible assets	22	15,820	16,927	21,030	27,804
Deferred taxation assets	23	10,960	15,352	8,203	5,955
Pension and retirement assets	24	5,145	5,796	6,683	6,081
Available-for-sale financial assets	25	6,788	3,508	13,021	15,611
Restricted bank balances and other deposits	26	119,202	111,953	101,859	91,593
Other non-current assets	27	101,898	102,288	93,569	86,103
		<u>1,863,909</u>	<u>2,522,255</u>	<u>2,973,871</u>	<u>3,115,891</u>
<b>Current assets</b>					
Properties under development and for sale	28	78,224	97,959	181,545	192,131
Inventories	29	24,257	30,008	44,511	66,924
Debtors and prepayments	30	310,062	359,497	415,090	563,471
Portfolio investments	31	108,165	249,834	237,004	227,272
Derivative financial instruments	32	—	—	354	992
Cash and bank balances	33	557,239	755,049	962,541	804,212
		<u>1,077,947</u>	<u>1,492,347</u>	<u>1,841,045</u>	<u>1,855,002</u>
<b>Total assets</b>		<u><u>2,941,856</u></u>	<u><u>4,014,602</u></u>	<u><u>4,814,916</u></u>	<u><u>4,970,893</u></u>
<b>EQUITY</b>					
<b>Equity holders</b>					
Share capital	34	47,018	56,890	62,579	62,579
Reserves	35	<u>1,063,736</u>	<u>1,752,519</u>	<u>2,221,751</u>	<u>2,420,283</u>
		1,110,754	1,809,409	2,284,330	2,482,862
<b>Minority interests</b>		<u>7,850</u>	<u>7,808</u>	<u>8,129</u>	<u>12,045</u>
<b>Total equity</b>		<u><u>1,118,604</u></u>	<u><u>1,817,217</u></u>	<u><u>2,292,459</u></u>	<u><u>2,494,907</u></u>

## Consolidated Balance Sheets (Continued)

		As at 31st December			As at
	Note	2003	2004	2005	30th June
		2003	2004	2005	2006
<i>US\$'000</i>					
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	36	1,020,163	1,427,690	1,650,044	1,610,396
Deferred taxation liabilities	23	37,624	40,166	50,204	45,770
Pension and retirement liabilities	24	11,117	14,141	15,080	14,743
		<u>1,068,904</u>	<u>1,481,997</u>	<u>1,715,328</u>	<u>1,670,909</u>
<b>Current liabilities</b>					
Creditors and accruals	37	486,244	553,535	603,045	575,899
Derivative financial instruments	32	—	—	4,592	5,182
Borrowings	36	264,945	153,809	188,548	209,486
Current taxation		3,159	8,044	10,944	14,510
		<u>754,348</u>	<u>715,388</u>	<u>807,129</u>	<u>805,077</u>
<b>Total liabilities</b>		<u>1,823,252</u>	<u>2,197,385</u>	<u>2,522,457</u>	<u>2,475,986</u>
<b>Total equity and liabilities</b>		<u>2,941,856</u>	<u>4,014,602</u>	<u>4,814,916</u>	<u>4,970,893</u>
<b>Net current assets</b>		<u>323,599</u>	<u>776,959</u>	<u>1,033,916</u>	<u>1,049,925</u>
<b>Total assets less current liabilities</b>		<u>2,187,508</u>	<u>3,299,214</u>	<u>4,007,787</u>	<u>4,165,816</u>

## Balance Sheets

		As at 31st December			As at
	Note	2003	2004	2005	30th June
		2003	2004	2005	2006
<i>US\$'000</i>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Subsidiaries	19	169,482	169,482	169,482	169,482
Restricted bank balances and deposits		<u>57</u>	<u>75</u>	<u>91</u>	<u>102</u>
		<u>169,539</u>	<u>169,557</u>	<u>169,573</u>	<u>169,584</u>
<b>Current assets</b>					
Prepayments		53	107	53	7
Amounts due from subsidiaries	19	688,368	1,012,308	1,195,708	1,187,912
Cash and bank balances	33	<u>15,728</u>	<u>8,515</u>	<u>2,505</u>	<u>2,352</u>
		<u>704,149</u>	<u>1,020,930</u>	<u>1,198,266</u>	<u>1,190,271</u>
<b>Total assets</b>		<u><u>873,688</u></u>	<u><u>1,190,487</u></u>	<u><u>1,367,839</u></u>	<u><u>1,359,855</u></u>
<b>EQUITY</b>					
<b>Equity holders</b>					
Share capital	34	47,018	56,890	62,579	62,579
Reserves	35	<u>297,438</u>	<u>424,768</u>	<u>459,773</u>	<u>366,104</u>
<b>Total equity</b>		<u>344,456</u>	<u>481,658</u>	<u>522,352</u>	<u>428,683</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accruals		1,219	1,604	1,587	1,560
Amounts due to subsidiaries	19	<u>528,013</u>	<u>707,225</u>	<u>843,900</u>	<u>929,612</u>
<b>Total liabilities</b>		<u>529,232</u>	<u>708,829</u>	<u>845,487</u>	<u>931,172</u>
<b>Total equity and liabilities</b>		<u><u>873,688</u></u>	<u><u>1,190,487</u></u>	<u><u>1,367,839</u></u>	<u><u>1,359,855</u></u>
<b>Net current assets</b>		<u><u>174,917</u></u>	<u><u>312,101</u></u>	<u><u>352,779</u></u>	<u><u>259,099</u></u>
<b>Total assets less current liabilities</b>		<u><u>344,456</u></u>	<u><u>481,658</u></u>	<u><u>522,352</u></u>	<u><u>428,683</u></u>

## Consolidated Cash Flow Statements

	Note	Years ended			Six months ended	
		2003	2004	2005	2005	2006
US\$'000					(Unaudited)	
<b>Cash flows from operating activities</b>						
Cash generated from operations	40(a)	533,993	852,123	818,422	341,122	106,045
Interest paid		(20,227)	(21,308)	(25,139)	(12,814)	(15,101)
Interest element of finance lease rental payments		(15,296)	(17,153)	(32,521)	(11,638)	(22,166)
Dividend on preference shares		(6,304)	(6,512)	(5,916)	(5,917)	(5,293)
Hong Kong profits tax paid		—	—	(661)	—	—
Overseas tax paid		(12,355)	(27,784)	(39,564)	(21,081)	(19,797)
Net cash from operating activities		<u>479,811</u>	<u>779,366</u>	<u>714,621</u>	<u>289,672</u>	<u>43,688</u>
<b>Cash flows from investing activities</b>						
Sale of property, plant and equipment		90,945	7,679	15,089	2,741	9,949
Sale of available-for-sale financial assets		1,812	5,394	350	81	424
Sale of a jointly controlled entity		—	1,765	—	—	—
Repayment of investment in a jointly controlled entity		9,500	—	—	—	—
Sale of prepayments of lease premiums		—	137	—	—	—
Purchase of property, plant and equipment		(226,163)	(425,763)	(302,790)	(83,117)	(145,864)
Purchase of available-for-sale financial assets		(258)	(163)	(6,743)	(125)	(54)
Addition of an investment property		(10,000)	—	—	—	—
Investment in jointly controlled entities		—	(98)	(187)	(187)	—
Investment in an associated company		—	—	(8,000)	—	(7,000)
Payment of lease premiums		—	—	(4,918)	—	—
Acquisition of a subsidiary company, net of cash acquired	40(c)	—	—	(35,297)	(35,297)	—
(Increase)/decrease in amounts due by jointly controlled entities		(795)	(15,260)	18,165	15,142	(550)
(Increase)/decrease in portfolio investments		(53,889)	(141,669)	12,830	5,218	9,732
Decrease/(increase) in bank deposits maturing more than three months from the date of placement		13,617	2,169	8,621	(31,452)	10,095
Increase in other deposits		(11,825)	—	(3,000)	—	—
Purchase of intangible assets		(2,732)	(6,992)	(9,239)	(4,264)	(8,505)
(Increase)/decrease in other non-current assets		(2,380)	(394)	8,719	855	7,466
Interest received		13,660	20,919	32,748	18,717	27,035
Dividends received from portfolio investments		867	1,224	1,277	579	786
Income from available-for-sale financial assets		2	49	18	3	17
Contribution from minority interests		—	—	—	—	4,000
Dividends received from jointly controlled entities		<u>9,188</u>	<u>18,521</u>	<u>508</u>	<u>267</u>	<u>1,030</u>
Net cash used in investing activities		<u>(168,451)</u>	<u>(532,482)</u>	<u>(271,849)</u>	<u>(110,839)</u>	<u>(91,439)</u>

## Consolidated Cash Flow Statements (Continued)

	Note	Years ended 31st December			Six months ended 30th June	
		2003	2004	2005	2005	2006
US\$'000					(Unaudited)	
<b>Cash flows from financing activities</b>						
New loans		189,706	338,658	449,605	228,100	84,558
Repayment of loans		(139,667)	(269,900)	(477,276)	(450,570)	(36,023)
Redemption of preference shares		(7,523)	(7,908)	(8,511)	(8,814)	(9,237)
Capital element of finance lease rental payments		(42,469)	(100,738)	(53,259)	(19,067)	(28,722)
Increase/(decrease) in short-term bank loans		25,312	(38,908)	35,935	35,039	(35,935)
Issue of new shares		—	152,945	—	—	—
Repurchase of own shares		(59,739)	—	—	—	—
Dividends paid to shareholders		(31,028)	(134,585)	(177,595)	(102,334)	(94,031)
Dividends paid to minority interests		(255)	(191)	(225)	(225)	(253)
Net cash used in financing activities		(65,663)	(60,627)	(231,326)	(317,871)	(119,643)
<b>Net increase/(decrease) in cash and cash equivalents</b>		245,697	186,257	211,446	(139,038)	(167,394)
Cash and cash equivalents at beginning of year/period		301,222	551,653	744,348	744,348	947,370
Currency translation adjustments		4,734	6,438	(8,424)	(4,925)	8,824
Cash and cash equivalents at end of year/period	40(d)	<u>551,653</u>	<u>744,348</u>	<u>947,370</u>	<u>600,385</u>	<u>788,800</u>

## Consolidated Statements of Changes in Equity

	Equity holders			Minority interests	Total
	Share capital	Reserves	Sub-total		
<i>US\$'000</i>					
At 31st December 2002	51,714	808,729	860,443	7,988	868,431
Currency translation adjustments	—	12,034	12,034	—	12,034
Repurchase of own shares	(4,696)	(55,043)	(59,739)	—	(59,739)
Profit for the year	—	329,044	329,044	117	329,161
2002 final dividend	—	(12,929)	(12,929)	—	(12,929)
2003 interim dividend	—	(18,099)	(18,099)	—	(18,099)
Dividend paid to minority interests	—	—	—	(255)	(255)
At 31st December 2003	47,018	1,063,736	1,110,754	7,850	1,118,604
Currency translation adjustments	—	9,846	9,846	—	9,846
Issue of new shares ( <i>note 34</i> )	4,700	148,245	152,945	—	152,945
Bonus issue ( <i>note 34</i> )	5,172	(5,172)	—	—	—
Profit for the year	—	670,449	670,449	149	670,598
2003 final dividend	—	(66,231)	(66,231)	—	(66,231)
2004 interim dividend	—	(68,354)	(68,354)	—	(68,354)
Dividend paid to minority interests	—	—	—	(191)	(191)
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 ( <i>note 34</i> )	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	—	9,142	9,142	113	9,255
Change in fair value	—	2,921	2,921	—	2,921
Profit for the period	—	280,500	280,500	56	280,556
2005 final dividend	—	(94,031)	(94,031)	—	(94,031)
Contribution from minority interests	—	—	—	4,000	4,000
Dividend paid to minority interests	—	—	—	(253)	(253)
At 30th June 2006	<u>62,579</u>	<u>2,420,283</u>	<u>2,482,862</u>	<u>12,045</u>	<u>2,494,907</u>

## Consolidated Statements of Changes in Equity (Continued)

	Equity holders			Minority interests	Total
	Share capital	Reserves	Sub-total		
<i>US\$'000</i>					
<b>For the six months ended</b>					
<b>30th June 2005 (unaudited)</b>					
At 31st December 2004	56,890	1,752,519	1,809,409	7,808	1,817,217
Currency translation adjustments	—	(4,538)	(4,538)	—	(4,538)
Bonus issue ( <i>note 34</i> )	5,689	(5,689)	—	—	—
Profit for the period	—	308,859	308,859	98	308,957
2004 final dividend	—	(102,334)	(102,334)	—	(102,334)
Dividend paid to minority interests	—	—	—	(225)	(225)
At 30th June 2005	<u>62,579</u>	<u>1,948,817</u>	<u>2,011,396</u>	<u>7,681</u>	<u>2,019,077</u>

## II. NOTES TO THE FINANCIAL INFORMATION

### 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.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The Financial Information 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 Financial Information 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 Financial Information, are disclosed in note 4.

#### The adoption of new/revised HKFRS

In 2006, the Group adopted the new/revised standards and interpretations of new HKFRS below, which are relevant to its operations. These changes in accounting policies did not have significant impact on the Group’s results and financial positions.

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
HKFRSs 1 & 6 Amendments	First-time Adoption of HKFRSs and Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### Standards, interpretations and amendments to published 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 financial statements and are mandatory for the Group's accounting periods beginning on or after 1st January 2007 or later periods but which the Group has not early adopted, as follows:

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
HKFRS 7	Financial Instruments: Disclosures

The Group has not early adopted the above standards, amendments and interpretations in the Financial Information during the Relevant Periods and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the Financial Information will be resulted.

### 2.2 Consolidation

The Financial Information include the accounts of the Company and its subsidiaries made up to 30th June/31st December.

The Financial Information also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities and associated company.

#### (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.

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.

## 2. Summary of significant accounting policies (Continued)

### 2.2 Consolidation (Continued)

#### (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 10 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.

**(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.

**2. Summary of significant accounting policies (Continued)****2.8 Investments (Continued)****(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 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.

**2.10 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. Summary of significant accounting policies (Continued)****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 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 Financial Information. 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.

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. Summary of significant accounting policies (Continued)

### 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.

### 2.17 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. Summary of significant accounting policies (Continued)****2.18 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.

**2.19 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 Financial Information 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.

**(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. Summary of significant accounting policies (Continued)

### 2.20 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 accruals 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.

### 2.21 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.

### 2.22 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.

**2. Summary of significant accounting policies (Continued)****2.22 Borrowing costs (Continued)**

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.

**2.23 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.

**2.24 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.

**3. Financial risk management (Continued)****3.1 Financial risk factors (Continued)****(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 rate. 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 receivables 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.

**3.2 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.

##### (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 a 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.

## 4. Critical accounting estimates and judgements (Continued)

## (e) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost, are recognised on a percentage of completion basis as set out in note 2.20(a). 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

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Container transport and logistics	2,898,173	3,748,414	4,229,937	2,030,749	2,124,892
Container terminals	322,406	368,664	443,275	205,956	244,358
Property investment and development	20,534	23,250	23,029	11,159	17,090
	<u>3,241,113</u>	<u>4,140,328</u>	<u>4,696,241</u>	<u>2,247,864</u>	<u>2,386,340</u>

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

## 5. Turnover and segment information (Continued)

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

## (b) Segment reporting

The principal activities of the Group are container transport and logistics, container terminal, 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 available-for-sale financial assets, portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable and cash and bank balances. While unallocated segment liabilities include borrowings, derivative financial instruments, current and deferred taxation liabilities.

*Primary reporting — business segment*

The segment results for the year ended 31st December 2003 are as follows:

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Elimination</b>	<b>Group</b>
<i>US\$'000</i>						
<b>Turnover</b>	<u>2,898,173</u>	<u>344,740</u>	<u>21,249</u>	<u>—</u>	<u>(23,049)</u>	<u>3,241,113</u>
Operating profit	316,215	44,127	6,228	14,258	—	380,828
Finance costs ( <i>note 12</i> )						(40,184)
Share of profits less losses of jointly controlled entities ( <i>note 20</i> )						<u>6,615</u>
<b>Profit before taxation</b>						347,259
Taxation						<u>(18,098)</u>
<b>Profit for the year</b>						<u>329,161</u>
Capital expenditure	391,937	23,148	14,901	—	—	429,986
Depreciation	98,861	15,387	168	—	—	114,416
Amortisation	<u>8,928</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,928</u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

The segment results for the year ended 31st December 2004 are as follows:

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Elimination</b>	<b>Group</b>
<i>US\$'000</i>						
<b>Turnover</b>	<u>3,748,414</u>	<u>402,837</u>	<u>23,933</u>	<u>—</u>	<u>(34,856)</u>	<u>4,140,328</u>
Operating profit	644,997	53,641	9,212	21,158	—	729,008
Finance costs ( <i>note 12</i> )						(43,787)
Share of profits less losses of jointly controlled entities ( <i>note 20</i> )						<u>11,116</u>
<b>Profit before taxation</b>						696,337
Taxation						<u>(25,739)</u>
<b>Profit for the year</b>						<u>670,598</u>
Capital expenditure	761,114	45,286	91	—	—	806,491
Depreciation	120,645	24,124	91	—	—	144,860
Amortisation	<u>5,594</u>	<u>572</u>	<u>116</u>	<u>—</u>	<u>—</u>	<u>6,282</u>

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

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Elimination</b>	<b>Group</b>
<i>US\$'000</i>						
<b>Turnover</b>	<u>4,229,937</u>	<u>486,711</u>	<u>23,932</u>	<u>—</u>	<u>(44,339)</u>	<u>4,696,241</u>
Operating profit	648,829	56,375	8,271	31,451	—	744,926
Finance costs ( <i>note 12</i> )						(61,659)
Share of profits less losses of jointly controlled entities ( <i>note 20</i> )						6,950
Share of loss of an associated company ( <i>note 21</i> )						<u>(84)</u>
<b>Profit before taxation</b>						690,133
Taxation						<u>(38,842)</u>
<b>Profit for the year</b>						<u>651,291</u>
Capital expenditure	540,934	94,489	71	—	—	635,494
Depreciation	122,638	34,607	57	—	—	157,302
Amortisation	<u>4,529</u>	<u>1,234</u>	<u>1,058</u>	<u>—</u>	<u>—</u>	<u>6,821</u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

The segment results for the six months ended 30th June 2005 are as follows:

<i>(Unaudited)</i> <i>US\$'000</i>	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Elimination</b>	<b>Group</b>
<b>Turnover</b>	<u>2,030,749</u>	<u>227,504</u>	<u>11,600</u>	<u>—</u>	<u>(21,989)</u>	<u>2,247,864</u>
Operating profit	309,572	25,571	2,868	13,025	—	351,036
Finance costs ( <i>note 12</i> )						(27,199)
Share of profits less losses of jointly controlled entities ( <i>note 20</i> )						<u>5,609</u>
<b>Profit before taxation</b>						329,446
Taxation						<u>(20,489)</u>
<b>Profit for the period</b>						<u>308,957</u>
Capital expenditure	168,014	19,105	3,967	—	—	191,086
Depreciation	66,259	12,702	26	—	—	78,987
Amortisation	<u>2,587</u>	<u>135</u>	<u>145</u>	<u>—</u>	<u>—</u>	<u>2,867</u>

The segment results for the six months ended 30th June 2006 are as follows:

<i>US\$'000</i>	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Elimination</b>	<b>Group</b>
<b>Turnover</b>	<u>2,124,892</u>	<u>270,358</u>	<u>17,422</u>	<u>—</u>	<u>(26,332)</u>	<u>2,386,340</u>
Operating profit	199,353	37,468	80,608	24,721	—	342,150
Finance costs ( <i>note 12</i> )						(33,273)
Share of profits less losses of jointly controlled entities ( <i>note 20</i> )						2,345
Share of loss of an associated company ( <i>note 21</i> )						<u>(37)</u>
<b>Profit before taxation</b>						311,185
Taxation						<u>(30,629)</u>
<b>Profit for the period</b>						<u>280,556</u>
Capital expenditure	122,553	38,650	74	—	—	161,277
Depreciation	65,360	20,437	194	—	—	85,991
Amortisation	<u>1,573</u>	<u>642</u>	<u>630</u>	<u>—</u>	<u>—</u>	<u>2,845</u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

The segment assets and liabilities at 31st December 2003 are as follows:

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Group</b>
<i>US\$'000</i>					
<b>Segment assets</b>					
Property, plant and equipment	1,259,136	217,253	10	—	1,476,399
Jointly controlled entities	2,777	—	21,521	—	24,298
Other assets	<u>307,169</u>	<u>55,519</u>	<u>292,547</u>	<u>785,924</u>	<u>1,441,159</u>
Total assets					<u><u>2,941,856</u></u>
<b>Segment liabilities</b>					
Creditors and accruals	(449,305)	(30,907)	(4,300)	(1,732)	(486,244)
Other liabilities	<u>(107,819)</u>	<u>(2,798)</u>	<u>—</u>	<u>(1,226,391)</u>	<u>(1,337,008)</u>
Total liabilities					<u><u>(1,823,252)</u></u>

The segment assets and liabilities at 31st December 2004 are as follows:

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Group</b>
<i>US\$'000</i>					
<b>Segment assets</b>					
Property, plant and equipment	1,892,122	239,740	204	—	2,132,066
Jointly controlled entities	2,957	—	28,298	—	31,255
Other assets	<u>322,232</u>	<u>79,830</u>	<u>321,330</u>	<u>1,127,889</u>	<u>1,851,281</u>
Total assets					<u><u>4,014,602</u></u>
<b>Segment liabilities</b>					
Creditors and accruals	(504,335)	(43,427)	(3,385)	(2,388)	(553,535)
Other liabilities	<u>(10,706)</u>	<u>(3,435)</u>	<u>—</u>	<u>(1,629,709)</u>	<u>(1,643,850)</u>
Total liabilities					<u><u>(2,197,385)</u></u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

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

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Group</b>
<i>US\$'000</i>					
<b>Segment assets</b>					
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	<u>380,232</u>	<u>74,363</u>	<u>411,315</u>	<u>1,327,287</u>	<u>2,193,197</u>
Total assets					<u><u>4,814,916</u></u>
<b>Segment liabilities</b>					
Creditors and accruals	(530,930)	(55,160)	(14,510)	(2,445)	(603,045)
Other liabilities	<u>(11,352)</u>	<u>(3,728)</u>	<u>—</u>	<u>(1,904,332)</u>	<u>(1,919,412)</u>
Total liabilities					<u><u>(2,522,457)</u></u>

The segment assets and liabilities at 30th June 2006 are as follows:

	<b>Container transport and logistics</b>	<b>Terminal</b>	<b>Property investment and development</b>	<b>Unallocated</b>	<b>Group</b>
<i>US\$'000</i>					
<b>Segment assets</b>					
Property, plant and equipment	2,340,736	322,392	217	—	2,663,345
Jointly controlled entities	4,628	—	17,141	—	21,769
Associated company	—	14,879	—	—	14,879
Other assets	<u>427,581</u>	<u>95,503</u>	<u>609,708</u>	<u>1,138,108</u>	<u>2,270,900</u>
Total assets					<u><u>4,970,893</u></u>
<b>Segment liabilities</b>					
Creditors and accruals	(496,030)	(60,071)	(17,861)	(1,937)	(575,899)
Other liabilities	<u>(10,671)</u>	<u>(4,072)</u>	<u>—</u>	<u>(1,885,344)</u>	<u>(1,900,087)</u>
Total liabilities					<u><u>(2,475,986)</u></u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

*Secondary reporting — geographical segment*

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

<i>US\$'000</i>	<b>Turnover</b>	<b>Operating profit/(loss)</b>	<b>Capital expenditure</b>
<b>Year ended 31st December 2003</b>			
Asia	2,043,205	(1,634)	37,230
North America	752,356	42,896	56,430
Europe	399,068	—	504
Australia	46,484	—	13
Unallocated*	<u>—</u>	<u>339,566</u>	<u>335,809</u>
	<u>3,241,113</u>	<u>380,828</u>	<u>429,986</u>
<b>Year ended 31st December 2004</b>			
Asia	2,710,669	(1,668)	20,811
North America	885,326	67,571	61,069
Europe	480,450	—	1,715
Australia	63,883	—	70
Unallocated*	<u>—</u>	<u>663,105</u>	<u>722,826</u>
	<u>4,140,328</u>	<u>729,008</u>	<u>806,491</u>
<b>Year ended 31st December 2005</b>			
Asia	3,023,294	468	39,333
North America	1,043,771	66,908	90,888
Europe	556,054	—	751
Australia	73,122	—	337
Unallocated*	<u>—</u>	<u>677,550</u>	<u>504,185</u>
	<u>4,696,241</u>	<u>744,926</u>	<u>635,494</u>
<b>Six months ended 30th June 2005 (unaudited)</b>			
Asia	1,449,458	(1,595)	18,149
North America	501,231	30,862	22,615
Europe	260,399	—	150
Australia	36,776	—	35
Unallocated*	<u>—</u>	<u>321,769</u>	<u>150,137</u>
	<u>2,247,864</u>	<u>351,036</u>	<u>191,086</u>

## 5. Turnover and segment information (Continued)

## (b) Segment reporting (Continued)

<i>US\$'000</i>	Turnover	Operating profit/(loss)		Capital expenditure
		As at 31st December 2003	As at 31st December 2004	As at 31st December 2005
<b>Six months ended 30th June 2006</b>				
Asia	1,464,735		1,131	14,047
North America	609,508		118,989	41,826
Europe	257,286		—	460
Australia	54,811		—	258
Unallocated*	—		222,030	104,686
	<u>2,386,340</u>		<u>342,150</u>	<u>161,277</u>
<i>US\$'000</i>				
<b>Total assets</b>				
Asia	549,580	240,211	379,907	572,109
North America	420,007	497,820	540,467	628,490
Europe	12,882	15,308	21,262	19,841
Australia	139	342	627	748
Unallocated*	1,959,248	3,260,921	3,872,653	3,749,705
	<u>2,941,856</u>	<u>4,014,602</u>	<u>4,814,916</u>	<u>4,970,893</u>

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

## 6. Operating costs

<i>US\$'000</i>	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
				<i>(Unaudited)</i>	
Cargo	1,202,549	1,487,425	1,683,380	890,324	972,664
Vessel and voyage	630,005	748,095	965,406	390,277	516,836
Equipment and repositioning	445,399	499,756	537,912	260,641	260,837
Terminal operating	233,325	268,409	337,161	155,838	180,783
Property management and development	8,924	9,073	10,443	7,209	7,816
	<u>2,520,202</u>	<u>3,012,758</u>	<u>3,534,302</u>	<u>1,704,289</u>	<u>1,938,936</u>

## 7. Other operating income

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Income from available-for-sale financial assets					
— profit on disposal	17	1,862	18	11	26
— dividend income	2	49	18	3	17
Interest income from banks	14,774	18,461	30,105	13,577	21,936
Portfolio investment income					
— fair value gain (realised and unrealised)	4,639	8,183	10,344	4,344	6,934
— interest income	1,183	2,277	2,722	1,316	1,395
— dividend income	867	1,224	1,277	579	786
Gain on interest rate swap contracts	—	—	5,152	7,823	—
Gain on foreign exchange forward contracts	—	—	—	—	5,584
Profit on disposal of a jointly controlled entity	—	770	—	—	—
Profit on disposal of property, plant and equipment	1,914	1,768	8,709	143	6,112
Exchange gain	8,095	1,587	13,287	542	—
Others	4,828	909	4,662	474	1,255
	<u>36,319</u>	<u>37,090</u>	<u>76,294</u>	<u>28,812</u>	<u>44,045</u>

The investment income from listed investments for the years ended 31st December 2003, 2004 and 2005 and six months ended 30th June 2005 and 2006 are US\$1.4 million, US\$2.7 million, US\$2.7 million, US\$1.4 million and US\$1.7 million respectively.

The investment income from unlisted investments for the years ended 31st December 2003, 2004 and 2005 and six months ended 30th June 2005 and 2006 are US\$0.6 million, US\$0.8 million, US\$1.3 million, US\$0.4 million and US\$0.5 million respectively.

## 8. Other operating expenses

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Business and administrative	366,692	423,759	476,870	214,735	213,796
Corporate	9,710	11,893	11,845	4,350	4,967
Loss on foreign exchange forward contracts	—	—	4,592	2,266	—
Loss on interest rate swap contracts	—	—	—	—	5,536
	<u>376,402</u>	<u>435,652</u>	<u>493,307</u>	<u>221,351</u>	<u>224,299</u>

## 9. Employee benefit expense

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Wages and salaries					
— General and administrative staff	277,564	295,526	302,303	149,385	146,096
— Terminal workers	151,325	226,158	268,439	129,885	148,177
— Crew and seamen	19,631	21,547	25,696	12,989	14,194
	<u>448,520</u>	<u>543,231</u>	<u>596,438</u>	<u>292,259</u>	<u>308,467</u>
Pension and retirement benefits					
— Defined contribution plans ( <i>note 24</i> )	11,283	14,309	15,296	5,812	6,953
— Defined benefit plans ( <i>note 24</i> )	4,962	6,908	7,410	2,354	6,497
	<u>464,765</u>	<u>564,448</u>	<u>619,144</u>	<u>300,425</u>	<u>321,917</u>

Employee benefit expense of US\$172.1 million, US\$249.6 million, US\$295.8 million for the years ended 31st December 2003, 2004 and 2005 and US\$143.6 million and US\$165.9 million for the six months ended 30th June 2005 and 2006 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 <i>US\$'000</i>	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to provident fund scheme	Total
<b>For the year ended</b>						
<b>31st December 2003</b>						
Mr. C C Tung	106	539	81	—	62	788
Mr. Tsann Rong Chang	—	534	176	15	72	797
Mr. Roger King	—	54	—	—	5	59
Mr. Nicholas D Sims	168	126	—	108	20	422
Mr. Philip Chow	—	37	16	2	5	60
Mr. Robert Suan	—	295	44	—	11	350
Mr. Simon Murray	19	—	—	—	—	19
Dr. Victor K Fung	26	—	—	—	—	26
Prof. Richard Wong	5	—	—	—	—	5
<b>For the year ended</b>						
<b>31st December 2004</b>						
Mr. C C Tung	106	539	428	—	97	1,170
Mr. Tsann Rong Chang	—	299	1,167	—	141	1,607
Mr. Roger King	—	54	—	—	6	60
Mr. Nicholas D Sims	115	126	277	108	31	657
Mr. Philip Chow	—	450	1,167	120	141	1,878
Mr. Robert Suan	—	229	113	—	16	358
Mr. Simon Murray	19	—	—	—	—	19
Dr. Victor K Fung	26	—	—	—	—	26
Prof. Richard Wong	19	—	—	—	—	19
<b>For the year ended</b>						
<b>31st December 2005</b>						
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
<b>For the six months ended</b>						
<b>30th June 2005 (unaudited)</b>						
Mr. C C Tung	53	249	995	—	124	1,421
Mr. Tsann Rong Chang	—	32	—	—	—	32
Mr. Roger King	—	25	—	—	3	28
Mr. Nicholas D Sims	58	68	697	54	44	921
Mr. Philip Chow	—	211	2,396	—	251	2,858
Mr. Alan Tung	—	35	—	—	4	39
Mr. Simon Murray	10	—	—	—	—	10
Dr. Victor K Fung	13	—	—	—	—	13
Prof. Richard Wong	10	—	—	—	—	10

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

## (a) Directors' emoluments (Continued)

Name of Director <i>US\$'000</i>	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to provident fund scheme	Total
<b>For the six months ended 30th June 2006</b>						
Mr. C C Tung	53	249	976	—	122	1,400
Mr. Tsann Rong Chang	—	32	—	—	—	32
Mr. Roger King	—	25	—	—	3	28
Mr. Nicholas D Sims	58	70	704	57	68	957
Mr. Philip Chow	—	216	2,336	28	245	2,825
Mr. Alan Tung	—	110	115	—	23	248
Mr. Simon Murray	10	—	—	—	—	10
Dr. Victor K Fung	16	—	—	—	—	16
Prof. Richard Wong	13	—	—	—	—	13

During the Relevant Periods, none of the Directors has waived the right to receive their emoluments and no emoluments were paid by the Group to any of the Directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31st December 2003 and 2004 included three Directors and for the year ended 31st December 2005 and for the six months ended 30th June 2005 and 2006 included two Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

<i>US\$'000</i>	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
Basic salaries, housing allowances, other allowances and benefits in kind	784	653	921	436	452
Discretionary bonuses	289	1,167	3,834	3,834	3,737
Pension costs - defined contribution plans	107	182	475	428	307
	<u>1,180</u>	<u>2,002</u>	<u>5,230</u>	<u>4,698</u>	<u>4,496</u>



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

## (c) Key management compensation

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Salaries and other short-term employee benefits	4,393	8,563	11,792	10,224	10,415
Pension costs					
— defined contribution plans	<u>374</u>	<u>757</u>	<u>1,109</u>	<u>980</u>	<u>1,001</u>
	<u>4,767</u>	<u>9,320</u>	<u>12,901</u>	<u>11,204</u>	<u>11,416</u>

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

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Operating profit is arrived at after crediting:					
Operating lease rental income					
Land and buildings	20,046	22,262	21,974	11,159	11,803
Reduction in terminal lease rental payments	<u>14,254</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
and after charging:					
Depreciation					
Owned assets	67,750	95,076	117,413	53,231	66,245
Leased assets	46,666	49,784	39,889	25,756	19,746
Operating lease rental expense					
Vessels and equipment	362,566	399,126	405,442	232,221	222,601
Land and buildings	28,751	43,402	47,473	18,607	24,271
Rental outgoings in respect of an investment property	10,643	11,231	14,223	7,033	6,032
Exchange loss	—	—	—	—	1,061
Amortisation					
Prepayments of lease premiums	324	438	504	241	350
Leasehold land and land use rights of properties under development and for sale	—	—	1,057	145	630
Intangible assets	8,604	5,844	5,260	2,481	1,865
Auditors' remuneration					
Audit	1,825	1,960	2,327	1,058	1,257
Non-audit	<u>854</u>	<u>926</u>	<u>1,559</u>	<u>364</u>	<u>604</u>

Operating lease rental expenses of US\$365.1 million, US\$418.3 million and US\$429.7 million are included in "operating costs" in the profit and loss account for the years ended 31st December 2003, 2004 and 2005 and US\$240.0 million and US\$235.4 million for the six months ended 30th June 2005 and 2006 respectively.

Operating lease rental expenses of US\$26.2 million, US\$24.2 million and US\$23.2 million are included in "other operating expenses" in the profit and loss account for the years ended 31st December 2003, 2004 and 2005 and US\$10.8 million and US\$11.5 million for the six months ended 30th June 2005 and 2006 respectively.

## 12. Finance costs

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Interest expense					
Bank loans, overdrafts and other loans					
Wholly repayable within five years	7,747	13,122	17,133	9,041	8,070
Not wholly repayable within five years	12,933	8,641	12,994	3,609	6,179
Finance lease obligations					
Wholly payable within five years	8,911	11,201	9,528	4,442	4,144
Not wholly payable within five years	6,435	7,272	23,484	9,469	20,035
	36,026	40,236	63,139	26,561	38,428
Amount capitalised under assets	(2,636)	(2,661)	(7,082)	(2,296)	(7,779)
Net interest expense	33,390	37,575	56,057	24,265	30,649
Dividend on preference shares	6,794	6,212	5,602	2,934	2,624
	<u>40,184</u>	<u>43,787</u>	<u>61,659</u>	<u>27,199</u>	<u>33,273</u>

The borrowing cost of the loans to finance the vessels under construction (note 16) and properties under development and for sale (note 28) represents an average capitalisation rate for the years ended 31st December 2003, 2004 and 2005 of approximately of 2.3%, 2.8% and 3.9% respectively and six months ended 30th June 2005 and 2006 of approximately 3.2% and 4.5% respectively.

## 13. Taxation

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Current taxation					
Hong Kong profits tax	—	—	1,026	—	768
Overseas taxation	16,349	28,784	25,509	18,367	32,807
	16,349	28,784	26,535	18,367	33,575
Deferred taxation					
Hong Kong profits tax	(47)	(1,981)	1,866	—	253
Overseas taxation	1,796	(1,064)	10,441	2,122	(3,199)
	<u>18,098</u>	<u>25,739</u>	<u>38,842</u>	<u>20,489</u>	<u>30,629</u>

## 13. Taxation (Continued)

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 years/periods. These rates for the years ended 31st December 2003, 2004 and 2005 range from 10% to 53%, 10% to 53% and 3% to 52% and six months ended 30th June 2005 and 2006 range from 10% to 53% and 8% to 52% and the rate applicable for Hong Kong profits tax is 17.5% during the Relevant Periods.

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:

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Profit before taxation	347,259	696,337	690,133	329,446	311,185
Share of profits less losses of jointly controlled entities	(6,615)	(11,116)	(6,950)	(5,609)	(2,345)
Share of loss of an associated company	—	—	84	—	37
	<u>340,644</u>	<u>685,221</u>	<u>683,267</u>	<u>323,837</u>	<u>308,877</u>
Tax calculated at applicable tax rate	70,532	134,033	149,084	73,484	97,579
Income not subject to tax	(63,490)	(112,470)	(119,911)	(62,494)	(80,779)
Expenses not deductible for tax purposes	14,695	9,913	18,100	11,732	13,932
Tax losses not recognised	3,756	2,768	2,193	675	1,025
Temporary differences not recognised	2,813	(57)	(2,640)	580	804
Utilisation of previously unrecognised tax losses	(11,043)	(7,403)	(4,434)	(984)	(493)
Utilisation of previously unrecognised temporary differences	—	(665)	(2,761)	(1,772)	(2,015)
Recognition of previously unrecognised deferred tax assets	(523)	(1,981)	—	—	—
Recognition of previously unrecognised temporary differences	(254)	(156)	11	—	—
Change in tax rates	40	—	(793)	9	16
Withholding tax	935	1,381	198	3	267
Other items	<u>637</u>	<u>376</u>	<u>(205)</u>	<u>(744)</u>	<u>293</u>
	<u>18,098</u>	<u>25,739</u>	<u>38,842</u>	<u>20,489</u>	<u>30,629</u>

## 14. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share for the years ended 31st December 2003, 2004 and 2005 is based on the profit attributable to equity holders of US\$329.0 million, US\$670.4 million and US\$650.9 million respectively and for the six months ended 30th June 2005 and 2006 of US\$308.9 million and US\$280.5 million respectively and the weighted average number of 603.3 million, 618.0 million and 625.8 million respectively as at 31st December 2003, 2004 and 2005 and 625.8 million as at 30th June 2005 and 2006 after adjusting for the bonus issue ordinary shares in issue during the Relevant Periods.

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

## 15. Dividends

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Interim paid of US3.85 cents/ US10.91 cents/US12.00 cents/ US12.00 cents and proposed of US11.00 cents per ordinary share	18,099	68,354	75,261	75,261	68,837
Final paid of US11.64 cents/ US16.36 cents/US15.00 cents/ nil/nil per ordinary share	<u>66,231</u>	<u>102,334</u>	<u>94,031</u>	<u>—</u>	<u>—</u>
	<u>84,330</u>	<u>170,688</u>	<u>169,292</u>	<u>75,261</u>	<u>68,837</u>

## 16. Property, plant and equipment

US\$'000

Group	Container vessels	Vessels under construction	Containers	Chassis improvements	Terminal equipment and improvements	Freehold land and buildings outside Hong Kong	Buildings under medium-term leasehold land outside Hong Kong	Vehicles, furnitures, computer and other equipment	Total
Cost or valuation									
At 31st December 2002	929,253	164,836	344,377	109,931	223,053	53,368	22,990	102,827	1,950,635
Changes in exchange rates	—	—	—	1,043	23,455	239	80	3,607	28,424
Additions	984	219,105	115,720	9,204	49,397	—	—	19,363	413,773
Reclassification	211,657	(211,657)	—	—	—	—	—	—	—
Disposals	(98,082)	—	(17,232)	—	(8,044)	—	(2,711)	(17,478)	(143,547)
At 31st December 2003	1,043,812	172,284	442,865	120,178	287,861	53,607	20,359	108,319	2,249,285
Accumulated depreciation									
At 31st December 2002	285,657	—	139,023	76,867	86,276	23,188	6,757	83,859	701,627
Changes in exchange rates	—	—	—	579	8,568	39	46	2,127	11,359
Charge for the year	35,863	—	44,037	7,039	17,657	1,645	1,488	6,687	114,416
Disposals	(14,074)	—	(14,522)	—	(6,829)	—	(1,866)	(17,225)	(54,516)
At 31st December 2003	307,446	—	168,538	84,485	105,672	24,872	6,425	75,448	772,886
Net book amount									
At 31st December 2003	736,366	172,284	274,327	35,693	182,189	28,735	13,934	32,871	1,476,399
At 31st December 2002	643,596	164,836	205,354	33,064	136,777	30,180	16,233	18,968	1,249,008
Net book amount of leased assets									
At 31st December 2003	153,073	—	125,867	26,913	77,620	—	—	607	384,080
At 31st December 2002	—	—	156,760	24,181	57,882	—	—	465	239,288

## 16. Property, plant and equipment (Continued)

	Container vessels	Vessels under construction	Containers	Chassis improvements	Terminal equipment and	Freehold land and buildings outside Hong Kong	Buildings under medium-term leasehold land outside Hong Kong	Vehicles, furniture, computer and other equipment	Total
<i>US\$'000</i>									
<b>Group</b>									
Cost or valuation									
At 31st December 2003	1,043,812	172,284	442,865	120,178	287,861	53,607	20,359	108,319	2,249,285
Currency translation adjustments	—	—	—	485	10,300	26	90	2,155	13,056
Additions	—	528,260	189,946	17,610	38,916	—	—	24,767	799,499
Reclassification	320,294	(320,294)	—	—	—	—	—	—	—
Disposals	—	—	(13,828)	(515)	(2,403)	—	(650)	(8,718)	(26,114)
At 31st December 2004	1,364,106	380,250	618,983	137,758	334,674	53,633	19,799	126,523	3,035,726
Accumulated depreciation									
At 31st December 2003	307,446	—	168,538	84,485	105,672	24,872	6,425	75,448	772,886
Currency translation adjustments	—	—	—	194	4,489	16	32	1,386	6,117
Charge for the year	46,915	—	55,518	8,187	20,085	1,889	1,356	10,910	144,860
Disposals	—	—	(11,549)	(271)	(1,517)	—	(650)	(6,216)	(20,203)
At 31st December 2004	354,361	—	212,507	92,595	128,729	26,777	7,163	81,528	903,660
Net book amount									
At 31st December 2004	1,009,745	380,250	406,476	45,163	205,945	26,856	12,636	44,995	2,132,066
At 31st December 2003	736,366	172,284	274,327	35,693	182,189	28,735	13,934	32,871	1,476,399
Net book amount of leased assets									
At 31st December 2004	384,188	144,620	61,608	23,449	68,071	—	—	352	682,288
At 31st December 2003	153,073	—	125,867	26,913	77,620	—	—	607	384,080

## 16. Property, plant and equipment (Continued)

	Container vessels and capitalised dry-docking cost	Vessels under construction	Containers	Chassis improvements	Terminal equipment and improvements	Freehold land and buildings outside Hong Kong	Buildings under medium-term leasehold land outside Hong Kong	Vehicles, furniture, computer and other equipment	Total
<i>US\$'000</i>									
<b>Group</b>									
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



## 16. Property, plant and equipment (Continued)

- (a) Container vessels as at 31st December 2003, 2004 and 2005 and 30th June 2006 include 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 as at 31st December 2003, 2004 and 2005 and 30th June 2006 would have been reduced by US\$2.7 million, US\$2.3 million, US\$1.9 million and US\$1.7 million respectively.
- (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 as at 31st December 2003, 2004 and 2005 and 30th June 2006 pledged as securities for loans amounts to US\$899.0 million, US\$906.3 million, US\$447.0 million and US\$510.2 million respectively. 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\$1.6 million, US\$1.3 million, US\$4.5 million respectively during the years ended 31st December 2003, 2004 and 2005 and US\$1.7 million and US\$6.1 million respectively during the six months ended 30th June 2005 and 2006 were capitalised as part of vessels under construction.
- (e) Depreciation charge of US\$104.6 million, US\$130.7 million and US\$117.4 million respectively during the years ended 31st December 2003, 2004 and 2005 and US\$70.0 million and US\$75.0 million respectively during the six months ended 30th June 2005 and 2006 has been expensed in operating cost and US\$9.7 million, US\$14.2 million and US\$39.9 million respectively for the years ended 31st December 2003, 2004 and 2005 and US\$8.9 million and US\$10.9 million respectively for the six months ended 30th June 2005 and 2006 in business and administrative expenses.

## 17. Investment property

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Balance at beginning of year/period	90,000	100,000	100,000	100,000
Additions	10,000	—	—	—
Fair value gain	—	—	—	75,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at end of year/period	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>175,000</u>

The investment property, "Wall Street Plaza", 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 as at 31st December 2003, 2004 and 2005 of US\$100.0 million and as at 30th June of US\$175.0 million, by reference to a professional valuation made by independent valuers, on an open market basis.

The investment property is pledged for bank borrowings as at 31st December 2003, 2004 and 2005 and 30th June 2006.

## 18. 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:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Medium-term lease outside Hong Kong	<u>3,399</u>	<u>3,110</u>	<u>7,787</u>	<u>7,751</u>
Balance at beginning of year/period	3,430	3,399	3,110	7,787
Currency translation adjustments	293	286	263	314
Additions	—	—	4,918	—
Disposals	—	(137)	—	—
Amortisation	<u>(324)</u>	<u>(438)</u>	<u>(504)</u>	<u>(350)</u>
Balance at end of year/period	<u>3,399</u>	<u>3,110</u>	<u>7,787</u>	<u>7,751</u>

Amortisation for the years ended 31st December 2003, 2004 and 2005 of US\$0.3 million, US\$0.4 million and US\$0.5 million respectively and for the six months ended 30th June 2005 and 2006 of US\$0.2 million and US\$0.4 million respectively are included in "other operating expenses" in the profit and loss account.

## 19. Subsidiaries

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Company</b>				
Unlisted shares, at cost less provision	<u>169,482</u>	<u>169,482</u>	<u>169,482</u>	<u>169,482</u>
Amounts due from subsidiaries	<u>688,368</u>	<u>1,012,308</u>	<u>1,195,708</u>	<u>1,187,912</u>
Amounts due to subsidiaries	<u>528,013</u>	<u>707,225</u>	<u>843,900</u>	<u>929,612</u>

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

Particulars of the principal subsidiaries are shown on pages I-79 to I-93.

## 20. Jointly controlled entities

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Beginning of the year/period	24,631	12,558	14,796	21,563
Share of jointly controlled entities' results				
— Profit before taxation	12,662	15,518	10,043	3,147
— Taxation	<u>(6,047)</u>	<u>(4,402)</u>	<u>(3,093)</u>	<u>(802)</u>
	31,246	23,674	21,746	23,908
Currency translation adjustments	—	(1)	138	47
Additions	—	98	187	—
Repayment of investment	(9,500)	—	—	—
Disposals	—	9,546	—	—
Dividend received	<u>(9,188)</u>	<u>(18,521)</u>	<u>(508)</u>	<u>(1,030)</u>
End of the year/period	<u>12,558</u>	<u>14,796</u>	<u>21,563</u>	<u>22,925</u>
Share of net assets	12,558	14,796	21,563	22,925
Amounts receivable/(payable)	<u>11,740</u>	<u>16,459</u>	<u>(1,706)</u>	<u>(1,156)</u>
	<u>24,298</u>	<u>31,255</u>	<u>19,857</u>	<u>21,769</u>

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

20. **Jointly controlled entities (Continued)**

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Non-current assets	30,361	957	870	734
Current assets	48,320	63,121	53,755	50,171
Current liabilities	(40,628)	(48,247)	(33,062)	(27,980)
Non-current liabilities	<u>(25,495)</u>	<u>(1,035)</u>	<u>—</u>	<u>—</u>
	<u>12,558</u>	<u>14,796</u>	<u>21,563</u>	<u>22,925</u>
Income	<u>33,764</u>	<u>44,565</u>	<u>22,584</u>	<u>7,361</u>
Expenses	<u>(27,149)</u>	<u>(33,449)</u>	<u>(15,634)</u>	<u>(5,016)</u>
Capital commitment	<u>25</u>	<u>34</u>	<u>28</u>	<u>20</u>

Particulars of the principal jointly controlled entities are shown on page I-93.

21. **Associated company**

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Beginning of the year/period	—	—	—	7,916
Share of net assets				
Additions	—	—	8,000	7,000
Share of associated company's results				
— Loss for the year/period	<u>—</u>	<u>—</u>	<u>(84)</u>	<u>(37)</u>
End of the year/period	<u>—</u>	<u>—</u>	<u>7,916</u>	<u>14,879</u>

## 21. Associated company (Continued)

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Non-current assets	—	—	6,905	18,198
Current assets	—	—	1,020	7,749
Current liabilities	—	—	(9)	(11,068)
	<u>—</u>	<u>—</u>	<u>7,916</u>	<u>14,879</u>
Income	—	—	4	18
Expenses	—	—	(88)	(55)
Capital commitment	—	—	20,422	34,955

Particulars of the associated company are shown on page I-93.

## 22. Intangible assets

	Computer software development costs
<i>US\$'000</i>	
<b>Group</b>	
At 1st January 2003	
Cost	42,123
Accumulated amortisation	<u>(23,912)</u>
Net book amount	<u>18,211</u>
Year ended 31st December 2003	
Opening net book amount	18,211
Additions	6,213
Amortisation	<u>(8,604)</u>
Closing net book amount	<u>15,820</u>
At 31st December 2003	
Cost	48,336
Accumulated amortisation	<u>(32,516)</u>
Net book amount	<u>15,820</u>

## 22. Intangible assets (Continued)

<i>US\$'000</i>	<b>Computer software development costs</b>
Year ended 31st December 2004	
Opening net book amount	15,820
Currency translation adjustments	1
Additions	6,992
Write-off	(42)
Amortisation	<u>(5,844)</u>
Closing net book amount	<u>16,927</u>
At 31st December 2004	
Cost	55,287
Accumulated amortisation	<u>(38,360)</u>
Net book amount	<u>16,927</u>
Year ended 31st December 2005	
Opening net book amount	16,927
Currency translation adjustments	124
Additions	9,239
Amortisation	<u>(5,260)</u>
Closing net book amount	<u>21,030</u>
At 31st December 2005	
Cost	64,339
Accumulated amortisation	<u>(43,309)</u>
Net book amount	<u>21,030</u>
Period ended 30th June 2006	
Opening net book amount	21,030
Currency translation adjustments	134
Additions	8,505
Amortisation	<u>(1,865)</u>
Closing net book amount	<u>27,804</u>
At 30th June 2006	
Cost	73,050
Accumulated amortisation	<u>(45,246)</u>
Net book amount	<u>27,804</u>

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

Amortisation for the years ended 31st December 2003, 2004 and 2005 of US\$8.6 million, US\$5.8 million and US\$5.3 million respectively and for the six months ended 30th June 2005 and 2006 of US\$3.7 million and US\$1.9 million respectively is included in "other operating expenses" in the profit and loss account.

## 23. Deferred taxation assets/(liabilities)

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Deferred taxation assets	10,960	15,352	8,203	5,955
Deferred taxation liabilities	<u>(37,624)</u>	<u>(40,166)</u>	<u>(50,204)</u>	<u>(45,770)</u>
	<u>(26,664)</u>	<u>(24,814)</u>	<u>(42,001)</u>	<u>(39,815)</u>

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:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Deferred taxation assets to be recovered after more than twelve months	4,455	10,178	3,568	213
Deferred taxation liabilities to be settled after more than twelve months	<u>(37,396)</u>	<u>(39,699)</u>	<u>(49,913)</u>	<u>(45,101)</u>

## 23. Deferred taxation assets/(liabilities) (Continued)

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:

<i>US\$'000</i>	<b>Depreciation allowances</b>	<b>Revenue expenditure</b>	<b>Tax losses</b>	<b>Pensions</b>	<b>Total</b>
<b>Deferred taxation assets</b>					
At 31st December 2002	93	5,554	3,132	952	9,731
Currency translation adjustments	—	255	8	—	263
Credited/(charged) to profit and loss account	<u>(93)</u>	<u>1,521</u>	<u>740</u>	<u>589</u>	<u>2,757</u>
At 31st December 2003	—	7,330	3,880	1,541	12,751
Currency translation adjustments	—	140	(83)	—	57
Credited/(charged) to profit and loss account	<u>—</u>	<u>5,880</u>	<u>1,112</u>	<u>(333)</u>	<u>6,659</u>
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	<u>—</u>	<u>(6,118)</u>	<u>(3,672)</u>	<u>662</u>	<u>(9,128)</u>
At 31st December 2005	—	6,981	1,053	1,893	9,927
Currency translation adjustments	—	(207)	264	—	57
Credited/(charged) to profit and loss account	<u>—</u>	<u>4,209</u>	<u>(253)</u>	<u>(379)</u>	<u>3,577</u>
At 30th June 2006	<u>—</u>	<u>10,983</u>	<u>1,064</u>	<u>1,514</u>	<u>13,561</u>

## 23. Deferred taxation assets/(liabilities) (Continued)

	Depreciation allowances	Revaluation	Pensions	Total
<i>US\$'000</i>				
<b>Deferred taxation liabilities</b>				
At 31st December 2002	12,687	18,836	808	32,331
Currency translation adjustments	2,489	—	89	2,578
Charged/(credited) to profit and loss account	<u>4,095</u>	<u>577</u>	<u>(166)</u>	<u>4,506</u>
At 31st December 2003	19,271	19,413	731	39,415
Currency translation adjustments	1,193	—	59	1,252
Charged/(credited) to profit and loss account	<u>3,319</u>	<u>384</u>	<u>(89)</u>	<u>3,614</u>
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	<u>1,759</u>	<u>1,420</u>	<u>—</u>	<u>3,179</u>
At 31st December 2005	26,207	25,020	701	51,928
Currency translation adjustments	817	—	—	817
Charged to profit and loss account	<u>303</u>	<u>—</u>	<u>328</u>	<u>631</u>
At 30th June 2006	<u>27,327</u>	<u>25,020</u>	<u>1,029</u>	<u>53,376</u>

Deferred taxation assets as at 31st December 2003, 2004 and 2005 and 30th June 2006 of US\$33.2 million, US\$21.0 million, US\$19.9 million and US\$20.7 million respectively arising from unused tax losses as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$164.2 million, US\$101.2 million, US\$100.1 million and US\$103.1 million respectively have not been recognised. Unused tax losses as at 31st December 2003, 2004 and 2005 and 30th June 2006 of US\$162.0 million, US\$94.8 million, US\$91.7 million and US\$96.1 million respectively have no expiry date and the balance will expire at various dates up to and including 2010.

Deferred taxation liabilities as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$7.0 million, US\$11.5 million, US\$18.5 million and US\$34.9 million respectively on temporary differences associated with investments in subsidiaries as at 31st December 2003, 2004 and 2005 and 30th June 2006 of US\$105.5 million, US\$133.8 million, US\$180.1 million and US\$237.8 million respectively have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies.

## 24. Pension and retirement assets

The Group operates a number of defined benefits 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 years ended 31st December 2003, 2004 and 2005 were US\$16.2 million, US\$21.2 million and US\$22.7 million and for the six months ended 30th June 2005 and 2006 were US\$8.2 million and US\$13.5 million respectively.

**Defined contribution schemes**

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. These schemes cover approximately 72%, 73% and 76% for the years ended 31st December 2003, 2004 and 2005 and 80% for the six months ended 30th June 2006 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 years/periods are as follows:

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
<b>Group</b>					
Contributions to the schemes	11,332	14,346	15,364	5,812	6,976
Forfeitures utilised	<u>(49)</u>	<u>(37)</u>	<u>(68)</u>	<u>—</u>	<u>(23)</u>
	<u>11,283</u>	<u>14,309</u>	<u>15,296</u>	<u>5,812</u>	<u>6,953</u>

Contributions totalling US\$2.2 million, US\$2.2 million and US\$2.8 million for the years ended 31st December 2003, 2004 and 2005 and US\$2.5 million for the six months ended 30th June 2006 were payable to the fund at the balance sheet date.

**Defined benefit schemes**

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 14%, 13% and 11% for the years ended 31st December 2003, 2004 and 2005 and 8% for the six months ended 30th June 2006 of the Group's employees and are fully funded, with the exception of two smaller schemes and certain post retirement benefits. 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. Actuary valuations for these schemes are carried out by independent professionally qualified actuaries ranging between two to three years.

## 24. Pension and retirement assets (Continued)

## Defined benefit schemes (Continued)

The net assets/(liabilities) for the defined benefit schemes are recognised in the balance sheets as follows:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Fair value of plan assets	229,844	251,100	244,176	261,118
Present value of funded obligations	<u>(263,382)</u>	<u>(299,283)</u>	<u>(302,554)</u>	<u>(315,303)</u>
Net funded obligations	(33,538)	(48,183)	(58,378)	(54,185)
Present value of unfunded obligations	(5,682)	(8,943)	(9,677)	(10,189)
Unrecognised actuarial losses	31,902	45,059	56,218	52,476
Unrecognised prior service cost	841	3,476	3,205	3,000
Unrecognised other assets	<u>505</u>	<u>246</u>	<u>235</u>	<u>236</u>
Net pension and retirement liabilities	<u><u>(5,972)</u></u>	<u><u>(8,345)</u></u>	<u><u>(8,397)</u></u>	<u><u>(8,662)</u></u>
Representing:				
Pension and retirement assets	5,145	5,796	6,683	6,081
Pension and retirement liabilities	<u>(11,117)</u>	<u>(14,141)</u>	<u>(15,080)</u>	<u>(14,743)</u>
	<u><u>(5,972)</u></u>	<u><u>(8,345)</u></u>	<u><u>(8,397)</u></u>	<u><u>(8,662)</u></u>

Movements of the net liabilities during the years/periods are as follows:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Balance at beginning of year/period	(3,618)	(5,972)	(8,345)	(8,397)
Currency translation adjustments	(352)	(159)	235	(43)
Net expense recognised in profit and loss account	(4,962)	(6,908)	(7,410)	(6,497)
Contributions paid	<u>2,960</u>	<u>4,694</u>	<u>7,123</u>	<u>6,275</u>
Balance at end of year/period	<u><u>(5,972)</u></u>	<u><u>(8,345)</u></u>	<u><u>(8,397)</u></u>	<u><u>(8,662)</u></u>

## 24. Pension and retirement assets (Continued)

## Defined benefit schemes (Continued)

The charges for the defined benefit schemes are recognised in the profit and loss account as follows:

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Current service cost	3,536	4,188	4,417	1,559	2,639
Interest cost	13,726	15,029	14,257	7,081	7,614
Expected return on plan assets	(12,956)	(14,175)	(13,035)	(6,746)	(7,112)
Amortisation of past service cost	185	390	379	178	2,486
Net actuarial loss	353	602	1,392	282	870
Loss on curtailments and settlements	<u>118</u>	<u>874</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net expense recognised for the year/period	<u>4,962</u>	<u>6,908</u>	<u>7,410</u>	<u>2,354</u>	<u>6,497</u>

The main actuarial assumptions made for the principal defined benefit schemes were as follows:

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
				<i>(Unaudited)</i>	
Discount rate	1 to 8%	2 to 8%	2 to 6%	2 to 8%	2 to 6%
Expected return on plan assets	2 to 8%	1 to 8%	1 to 8%	1 to 8%	1 to 6%
Expected future salary increases	<u>3 to 7%</u>	<u>3 to 8%</u>	<u>3 to 5%</u>	<u>3 to 8%</u>	<u>3 to 4%</u>
Actual return on plan assets (US\$'000)	<u>20,885</u>	<u>16,862</u>	<u>25,955</u>	<u>8,962</u>	<u>6,232</u>

## 25. Available-for-sale financial assets

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Beginning of the year/period	8,333	6,788	3,508	13,021
Currency translation adjustments	(8)	(199)	(32)	13
Additions	258	163	6,743	54
Disposals	(1,795)	(3,244)	(332)	(398)
Change in fair value transferred to equity	—	—	3,134	2,921
End of the year/period	<u>6,788</u>	<u>3,508</u>	<u>13,021</u>	<u>15,611</u>

Available-for-sale financial assets include the following:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Listed equity securities:				
Hong Kong	—	—	7,833	9,522
Overseas	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Market value of listed equity securities	7	7	7,840	9,529
Unlisted equity securities	1,280	1,278	2,991	4,223
Unlisted debt securities	—	4	3	2
Others	<u>5,501</u>	<u>2,219</u>	<u>2,187</u>	<u>1,857</u>
	<u>6,788</u>	<u>3,508</u>	<u>13,021</u>	<u>15,611</u>

26. **Restricted bank balances and other deposits**

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Restricted bank balances	107,377	100,128	87,034	76,768
Other deposits	<u>11,825</u>	<u>11,825</u>	<u>14,825</u>	<u>14,825</u>
	<u>119,202</u>	<u>111,953</u>	<u>101,859</u>	<u>91,593</u>

The restricted bank balances as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$107.4 million, US\$100.1 million, US\$87.0 million and US\$76.8 million respectively which are funds pledged as securities for banking facilities, redeemable preference shares redemption (note 36) and performance under leasing arrangements or required to be utilised for specific purposes.

The effective interest rate on restricted bank balances and other deposits for the years ended 31st December 2003, 2004 and 2005 were 6.5%, 6.5% and 6.3% and for the six months ended 30th June 2006 was 6.2%; these balances have an average maturity of 6.7 years, 5.7 years, 4.7 years and 4.2 years.

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

27. **Other non-current assets**

Other non-current assets include an advance to an investee company as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$92.4 million, US\$92.4 million, US\$85.5 million and US\$79.0 million respectively which are interest free, unsecured and have no specific terms of repayment.

## 28. Properties under development and for sale

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Properties under development for sale	78,224	97,959	178,698	192,131
Completed properties held for sale	—	—	2,847	—
	<u>78,224</u>	<u>97,959</u>	<u>181,545</u>	<u>192,131</u>
Represented by:				
Leasehold land and land use rights	1,159	4,592	71,199	70,820
Development costs	<u>77,065</u>	<u>93,367</u>	<u>110,346</u>	<u>121,311</u>
	<u>78,224</u>	<u>97,959</u>	<u>181,545</u>	<u>192,131</u>

Interest costs of US\$1.0 million, US\$1.4 million and US\$2.6 million respectively during the years ended 31st December 2003, 2004 and 2005 and US\$1.3 million and US\$1.6 million respectively for the six months ended 30th June 2005 and 2006 were capitalised as part of properties under development and for sale.

Amortisation of leasehold land and land use rights of US\$1.1 million during the year ended 31st December 2005 and US\$0.1 million and US\$0.6 million respectively during the six months ended 30th June 2005 and 2006 were 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 as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$78.2 million, US\$80.3 million, US\$85.3 million and US\$94.0 million respectively.

## 29. Inventories

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Bunker	18,319	23,690	35,546	56,431
Consumable stores	<u>5,938</u>	<u>6,318</u>	<u>8,965</u>	<u>10,493</u>
	<u>24,257</u>	<u>30,008</u>	<u>44,511</u>	<u>66,924</u>

The cost of inventories recognised as expense and included in operating cost for the years ended 31st December 2003, 2004 and 2005 amounts to US\$225.8 million, US\$285.6 million and US\$425.0 million respectively and for the six months ended 30th June 2005 and 2006 amount to US\$184.5 million and US\$287.7 million respectively.

## 30. Debtors and prepayments

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Trade receivables	227,843	256,485	284,319	306,810
Less: provision for impairment	<u>(12,693)</u>	<u>(9,334)</u>	<u>(7,502)</u>	<u>(6,869)</u>
Trade receivables - net	215,150	247,151	276,817	299,941
Other debtors	26,901	42,663	47,254	47,611
Prepayments	48,611	54,122	65,061	199,643
Utility and other deposits	17,301	9,577	3,384	3,914
Tax recoverable	<u>2,099</u>	<u>5,984</u>	<u>22,574</u>	<u>12,362</u>
	<u>310,062</u>	<u>359,497</u>	<u>415,090</u>	<u>563,471</u>

Trade receivables as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$164.1 million, US\$184.7 million, US\$219.2 million and US\$217.5 million respectively 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 as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$109.5 million, US\$109.5 million, US\$110.0 million and US\$110.0 million held in the trustee company were securities for a loan of US\$99.5 million, US\$99.5 million, US\$100.0 million and US\$100.0 million respectively as at 31st December 2003, 2004, 2005 and 30th June 2006.

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:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Below one month	194,084	215,128	246,099	281,979
Two to three months	19,575	26,750	25,912	16,702
Four to six months	1,162	5,123	4,797	1,234
Over six months	<u>329</u>	<u>150</u>	<u>9</u>	<u>26</u>
	<u>215,150</u>	<u>247,151</u>	<u>276,817</u>	<u>299,941</u>

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

## 30. Debtors and prepayments (Continued)

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

The Group has recognised a loss of US\$1.3 million, US\$5.1 million and US\$0.4 million respectively during the years ended 31st December 2003, 2004 and 2005 and US\$0.9 million and US\$0.4 million respectively during the six months ended 30th June 2005 and 2006 in respect of the impairment of its trade receivables. The loss has been included in "other operating expenses" in the profit and loss account.

## 31. Portfolio investments

	As at 31st December			As at
	2003	2004	2005	30th June
<i>US\$'000</i>				<b>2006</b>
<b>Group</b>				
Listed equity securities				
Hong Kong	5,670	14,183	25,273	27,050
Overseas	<u>3,968</u>	<u>4,369</u>	<u>4,435</u>	<u>4,385</u>
Market value of listed equity securities	9,638	18,552	29,708	31,435
Listed debt securities				
Hong Kong	—	2,080	6,972	6,634
Overseas	35,539	40,187	43,978	40,553
Unlisted debt securities	—	—	3,588	3,566
Unit trust	3,056	3,117	3,325	3,388
Money market instruments	<u>59,932</u>	<u>185,898</u>	<u>149,433</u>	<u>141,696</u>
	<u>108,165</u>	<u>249,834</u>	<u>237,004</u>	<u>227,272</u>

## 32. Derivative financial instruments

	As at 31st December			As at
	2003	2004	2005	30th June
<i>US\$'000</i>				<b>2006</b>
<b>Group</b>				
Assets/(liabilities)				
Interest rate swap contracts	<u>—</u>	<u>—</u>	<u>354</u>	<u>(5,182)</u>
Foreign exchange forward contracts	<u>—</u>	<u>—</u>	<u>(4,592)</u>	<u>992</u>

## 33. Cash and bank balances

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Cash at bank and in hand	177,001	93,506	342,099	283,398
Short-term bank deposits	<u>380,238</u>	<u>661,543</u>	<u>620,442</u>	<u>520,814</u>
	<u>557,239</u>	<u>755,049</u>	<u>962,541</u>	<u>804,212</u>

The effective interest rate on short-term bank deposits as at 31st December 2003, 2004, 2005 and 30th June 2006 was 1.2%, 2.3%, 4.3% and 5.2% respectively; these deposits have an average maturity of 11 days, 14 days, 12 days and 22 days.

Short-term deposit as at 31st December 2003, 2004, 2005 and 30th June 2006 of US\$8.4 million, US\$8.8 million, US\$49.2 million and US\$9.7 million respectively are funds pledged for redeemable preference shares redemption and a bank loan (note 36).

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Company</b>				
Cash at bank and in hand	10,937	5,862	796	911
Short-term bank deposits	<u>4,791</u>	<u>2,653</u>	<u>1,709</u>	<u>1,441</u>
	<u>15,728</u>	<u>8,515</u>	<u>2,505</u>	<u>2,352</u>

## 34. Share capital

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Authorised:</b>				
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>205,000</u>	<u>205,000</u>	<u>205,000</u>	<u>205,000</u>
		<b>Number of shares</b>	<b>Ordinary shares</b>	
		<i>(thousands)</i>	<i>US\$'000</i>	
<b>Issued and fully paid:</b>				
At 1st January 2003		517,142	51,714	
— repurchase of own shares		<u>(46,957)</u>	<u>(4,696)</u>	
At 31st December 2003		470,185	47,018	
— proceeds from shares issued		47,000	4,700	
— bonus issue		<u>51,718</u>	<u>5,172</u>	
At 31st December 2004		568,903	56,890	
— bonus issue		<u>56,890</u>	<u>5,689</u>	
At 31st December 2005 and 30th June 2006		<u>625,793</u>	<u>62,579</u>	

## 35. Reserves

## Group

	Asset revaluation reserve							Total
	Share premium	Contributed surplus	Capital redemption reserve	Vessels	Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	
<i>US\$'000</i>								
Balance at 31st December 2002	35,073	148,286	—	9,948	—	(57,171)	672,593	808,729
Currency translation adjustments	—	—	—	—	—	12,034	—	12,034
— Group	—	(59,739)	4,696	—	—	—	—	(55,043)
Repurchase of own shares	—	—	—	—	—	—	329,044	329,044
Profit for the year	—	—	—	—	—	—	(12,929)	(12,929)
2002 final dividend	—	—	—	—	—	—	(18,099)	(18,099)
2003 interim dividend	—	—	—	—	—	—	—	—
Balance at 31st December 2003	35,073	88,547	4,696	9,948	—	(45,137)	970,609	1,063,736
Currency translation adjustments	—	—	—	—	—	9,847	—	9,847
— Group	—	—	—	—	—	(1)	—	(1)
— Jointly controlled entities	148,245	—	—	—	—	—	—	148,245
Issue of new shares	(5,172)	—	—	—	—	—	—	(5,172)
Bonus issue	—	—	—	—	—	—	670,449	670,449
Profit for the year	—	—	—	—	—	—	(66,231)	(66,231)
2003 final dividend	—	—	—	—	—	—	(68,354)	(68,354)
2004 interim dividend	—	—	—	—	—	—	—	—
Balance at 31st December 2004	178,146	88,547	4,696	9,948	—	(35,291)	1,506,473	1,752,519

## 35. Reserves (Continued)

## Group (Continued)

	Share premium	Contributed surplus	Capital redemption reserve	Asset revaluation reserve			Retained profit	Total
				Vessels	Available-for-sale financial assets	Foreign exchange translation reserve		
<i>US\$'000</i>								
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	—	—	—	—	—	9,095	—	9,095
— Jointly controlled entities	—	—	—	—	—	47	—	47
Change in fair value	—	—	—	—	2,921	—	—	2,921
Profit for the period	—	—	—	—	—	—	280,500	280,500
2005 final dividend	—	—	—	—	—	—	(94,031)	(94,031)
At 30th June 2006	172,457	88,547	4,696	9,948	6,055	(27,621)	2,166,201	2,420,283

## 35. Reserves (Continued)

## Company

	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
<i>US\$'000</i>					
Balance at 31st December 2002	35,073	148,286	—	200,652	384,011
Repurchase of own shares	—	(59,739)	4,696	—	(55,043)
Loss for the year	—	—	—	(502)	(502)
2002 final dividend	—	—	—	(12,929)	(12,929)
2003 interim dividend	—	—	—	(18,099)	(18,099)
Balance at 31st December 2003	35,073	88,547	4,696	169,122	297,438
Issue of new shares	148,245	—	—	—	148,245
Bonus issue	(5,172)	—	—	—	(5,172)
Profit for the year	—	—	—	118,842	118,842
2003 final dividend	—	—	—	(66,231)	(66,231)
2004 interim dividend	—	—	—	(68,354)	(68,354)
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 period	—	—	—	362	362
2005 final dividend	—	—	—	(94,031)	(94,031)
Balance at 30th June 2006	<u>172,457</u>	<u>88,547</u>	<u>4,696</u>	<u>100,404</u>	<u>366,104</u>

The loss attributable to shareholders for the year ended 31st December 2003 is dealt with in the accounts of the Company to the extent of US\$0.5 million.

The profit attributable to shareholders for the years ended 31st December 2004 and 2005 and six months ended 30th June 2005 and 2006 is dealt with in the accounts of the Company to the extent of US\$118.8 million, US\$218.3 million, US\$101.1 million and US\$0.4 million respectively.

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 as at 31st December 2003, 2004, 2005 and 30th June 2006 amount to US\$257.7 million, US\$241.9 million, US\$282.6 million and US\$189.0 million respectively before the final dividend paid of US\$66.2 million, US\$102.3 million and US\$94.0 million respectively for the years ended 31st December 2003, 2004 and 2005 and proposed interim dividend of US\$68.8 million for the six months ended 30th June 2006 (note 15).

## 36. Borrowings

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
<b>Non-current</b>				
Bank loans				
— secured	439,909	610,319	356,870	376,805
— unsecured	45,140	7,968	—	—
Other loans				
— secured	108,148	105,334	106,020	105,320
— unsecured	2,202	1,148	—	—
Redeemable preference shares and premium ( <i>note</i> )	83,262	74,751	65,514	55,834
Finance lease obligations	<u>341,502</u>	<u>628,170</u>	<u>1,121,640</u>	<u>1,072,437</u>
	<u>1,020,163</u>	<u>1,427,690</u>	<u>1,650,044</u>	<u>1,610,396</u>
<b>Current</b>				
Bank overdrafts, unsecured	50	85	82	152
Bank loans				
— secured	182,922	98,639	120,894	122,503
— unsecured	15,890	2,656	—	—
Other loans				
— secured	6,893	4,063	3,896	2,668
— unsecured	378	1,496	6,840	1,340
Redeemable preference shares and premium ( <i>note</i> )	7,908	8,511	9,237	9,680
Finance lease obligations	<u>50,904</u>	<u>38,359</u>	<u>47,599</u>	<u>73,143</u>
	<u>264,945</u>	<u>153,809</u>	<u>188,548</u>	<u>209,486</u>
Total borrowings	<u>1,285,108</u>	<u>1,581,499</u>	<u>1,838,592</u>	<u>1,819,882</u>

## 36. Borrowings (Continued)

The maturity of borrowings is as follows:

	Bank loans	Bank overdrafts	Other loans	Redeemable preference shares and premium	Finance leases Present value	Minimum payments
<i>US\$'000</i>						
<b>Group</b>						
<b>As at 31st December 2003</b>						
2004	198,812	50	7,271	7,908	50,904	65,593
2005	80,401	—	5,268	8,511	34,431	47,452
2006	63,258	—	4,659	9,237	73,351	84,068
2007	64,833	—	487	9,680	44,527	51,211
2008	66,302	—	430	10,145	8,439	13,254
2009 onwards	210,255	—	99,506	45,689	180,754	225,932
	<u>683,861</u>	<u>50</u>	<u>117,621</u>	<u>91,170</u>	<u>392,406</u>	<u>487,510</u>
Wholly repayable within five years	225,317	50	17,779	—	190,317	
Not wholly repayable within five years	<u>458,544</u>	<u>—</u>	<u>99,842</u>	<u>91,170</u>	<u>202,089</u>	
	<u>683,861</u>	<u>50</u>	<u>117,621</u>	<u>91,170</u>	<u>392,406</u>	
<b>As at 31st December 2004</b>						
2005	101,295	85	5,559	8,511	38,359	61,993
2006	104,778	—	4,945	9,237	62,078	83,308
2007	114,375	—	710	9,680	57,865	74,969
2008	83,958	—	654	10,145	18,796	33,537
2009	123,975	—	229	10,632	24,897	38,338
2010 onwards	191,201	—	99,944	35,057	464,534	615,018
	<u>719,582</u>	<u>85</u>	<u>112,041</u>	<u>83,262</u>	<u>666,529</u>	<u>907,163</u>
Wholly repayable within five years	348,228	85	12,097	—	141,682	
Not wholly repayable within five years	<u>371,354</u>	<u>—</u>	<u>99,944</u>	<u>83,262</u>	<u>524,847</u>	
	<u>719,582</u>	<u>85</u>	<u>112,041</u>	<u>83,262</u>	<u>666,529</u>	

## 36. Borrowings (Continued)

	Bank loans	Bank overdrafts	Other loans	Redeemable preference shares and premium	Finance leases Present value	Minimum payments
<i>US\$'000</i>						
<b>As at 31st December 2005</b>						
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
	<u>477,764</u>	<u>82</u>	<u>116,756</u>	<u>74,751</u>	<u>1,169,239</u>	<u>1,729,468</u>
Wholly repayable within five years	140,110	82	115,361	—	111,668	
Not wholly repayable within five years	<u>337,654</u>	<u>—</u>	<u>1,395</u>	<u>74,751</u>	<u>1,057,571</u>	
	<u>477,764</u>	<u>82</u>	<u>116,756</u>	<u>74,751</u>	<u>1,169,239</u>	
<b>As at 30th June 2006</b>						
2006/07	122,503	152	4,008	9,680	73,143	124,757
2007/08	64,911	—	1,389	10,145	52,413	103,893
2008/09	56,513	—	1,138	10,632	52,892	101,561
2009/10	103,726	—	100,931	11,142	44,849	92,338
2010/11	62,296	—	931	11,677	34,720	80,873
2011/12 onwards	89,359	—	931	12,238	887,563	1,319,013
	<u>499,308</u>	<u>152</u>	<u>109,328</u>	<u>65,514</u>	<u>1,145,580</u>	<u>1,822,435</u>
Wholly repayable within five years	408,814	152	108,397	—	98,061	
Not wholly repayable within five years	<u>90,494</u>	<u>—</u>	<u>931</u>	<u>65,514</u>	<u>1,047,519</u>	
	<u>499,308</u>	<u>152</u>	<u>109,328</u>	<u>65,514</u>	<u>1,145,580</u>	

## 36. Borrowings (Continued)

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

	As at 31st December 2003			As at 31st December 2004			
	US\$	Can\$	Other	US\$	Can\$	£	Other
Bank loans	2.1%	—	—	3.5%	—	—	—
Other loans	6.9%	4.6%	—	3.4%	2.4%	—	—
Redeemable preference shares and premium	7.1%	—	—	7.1%	—	—	—
Finance lease obligations	3.6%	7.0%	5.0%	3.7%	6.0%	2.9%	5.0%

  

	As at 31st December 2005					As at 30th June 2006			
	US\$	Can\$	£	Rmb	Other	US\$	Can\$	£	Other
Bank loans	5.4%	5.0%	—	4.7%	—	6.3%	6.0%	—	—
Other loans	4.8%	2.4%	—	—	—	5.6%	—	—	—
Redeemable preference shares and premium	7.1%	—	—	—	—	7.1%	—	—	—
Finance lease obligations	5.0%	7.5%	4.9%	—	5.3%	5.9%	7.5%	5.8%	6.0%

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

	Carrying amounts				Fair values			
	As at 31st December		As at 30th June		As at 31st December		As at 30th June	
	2003	2004	2005	2006	2003	2004	2005	2006
<i>US\$'000</i>								
Bank loans	485,049	618,287	356,870	376,805	485,049	618,287	356,870	376,805
Other loans	110,350	106,482	106,020	105,320	110,620	106,682	106,045	105,320
Redeemable preference shares and premium	83,262	74,751	65,514	55,834	100,352	83,883	68,169	56,354
Finance lease obligations	341,502	628,170	1,121,640	1,072,437	355,535	637,458	1,124,310	1,073,050
	<u>1,020,163</u>	<u>1,427,690</u>	<u>1,650,044</u>	<u>1,610,396</u>	<u>1,051,556</u>	<u>1,446,310</u>	<u>1,655,394</u>	<u>1,611,529</u>

The fair values are based on cash flows discounted using a rate based on the borrowing rate as at 31st December 2003, 2004 and 2005 of 2.4%, 3.8% and 5.8% and as at 30th June 2006 of 6.7%.

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

## 36. Borrowings (Continued)

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
US dollar	1,244,459	1,480,542	1,697,510	1,716,562
Pound sterling	—	67,314	59,080	60,866
Canadian dollar	40,594	33,604	45,938	42,346
Renminbi	—	—	35,935	—
Other currencies	55	39	129	108
	<u>1,285,108</u>	<u>1,581,499</u>	<u>1,838,592</u>	<u>1,819,882</u>

Of the total US\$1,285.1 million, US\$1,581.4 million, US\$1,838.6 million, US\$1,819.7 million debt outstanding as at 31st December 2003, 2004, 2005 and 30th June 2006, US\$241.4 million and US\$202.9 million, US\$174.1 million and US\$154.3 million was fixed rate debt. The remaining borrowings of US\$1,043.7 million, US\$ 1,378.5 million, US\$1,664.5 million and US\$ 1,665.4 million as at 31st December 2003, 2004, 2005 and 30th June 2006 was subject to floating interest rates.

*Note:* In June 2002, the Group entered into, inter alia, a Shareholders Agreement, as subsequently amended, with, inter alia, 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.

## 37. Creditors and accruals

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
<b>Group</b>				
Trade payables	141,199	164,823	160,927	187,943
Other creditors	30,877	33,071	52,296	55,220
Accrued expenses	278,095	335,047	365,730	310,502
Deferred revenue	36,073	20,594	24,092	22,234
	<u>486,244</u>	<u>553,535</u>	<u>603,045</u>	<u>575,899</u>

## 37. Creditors and accruals (Continued)

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Below one month	82,741	132,763	121,595	154,754
Two to three months	52,559	25,906	34,373	26,757
Four to six months	2,402	1,326	1,848	4,955
Over six months	3,497	4,828	3,111	1,477
	<u>141,199</u>	<u>164,823</u>	<u>160,927</u>	<u>187,943</u>

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

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
US dollar	63,110	90,848	73,792	70,323
Canadian dollar	13,986	17,022	22,707	30,855
Hong Kong dollar	12,654	18,153	19,534	21,354
Other currencies	51,449	38,800	44,894	65,411
	<u>141,199</u>	<u>164,823</u>	<u>160,927</u>	<u>187,943</u>

## 38. Commitments

## Group

## (a) Capital commitments

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$'000</i>				
Contracted but not provided for	653,597	456,945	284,618	287,759
Authorised but not contracted for	214,770	386,128	459,899	212,348
	<u>868,367</u>	<u>843,073</u>	<u>744,517</u>	<u>500,107</u>

## 38. Commitments (Continued)

## (b) Operating lease commitments

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

<i>US\$'000</i>	<b>Vessels and equipment</b>	<b>Land and buildings</b>	<b>Total</b>
<b>As at 31st December 2003</b>			
2004	219,425	41,487	260,912
2005	174,986	36,280	211,266
2006	165,582	31,653	197,235
2007	159,902	31,062	190,964
2008	161,857	30,060	191,917
2009 onwards	<u>995,849</u>	<u>413,386</u>	<u>1,409,235</u>
	<u>1,877,601</u>	<u>583,928</u>	<u>2,461,529</u>
<b>As at 31st December 2004</b>			
2005	284,061	43,140	327,201
2006	219,178	36,879	256,057
2007	178,381	35,411	213,792
2008	166,108	34,254	200,362
2009	140,958	32,488	173,446
2010 onwards	<u>860,081</u>	<u>381,104</u>	<u>1,241,185</u>
	<u>1,848,767</u>	<u>563,276</u>	<u>2,412,043</u>
<b>As at 31st December 2005</b>			
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	<u>762,690</u>	<u>363,012</u>	<u>1,125,702</u>
	<u>1,653,180</u>	<u>554,713</u>	<u>2,207,893</u>
<b>As at 30th June 2006</b>			
2006/07	294,886	48,189	343,075
2007/08	217,670	43,619	261,289
2008/09	171,998	39,373	211,371
2009/10	121,220	36,309	157,529
2010/11	102,694	34,872	137,566
2011/12 onwards	<u>711,422</u>	<u>371,990</u>	<u>1,083,412</u>
	<u>1,619,890</u>	<u>574,352</u>	<u>2,194,242</u>

## 38. Commitments (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/period:

	As at 31st December			As at
	2003	2004	2005	30th June 2006
<i>US\$ '000</i>				
2004	19,328	—	—	—
2005	19,718	19,934	—	—
2006	18,714	19,673	19,770	—
2007	17,195	18,458	18,986	20,723
2008	16,073	17,547	18,071	20,597
2009	13,034	14,794	14,948	19,681
2010	6,238	10,100	11,061	16,559
2011 onwards	15,273	24,170	26,463	42,999
	<u>125,573</u>	<u>124,676</u>	<u>109,299</u>	<u>120,559</u>

## 39. Contingent liabilities

**Group**

The Group has given corporate guarantee as at 31st December 2003, 2004, 2005 and 30th June 2006 of approximately US\$22.0 million, US\$28.0 million, US\$43.1 million and US\$43.1 million respectively in respect of bank loan facilities extended to an investee company. At 31st December 2003, 2004, 2005 and 30th June 2006, the amount utilised by the investee company is US\$22.0 million, US\$28.0 million, US\$33.9 million and US\$32.5 million respectively.

**Company**

- (a) The Company has given guarantees as at 31st December 2003, 2004, 2005 and 30th June 2006 of approximately US\$1,052.1 million, US\$1,338.4 million, US\$1,287.1 million and US\$1,379.0 million respectively for its subsidiaries and approximately US\$22.0 million, US\$28.0 million, US\$43.1 million and US\$43.1 million respectively as at 31st December 2003, 2004, 2005 and 30th June 2006 for an investee company in respect of loans, finance lease obligations and bank overdraft facilities. At 31st December 2003, 2004, 2005 and 30th June 2006, the amounts utilised by the subsidiaries and the investee company are US\$965.7 million, US\$1,197.0 million, US\$1,283.7 million and US\$1,375.9 million respectively and US\$22.0 million, US\$28.0 million, US\$33.9 million and US\$32.5 million respectively.
- (b) The Company has given guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US\$246.3 million, US\$216.8 million and US\$172.5 million respectively as at 31st December 2003, 2004 and 2005 and US\$195.8 million as at 30th June 2006.

## 40. Notes to consolidated cash flow statements

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

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Operating profit	380,828	729,008	744,926	351,036	342,150
Interest income	(15,957)	(20,738)	(32,827)	(14,893)	(23,331)
Dividend income from portfolio investments	(867)	(1,224)	(1,277)	(579)	(786)
Depreciation	114,416	144,860	157,302	78,987	85,991
Fair value gain from an investment property	—	—	—	—	(75,000)
Profit on disposal of property, plant and equipment	(1,914)	(1,768)	(8,709)	(143)	(6,112)
Income from available-for-sale financial assets	(2)	(49)	(18)	(3)	(17)
Profit on disposal of available-for-sale financial assets	(17)	(1,862)	(18)	(11)	(26)
Profit on disposal of a jointly controlled entity	—	(770)	—	—	—
Intangible assets written off	—	42	—	—	—
Amortisation of intangible assets	8,604	5,844	5,260	2,481	1,865
Amortisation of prepayments of lease premiums and leasehold land and land use rights	324	438	1,561	386	980
Net gain on derivative financial instruments	—	—	(560)	(5,557)	(48)
Increase/(decrease) in net pension liabilities	<u>2,354</u>	<u>2,373</u>	<u>52</u>	<u>(46)</u>	<u>265</u>
Operating profit before working capital changes	487,769	856,154	865,692	411,658	325,931
Increase in properties under development and for sale	(12,611)	(18,365)	(32,124)	(12,020)	(9,538)
Increase in inventories	(4,774)	(5,751)	(14,503)	(10,147)	(22,413)
Increase in debtors and prepayments	(38,092)	(45,731)	(38,847)	(31,200)	(162,297)
Increase/(decrease) in creditors and accruals	101,701	65,816	33,406	(17,169)	(25,638)
Increase in net derivative financial instruments	<u>—</u>	<u>—</u>	<u>4,798</u>	<u>—</u>	<u>—</u>
Cash generated from operations	<u>533,993</u>	<u>852,123</u>	<u>818,422</u>	<u>341,122</u>	<u>106,045</u>

## 40. Notes to consolidated cash flow statements (Continued)

## (b) Analysis of changes in financing

	Share capital and premium	Capital redemption reserve and contributed surplus	Minority interests	Borrowings	Total
<i>US\$'000</i>					
At 31st December 2002	86,787	148,286	7,988	1,062,448	1,305,509
Currency translation adjustments	—	—	—	7,735	7,735
Inception of finance leases	—	—	—	189,516	189,516
Repurchase of own shares	(4,696)	(55,043)	—	—	(59,739)
Minority interests' share of profit	—	—	117	—	117
Dividends paid to minority interests	—	—	(255)	—	(255)
Net cash from financing	—	—	—	10,359	10,359
At 31st December 2003	82,091	93,243	7,850	1,270,058	1,453,242
Currency translation adjustments	—	—	—	2,707	2,707
Inception of finance leases	—	—	—	372,445	372,445
Issue of new shares	152,945	—	—	—	152,945
Minority interests' share of profit	—	—	149	—	149
Dividends paid to minority interests	—	—	(191)	—	(191)
Net cash used in financing	—	—	—	(63,796)	(63,796)
At 31st December 2004	235,036	93,243	7,808	1,581,414	1,917,501
Currency translation adjustments	—	—	109	(3,420)	(3,311)
Inception of finance leases	—	—	—	314,022	314,022
Minority interests' share of profit	—	—	437	—	437
Dividends paid to minority interests	—	—	(225)	—	(225)
Net cash used in financing	—	—	—	(53,506)	(53,506)
At 31st December 2005	235,036	93,243	8,129	1,838,510	2,174,918
Currency translation adjustments	—	—	113	5,772	5,885
Inception of finance leases	—	—	—	807	807
Contribution from minority interests	—	—	4,000	—	4,000
Minority interests' share of profit	—	—	56	—	56
Dividends paid to minority interests	—	—	(253)	—	(253)
Net cash used in financing	—	—	—	(25,359)	(25,359)
At 30th June 2006	<u>235,036</u>	<u>93,243</u>	<u>12,045</u>	<u>1,819,730</u>	<u>2,160,054</u>

## 40. Notes to consolidated cash flow statements (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. The acquired subsidiary contributed revenue of US\$0.2 million and net loss of US\$0.6 million to the Group since acquisition. If the acquisition had occurred on 1st January 2005, the revenue and net loss of the acquired subsidiary would have been US\$0.2 million and US\$0.8 million respectively.

The subsidiary acquired during 2005 contributed US\$0.2 million to the Group's net cash from operating activities.

Particulars of the assets and liabilities acquired are as follows:

	Fair value	Carrying amount
<i>US\$'000</i>		
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	<u>(93)</u>	<u>(93)</u>
Net assets acquired	<u>35,381</u>	<u>18,721</u>
Purchase consideration settled in cash	35,381	
Cash and bank balances acquired	<u>(84)</u>	
Cash outflow on acquisition	<u>35,297</u>	

## (d) Analysis of cash and cash equivalents

	As at 31st December			As at 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>					
<i>(Unaudited)</i>					
Bank balances and deposits maturing within three months from the date of placement	551,703	744,433	947,452	600,437	788,952
Bank overdrafts	<u>(50)</u>	<u>(85)</u>	<u>(82)</u>	<u>(52)</u>	<u>(152)</u>
	<u>551,653</u>	<u>744,348</u>	<u>947,370</u>	<u>600,385</u>	<u>788,800</u>

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries</b>							
Beaufort Shipping Ltd	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Cargo System Warehouse and Transport Ltd	3,000 shares of HK\$100 each HK\$300,000	Equipment owning	Hong Kong	100	100	100	100
Consolidated Leasing & Terminals, Inc.	1 share of no par value US\$100	Equipment owning and leasing	USA	100	100	100	100
Containers No. 1 Inc.	10,000 shares of no par value US\$100,000	Equipment owning and leasing	Marshall Islands	100	100	100	100
Dongguan Orient Container Co Ltd	Registered capital HK\$29,000,000	Container depot	China *	100	100	100	100
Far Gain Investment Ltd	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	100	100	100	100
Global Terminal & Container Services, Inc.	24,750 shares of no par value US\$5,500,000	Terminal operating	USA	100	100	100	100
Glory Top Investment Ltd	10,000 shares of HK\$1 each HK\$10,000	Portfolio investment	Hong Kong	N/A	100	100	100
Goodlink Shipping Ltd	500 shares of no par value US\$5,000	Ship chartering	Liberia †	100	100	100	100
Hai Dong Transportation Co Ltd	100,000 shares of HK\$1 each HK\$100,000	Container transport	Hong Kong	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Hillingdon Steamship and Navigation Company Ltd	200 shares of US\$100 each US\$20,000	Investment holding	Bermuda	100	100	100	100
Howland Hook Leasing Corporation	1,000,000 common stock of US\$1 each US\$1,000,000	Terminal equipment owning and leasing	USA	100	100	100	100
Island Securing and Maintenance, Inc.	1,000 shares of no par value US\$10,000	Lashing and maintenance of container equipment	USA	100	100	100	100
Joyocean Navigation Ltd	500 shares of no par value US\$5,000	Ship chartering	Liberia †	100	100	100	100
Kenwake Ltd	1,600,000 shares of £1 each 520,000 5% cumulative preference shares of £1 each £2,120,000	Investment holding	United Kingdom	100	100	100	100
				100	100	100	100
Kunshan Guangting Property Co Ltd	Registered capital US\$20,000,000	Property development	China *	N/A	100	100	100
Kunshan Orient Overseas Kunan Property Co Ltd	Registered capital RMB160,000,000	Property development	China *	N/A	100	100	100
Laronda Company Ltd	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Long Beach Container Terminal, Inc.	5,000 shares of no par value US\$500,000	Terminal operating	USA	100	100	100	100
Longtex Investment Ltd	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	100	100	100	100
Loyalton Shipping Ltd	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Millerian Company Ltd	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	100	100	100	100
New York Container Terminal, Inc.	100 common stock of US\$0.1 each 12,200 preferred stock of US\$0.1 each US\$1,230	Terminal operating	USA	N/A	100	100	100
				N/A	100	100	100
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 15 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 22 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Newcontainer No. 23 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 25 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 26 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Newcontainer No. 27 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 28 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 29 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 30 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 31 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 32 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	N/A	100	100	100
Newcontainer No. 1 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Newcontainer No. 2 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Newcontainer No. 3 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Newcontainer No. 4 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Newcontainer No. 5 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Newcontainer No. 6 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
Newcontainer No. 7 Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Liberia †	100	100	100	100
OLL Logistics (Malaysia) Sdn Bhd	10,000 shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	N/A	N/A	100	100
OOCL (Asia Pacific) Ltd	2 shares of HK\$1 each HK\$2	Liner territorial office	Hong Kong	100	100	100	100
OOCL (Assets) Holdings Inc.	500 shares of no par value US\$5,000	Investment holding	Liberia †	100	100	100	100
OOCL (Assets USA) Holdings Inc.	50,000 shares of US\$1 each US\$50,000	Investment holding	Liberia †	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
OOCL (Australia) Pty Ltd	200,000 shares of A\$1 each A\$200,000	Liner agency	Australia	100	100	100	100
OOCL (Benelux) NV	226,271 shares of no par value €609,799	Liner agency	Belgium	100	100	100	100
OOCL (Canada) Inc.	10,000 shares of no par value C\$91,000	Liner agency	Canada	100	100	100	100
OOCL (China) Investment Ltd	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	100	100	100	100
OOCL (Denmark) A/S	1,000 shares of DKK500 each DKK500,000	Liner agency	Denmark	100	100	100	100
OOCL (Deutschland) GmbH	Registered capital €130,000	Liner agency	Germany	100	100	100	100
OOCL (Europe) Ltd	5,000,000 shares of £1 each £5,000,000	Investment holding and liner territorial office	United Kingdom	100	100	100	100
OOCL (Finland) Ltd Oy	150 shares of €16.82 each €2,522.82	Liner agency	Finland	100	100	100	100
OOCL (France) SA	60,000 shares of €15.24 each €914,694.10	Liner agency	France	100	100	100	100
OOCL (HK) Ltd	500 shares of HK\$100 each HK\$50,000	Liner agency	Hong Kong	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
OOCL (India) Private Ltd	1,000 shares of Rs100 each Rs100,000	Liner agency	India	100	100	100	100
OOCL (Ireland) Ltd	100 shares of €1.25 each €125	Liner agency	Ireland	100	100	100	100
OOCL (Italy) S.r.l.	1 quota of €10,000 each €10,000	Liner agency	Italy	N/A	N/A	100	100
OOCL (Japan) Ltd	160,000 shares of Yen500 each Yen80,000,000	Liner agency	Japan	100	100	100	100
OOCL (Korea) Ltd	16,000 shares of Won10,000 each Won160,000,000	Liner agency	Korea	100	100	100	100
OOCL (Liners) Holdings Ltd	2 shares of HK\$1 each HK\$2	Investment holding	Hong Kong	100	100	100	100
OOCL (Logistics) Holdings Ltd	10,000 shares of US\$1 each US\$10,000	Investment holding	British Virgin Islands	100	100	100	100
OOCL (Macau) Ltd	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	100	100	100	100
OOCL (Philippines) Inc.	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
OOCL (Portugal), Lda	1 quota of €500 each	Liner agency	Portugal	N/A	N/A	100	100
	1 quota of €24,500 each			N/A	N/A	100	100
	€25,000						
OOCL (Russia) Ltd	1 participatory share of Rub10,000 each	Liner agency	Russia	100	100	100	100
	Rub10,000						
OOCL (Singapore) Pte Ltd	100,000 shares of S\$1 each	Liner agency	Singapore	100	100	100	100
	S\$100,000						
OOCL (Sweden) AB	100,000 shares of SEK1 each	Liner agency	Sweden	N/A	100	100	100
	SEK100,000						
OOCL (Switzerland) AG	200,000 shares of CHF1 each	Liner agency	Switzerland	N/A	N/A	100	100
	CHF200,000						
OOCL (Taiwan) Co Ltd	10,000,000 shares of NT\$10 each	Liner agency	Taiwan	100	100	100	100
	NT\$100,000,000						
OOCL (UK) Ltd	3,100,000 shares of £10 each	Liner agency	United Kingdom	100	100	100	100
	£31,000,000						
	(2003 and 2004: 1,100,000 shares of £10 each						
	£11,000,000)						
OOCL (USA) Inc.	1,030 shares of US\$1 each	Liner agency	USA	100	100	100	100
	US\$1,030						

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
OOCL China Domestic Ltd	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China ±	100	100	100	100
OOCL Logistics (Asia Pacific) Ltd	200 shares of US\$100 each US\$20,000	Investment holding, trans- portation and logistics	Bermuda	100	100	100	100
OOCL Logistics (China) Ltd	Registered capital US\$3,400,000	Logistics, cargo consolidation and forwarding	China *	100	100	100	100
OOCL Logistics (Europe) Ltd	2 shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	100	100	100	100
OOCL Logistics (Hong Kong) Ltd	50,000 shares of HK\$10 each HK\$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	100	100	100	100
OOCL Logistics (India) Private Ltd	35,000 shares of Rupees100 each Rupees3,500,000	Logistics, cargo consolidation and forwarding	India	N/A	N/A	100	100
OOCL Logistics (Japan) Ltd	200 shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	100	100	100	100
OOCL Logistics (Korea) Ltd	30,000 shares of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	100	100	100	100
OOCL Logistics (Singapore) Pte Ltd	2 shares of S\$1 each S\$2	Logistics, cargo consolidation and forwarding	Singapore	100	100	100	100
OOCL Logistics (Taiwan) Ltd	750,000 shares of NT\$10 each NT\$7,500,000	Logistics, cargo consolidation and forwarding	Taiwan	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
OOCL Logistics (USA) Inc.	100 shares of no par value US\$200	Logistics, cargo consolidation and forwarding	USA	100	100	100	100
OOCL Logistics Warehousing and Transportation (Dalian) Co Ltd	Registered capital US\$200,000	Transportation and Logistics services	China *	N/A	N/A	100	100
OOCL Logistics Warehousing and Transportation (Tianjin) Co Ltd	Registered capital US\$3,200,000	Transportation and logistics services	China *	N/A	N/A	100	100
OOCL Logistics Warehousing and Transportation (Shanghai) Co Ltd	Registered capital US\$1,000,000	Transportation and logistics services	China *	N/A	100	100	100
OOCL Shipping BV	30 ordinary shares of €150 each 90 cumulative preference shares of €150 each €18,000	Ship management and chartering	Netherlands	100	100	100	100
OOCL Ships (Marshall Islands) Ltd	500 shares of no par value US\$5,000	Ship chartering	Marshall Islands	100	100	100	100
# OOCL Transport & Logistics Holdings Ltd	169,477,152 shares of US\$1 each US\$169,477,152	Investment holding	Bermuda	100	100	100	100
# OOIL (Investments) Inc.	500 shares of no par value US\$5,000	Investment holding	Liberia †	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Orient Container No. 1 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Orient Container No. 3 (Marshall Islands) Shipping Inc.	500 shares of no par value US\$5,000	Ship owning	Marshall Islands	100	100	100	100
Orient Container No. 4 Shipping Inc.	100 shares of no par value US\$100	Ship owning	Liberia †	100	100	100	100
Orient Overseas (Shanghai) Investment Co Ltd	Registered capital US\$44,250,000	Investment holding	China *	100	100	100	100
Orient Overseas Associates	Limited partnership	Property owning	USA	100	100	100	100
Orient Overseas Building Corp.	10 shares of no par value US\$150,000	Property owning	USA	100	100	100	100
Orient Overseas Container Line (China) Co Ltd	Registered capital US\$2,680,000	Liner agency	China *	100	100	100	100
Orient Overseas Container Line (Europe) Ltd	66,000,000 shares of £1 each £66,000,000	Investment holding	United Kingdom	100	100	100	100
Orient Overseas Container Line (Malaysia) Sdn Bhd	100,000 shares of RM1 each RM100,000	Liner agency	Malaysia	100	100	100	100
Orient Overseas Container Line (Spain), S.L.	3,100 shares of €1 each €3,100	Liner agency	Spain	N/A	N/A	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			
				At 31st December 2003	2004	2005	At 30th June 2006
<b>Subsidiaries (Continued)</b>							
Orient Overseas Container Line (UK) Ltd	5,000 shares of US\$1 each US\$5,000	Container transport and ship management	Cayman Islands	100	100	100	100
Orient Overseas Container Line Inc.	500 shares of no par value US\$25,000,000	Investment holding	Liberia †	100	100	100	100
Orient Overseas Container Line Ltd	10,000 shares of HK\$100 each HK\$1,000,000	Container transport	Hong Kong	100	100	100	100
# Orient Overseas Developments Ltd	10,000 shares of HK\$10 each HK\$100,000	Investment holding	Hong Kong	100	100	100	100
Orient Overseas Property (Shanghai) Co Ltd	Registered capital US\$2,100,000	Property development	China *	100	100	100	100
Senning Property Ltd	1,000 shares of US\$1 each US\$1,000	Property development	British Virgin Islands	N/A	N/A	100	100
Shanghai OOCL Container Transportation Co Ltd	Registered capital US\$9,350,000	Container depot	China §	60	60	60	60
Shanghai Orient Overseas Huangpu Real Estate Co Ltd	Registered capital US\$30,000,000	Property development	China *	N/A	N/A	100	100
Shanghai Orient Overseas Yongye Real Estate Co Ltd	Registered capital US\$30,000,000	Property development	China §	88	88	88	88
Shanghai Waigaoqiao Xuhui Club Co Ltd	Registered capital RMB36,784,864.6	Property development	China *	N/A	N/A	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Soberry Investments Ltd	5,000 shares of US\$1 each US\$5,000	Portfolio investment	British Virgin Islands	100	100	100	100
Surbiton Ltd	500 shares of no par value US\$5,000	Portfolio investment	Liberia †	100	100	100	100
Treasure King Shipping Ltd	500 shares of no par value US\$5,000	Ship chartering	Liberia †	100	100	100	100
TSI Terminal Systems Inc.	233,400 shares of C\$1 each C\$233,400	Terminal operating	Canada	100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
<b>Subsidiaries (Continued)</b>							
Wall Street Plaza, Inc.	40 class A common stock of US\$1 each	Investment holding	USA	100	100	100	100
	160 class B common stock of US\$1 each			100	100	100	100
	20,000 12% series A non-cumulative non-voting preferred stock of US\$1,000 each			100	100	100	100
	18,000 11% series B non-cumulative non-voting preferred stock of US\$1,000 each			100	100	100	100
	19,500 12% series C non-cumulative non-voting preferred stock of US\$1,000 each			100	100	100	100
	19,000 12% series D non-cumulative non-voting preferred stock of US\$1,000 each US\$76,500,200			100	100	100	100

## Principal Subsidiaries, Associated Company and Jointly Controlled Entities (Continued)

Name of Company	Particulars of issued share and loan capital	Principal activities	Country of incorporation	Percentage of equity attributable to the Group			At 30th June 2006
				At 31st December 2003	2004	2005	
Wayton Ltd	2 shares of HK\$1 each HK\$2	Ship owning	Hong Kong	100	100	100	100
<b>Subsidiaries (Continued)</b>							
Wealth Capital Corporation	500 shares of no par value US\$5,000	Investment holding	Liberia †	100	100	100	100
<b>Associated Company</b>							
Tianjin Port Alliance International Container Terminal Co Ltd	Registered capital US\$40,000,000	Terminal operating	China §	N/A	N/A	20	20
<b>Jointly controlled entities</b>							
OOCL (UAE) LLC	300 shares of AED1,000 each AED300,000	Liner agency	Dubai	N/A	N/A	49	49
OOCL (Vietnam) Co Ltd	Legal capital US\$500,000	Liner agency	Vietnam	49	49	49	49
Qingdao Orient International Container Storage & Transportation Co Ltd	Registered capital RMB69,900,000	Container depot	China §	59	59	59	59
Shanghai Orient Overseas Xujiahui Real Estate Co Ltd	Registered capital US\$10,000,000	Property development	China §	47.5	47.5	47.5	47.5

# 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.

### III. EVENT AFTER THE BALANCE SHEET DATE

On 23rd November 2006, the Company announced that the Company and its indirect wholly owned subsidiaries, TSI Holding S.A. ("TSI Holding"), OOCL (Terminals) Holdings Limited ("OOCL Terminals Holdings") and Consolidated Leasing & Terminal, Inc. ("CLTI") (collectively referred to as the "Sellers") 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 (the "Buyer") pursuant to which the Buyer has agreed to purchase and the Sellers have agreed to sell the entire issued share capital of each of TSI Terminal Systems Inc. ("TSI"), Consolidated (Terminal Holdings) Limited ("Consolidated Terminal Holdings") and Global Terminal & Container Services, Inc. ("Global") (collectively referred to as the "Disposal Group") for an aggregate consideration of US\$2.35 billion.

The Disposal Group, directly or through their respective subsidiaries, operate four North American container terminals. TSI Holding is the sole shareholder of TSI, which operates two container terminals in the Port of Vancouver, Canada. OOCL Terminals Holdings is the sole shareholder of Consolidated Terminal Holdings, which through New York Container Terminal Inc., an indirect wholly-owned subsidiary of OOCL Terminals Holdings and Consolidated Terminal Holdings, operates a container terminal in the Port of New York, USA. CLTI is the sole shareholder of Global, which owns and operates a container terminal in the Port of New Jersey, U.S.A.

The revenues, expenses and results, assets and liabilities, and cash flows in relation to the Disposal Group are set out as follows:

#### (a) Revenues, expenses and results

	Years ended 31st December			Six months ended	
	2003	2004	2005	30th June 2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
Turnover	273,359	322,149	393,117	184,902	235,204
Operating costs	<u>(196,056)</u>	<u>(229,041)</u>	<u>(288,269)</u>	<u>(136,890)</u>	<u>(170,839)</u>
<b>Gross profit</b>	77,303	93,108	104,848	48,012	64,365
Other operating income	156	200	950	252	1,509
Other operating expenses	<u>(42,404)</u>	<u>(45,170)</u>	<u>(54,435)</u>	<u>(25,321)</u>	<u>(30,484)</u>
<b>Operating profit</b>	35,055	48,138	51,363	22,943	35,390
Finance costs	<u>(6,072)</u>	<u>(5,377)</u>	<u>(5,915)</u>	<u>(2,832)</u>	<u>(3,206)</u>
<b>Profit before taxation</b>	28,983	42,761	45,448	20,111	32,184
Taxation	<u>(8,855)</u>	<u>(14,582)</u>	<u>(9,355)</u>	<u>(8,106)</u>	<u>(12,657)</u>
<b>Profit for the year/period</b>	<u>20,128</u>	<u>28,179</u>	<u>36,093</u>	<u>12,005</u>	<u>19,527</u>

## III. EVENT AFTER THE BALANCE SHEET DATE (Continued)

## (b) Assets and liabilities

	As at 31st December			As at 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	166,332	189,699	224,139	188,812	244,596
Prepayments of lease premiums	443	530	2,083	302	2,166
Intangible assets	—	1,842	2,310	1,842	3,398
Deferred taxation assets	852	—	745	—	408
Pension and retirement assets	1,292	1,692	2,559	1,927	2,662
Restricted bank balances and other deposits	1,122	3,217	3,072	3,236	3,072
Other non-current assets	<u>713</u>	<u>671</u>	<u>629</u>	<u>650</u>	<u>608</u>
	<u>170,754</u>	<u>197,651</u>	<u>235,537</u>	<u>196,769</u>	<u>256,910</u>
<b>Current assets</b>					
Debtors and prepayments	46,093	65,779	66,458	64,247	83,915
Amounts receivable from group companies	6,838	6,310	4,702	6,514	5,507
Cash and bank balances	<u>6,916</u>	<u>16,343</u>	<u>45,650</u>	<u>41,190</u>	<u>37,780</u>
	<u>59,847</u>	<u>88,432</u>	<u>116,810</u>	<u>111,951</u>	<u>127,202</u>
<b>Total assets</b>	<u>230,601</u>	<u>286,083</u>	<u>352,347</u>	<u>308,720</u>	<u>384,112</u>

## III. EVENT AFTER THE BALANCE SHEET DATE (Continued)

## (b) Assets and liabilities (Continued)

<i>US\$'000</i>	As at 31st December			As at 30th June	
	2003	2004	2005	2005	2006
				<i>(Unaudited)</i>	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	56,742	57,005	83,734	80,832	75,303
Deferred taxation liabilities	16,515	19,648	19,259	19,987	20,246
Pension and retirement liabilities	<u>2,798</u>	<u>3,435</u>	<u>3,728</u>	<u>3,447</u>	<u>4,072</u>
	<u>76,055</u>	<u>80,088</u>	<u>106,721</u>	<u>104,266</u>	<u>99,621</u>
<b>Current liabilities</b>					
Creditors and accruals	23,862	31,467	40,414	30,748	43,246
Amounts payable to group companies	9,937	21,710	2,901	2,922	2,776
Borrowings	23,126	12,124	24,208	20,342	33,448
Current taxation	<u>—</u>	<u>2,866</u>	<u>2,850</u>	<u>2,066</u>	<u>5,171</u>
	<u>56,925</u>	<u>68,167</u>	<u>70,373</u>	<u>56,078</u>	<u>84,641</u>
<b>Total liabilities</b>	<u>132,980</u>	<u>148,255</u>	<u>177,094</u>	<u>160,344</u>	<u>184,262</u>

## III. EVENT AFTER THE BALANCE SHEET DATE (Continued)

## (c) Cash flows

	Years ended 31st December			Six months ended	
	2003	2004	2005	30th June 2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
<b>Cash flows from operating activities</b>					
Cash generated from operations	34,736	77,823	72,027	14,941	30,129
Interest paid	(1,005)	(696)	(714)	(252)	(711)
Interest element of finance lease rental payments	(5,025)	(4,710)	(5,333)	(2,635)	(2,647)
Overseas tax paid	<u>(5,541)</u>	<u>(13,230)</u>	<u>(15,614)</u>	<u>(7,682)</u>	<u>(7,049)</u>
Net cash from operating activities	<u>23,165</u>	<u>59,187</u>	<u>50,366</u>	<u>4,372</u>	<u>19,722</u>
<b>Cash flows from investing activities</b>					
Sale of property, plant and equipment	523	2,663	456	121	831
Purchase of property, plant and equipment	(17,218)	(35,238)	(55,961)	(9,174)	(28,270)
Purchase of intangible assets	—	—	(1,297)	—	(1,389)
Payment of lease premiums	—	(2,372)	(1,620)	—	—
Decrease in other non-current assets	42	42	42	21	21
(Increase)/decrease in bank deposits maturing more than three months from the date of placement	(122)	(2,095)	120	(44)	—
Interest received	<u>67</u>	<u>102</u>	<u>934</u>	<u>246</u>	<u>776</u>
Net cash used in investing activities	<u>(16,708)</u>	<u>(36,898)</u>	<u>(57,326)</u>	<u>(8,830)</u>	<u>(28,031)</u>

## III. EVENT AFTER THE BALANCE SHEET DATE (Continued)

## (c) Cash flows (Continued)

	Years ended 31st December			Six months ended 30th June	
	2003	2004	2005	2005	2006
<i>US\$'000</i>				<i>(Unaudited)</i>	
<b>Cash flows from financing activities</b>					
New loans	4,644	16,694	64,185	36,577	12,495
Repayment of loans	(6,362)	(2,628)	(1,588)	(1,467)	(9,135)
Capital element of finance lease rental payments	(8,975)	(24,676)	(24,960)	(5,426)	(4,757)
Decrease in short-term bank loans	<u>(1,246)</u>	<u>(4,350)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash (used in)/from financing activities	<u>(11,939)</u>	<u>(14,960)</u>	<u>37,637</u>	<u>29,684</u>	<u>(1,397)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(5,482)	7,329	30,677	25,226	(9,706)
Cash and cash equivalents at beginning of year/period	10,763	6,941	16,368	16,368	45,650
Currency translation adjustments	<u>1,660</u>	<u>2,098</u>	<u>(1,395)</u>	<u>(404)</u>	<u>1,836</u>
Cash and cash equivalents at end of year/period	<u>6,941</u>	<u>16,368</u>	<u>45,650</u>	<u>41,190</u>	<u>37,780</u>

## IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30th June 2006 and up to the date of this report.

Yours faithfully,

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
 Hong Kong

**1. INDEBTEDNESS****Borrowings**

At the close of business on 31st October 2006, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately US\$1,997.9 million, comprising bank loans and other loans of approximately US\$669.6 million, redeemable preference shares and premium (Note) of approximately US\$65.5 million and obligations under finance leases of approximately US\$1,262.8 million. Approximately US\$1.5 million of the borrowings were unsecured, and the remaining balance of approximately US\$1,996.4 million were secured by legal charges over certain properties, plant and equipment, restricted bank balances, properties under development and for sale, debtors and prepayment and the investment property of the Group.

Of the Group's borrowings, 5.2% were denominated in currencies other than US Dollars. The Group's bank loans, other loans, redeemable preference shares and finance lease obligations carry interest at fixed rates, ranging from 3.5% to 9.7% per annum, or variable rates, varying from 0% to 2.0% over stipulated market rates per annum.

The maturity profiles of the Group's total borrowings as at 31st October 2006 are set out as follows:

	<i>US\$ million</i>	<i>US\$ million</i>
Bank loans repayable		
Within one year	128.2	
Between one and two years	71.6	
Between two and five years	235.4	
After five years	<u>126.4</u>	
		561.6
Other loans repayable		
Within one year	3.1	
Between one and two years	1.4	
Between two and five years	102.8	
After five years	<u>0.7</u>	
		108.0

## 1. INDEBTEDNESS (Continued)

**Borrowings (Continued)**

	<i>US\$ million</i>	<i>US\$ million</i>
Redeemable preference shares and premium ( <i>Note</i> ) repayable		
Within one year	9.7	
Between one and two years	10.1	
Between two and five years	33.5	
After five years	<u>12.2</u>	
		65.5
Obligations under finance leases repayable		
Within one year	75.2	
Between one and two years	66.7	
Between two and five years	166.3	
After five years	<u>954.6</u>	
		<u>1,262.8</u>
		<u>1,997.9</u>

*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.

**Contingent Liabilities**

The Group has given corporate guarantee of approximately US\$43.1 million in respect of bank loan facilities extended to an investee company. At 31st October 2006, the amount utilised by the investee company is US\$32.5 million.

**1. INDEBTEDNESS (Continued)****Disclaimer**

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31st October 2006.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into US Dollars at the rates of exchange prevailing at the close of business on 31st October 2006.

**2. WORKING CAPITAL**

Taking into account financial resources available to the Group, including internally generated funds, available banking facilities and the estimated net proceeds from the Transaction, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements.

**3. ACQUISITION OF SUBSIDIARIES**

There was no significant acquisition of subsidiaries or associated companies during the interim period.

**4. LIQUIDITY AND FINANCIAL RESOURCES**

Assuming that the Transaction had taken place on 30th June 2006, the shareholders' funds of the Remaining Group, including the profit generated during the six months ended 30th June 2006, gain (net of estimated expenses and tax directly attributable) on the Transaction, would be approximately US\$4,470.8 million.

The Remaining Group's borrowings as at 30th June 2006 would be approximately US\$1,711.1 million, out of which, approximately US\$176.0 million would be repayable within 12 months. The Remaining Group's gearing ratio as at 30th June 2006 would be approximately 0.38, which was calculated based on the Remaining Group's borrowings and shareholders' funds of approximately US\$4,470.8 million. Of the Remaining Group's borrowings as at 30th June 2006, approximately 3.6% would be denominated in foreign currencies.

The Remaining Group's cash and cash equivalent as at 30th June 2006 would be approximately US\$2,938.8 million, of which approximately US\$2,850.3 million would be held in US Dollars and approximately equivalent to US\$88.5 million would be held in foreign currencies.

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.

**4. LIQUIDITY AND FINANCIAL RESOURCES (Continued)**

The Group is not exposed to equity securities and commodity price 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 Group exercises prudent liquidity risk management to ensure the maintenance of 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.

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. The Group is exposed to 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.

The maturity profiles of the outstanding borrowings of the Remaining Group as at 30th June 2006 were analysed as follows:

	<i>US\$ million</i>	
Maturity profiles:		
Borrowings repayable		
Within one year	176.0	10.3%
Between one and two years	109.9	6.4%
Between two and five years	458.1	26.8%
After five years	<u>967.1</u>	56.5%
	<u>1,711.1</u>	
Secured	1,710.9	100.0%
Unsecured	<u>0.2</u>	0.0%
	<u>1,711.1</u>	

Save for the US\$43.1 million guarantee in respect of bank loan facilities extended to an investee company, the Remaining Group had no other contingent liability as at 30th June 2006.

There was no change in the capital structure of the Remaining Group during the six months ended 30th June 2006. No option had been granted during the period and there was no option outstanding as at 30th June 2006.

During the six months ended 30th June 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities.

**5. SEGMENTAL INFORMATION**

The principal activities of the Group are container transport and logistics, container terminal, 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 available-for-sale financial assets, portfolio investments, derivative financial instruments, deferred taxation assets, tax recoverable and cash and bank balances. While unallocated segment liabilities include borrowings, derivative financial instruments, current and deferred taxation liabilities.

**6. EMPLOYEES**

As at 30th June 2006 the Group has 6,492 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 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.

The Group operates a number of defined benefits 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 six months ended 30th June 2006 were US\$13.5 million.

The principal defined contribution schemes are operated in Hong Kong, the USA and Canada. These schemes cover approximately 80% 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.

**6. EMPLOYEES (Continued)**

The principal defined benefit schemes are operated in the USA, United Kingdom and Canada. The defined benefit schemes cover approximately 8% of the Group's employees and are fully funded, with the exception of two smaller schemes and certain post retirement benefits. 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. Actuary valuations for these schemes are carried out by independent professionally qualified actuaries ranging between two to three years.

## A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and pro forma consolidated balance sheet, consolidated profit and loss account and consolidated cash flow statement of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Transaction as if it had taken place on 30th June 2006 for the pro forma consolidated balance sheet and 1st January 2006 for the pro forma consolidated profit and loss account and consolidated cash flow statement. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Group had the Transaction been completed as at 30th June 2006 and 1st January 2006 respectively or at any future date.

## I. Unaudited Pro Forma Consolidated Balance Sheet

	Unadjusted consolidated balance sheet of the Group as at 30th June 2006	Pro forma adjustments			Pro forma Remaining Group
		Note (a)	Note (b)	Note (c)	
<i>US\$'000</i>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2,663,345	(244,596)			2,418,749
Investment property	175,000				175,000
Prepayments of lease premiums	7,751	(2,166)			5,585
Jointly controlled entities	21,769				21,769
Associated company	14,879				14,879
Intangible assets	27,804	(3,398)			24,406
Deferred taxation assets	5,955	(408)			5,547
Pension and retirement assets	6,081	(2,662)			3,419
Available-for-sale financial assets	15,611				15,611
Restricted bank balances and other deposits	91,593	(3,072)			88,521
Other non-current assets	86,103	(608)			85,495
	<u>3,115,891</u>				<u>2,858,981</u>

**APPENDIX III**
**PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**
**I. Unaudited Pro Forma Consolidated Balance Sheet (Continued)**

	Unadjusted consolidated balance sheet of the Group as at 30th June 2006	Pro forma adjustments			Pro forma Remaining Group
		Note (a)	Note (b)	Note (c)	
<i>US\$'000</i>					
<b>Current assets</b>					
Properties under development and for sale	192,131				192,131
Inventories	66,924				66,924
Debtors and prepayments	563,471	(83,915)	(5,507)		474,049
Amounts receivable from group companies	—	(5,507)	5,507		—
Portfolio investments	227,272				227,272
Derivative financial instruments	992				992
Cash and bank balances	<u>804,212</u>	(37,780)		2,187,800	<u>2,954,232</u>
	<u>1,855,002</u>				<u>3,915,600</u>
<b>Total assets</b>	<u>4,970,893</u>				<u>6,774,581</u>
<b>EQUITY</b>					
<b>Equity holders</b>					
Share capital	62,579				62,579
Reserves	2,420,283	(199,850)		199,850	4,408,233
	<u>—</u>			1,987,950	<u>4,408,233</u>
	2,482,862				4,470,812
<b>Minority interests</b>	<u>12,045</u>				<u>12,045</u>
<b>Total equity</b>	<u>2,494,907</u>				<u>4,482,857</u>

## I. Unaudited Pro Forma Consolidated Balance Sheet (Continued)

	Unadjusted consolidated balance sheet of the Group as at 30th June 2006	Pro forma adjustments			Pro forma Remaining Group
		Note (a)	Note (b)	Note (c)	
<i>US\$'000</i>					
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	1,610,396	(75,303)			1,535,093
Deferred taxation liabilities	45,770	(20,246)			25,524
Pension and retirement liabilities	<u>14,743</u>	(4,072)			<u>10,671</u>
	<u>1,670,909</u>				<u>1,571,288</u>
<b>Current liabilities</b>					
Creditors and accruals	575,899	(43,246)	(2,776)		529,877
Amounts payable to group companies	—	(2,776)	2,776		—
Derivative financial instruments	5,182				5,182
Borrowings	209,486	(33,448)			176,038
Current taxation	<u>14,510</u>	(5,171)			<u>9,339</u>
	<u>805,077</u>				<u>720,436</u>
<b>Total liabilities</b>	<u>2,475,986</u>				<u>2,291,724</u>
<b>Total equity and liabilities</b>	<u>4,970,893</u>				<u>6,774,581</u>
<b>Net current assets</b>	<u>1,049,925</u>				<u>3,195,164</u>
<b>Total assets less current liabilities</b>	<u>4,165,816</u>				<u>6,054,145</u>

## II. Unaudited Pro Forma Consolidated Profit and Loss Account

	Unadjusted consolidated profit and loss account of the Group for the six months ended 30th June 2006	Pro forma adjustments			Pro forma Remaining Group
		Note (d)	Note (e)	Note (f)	
<i>US\$'000</i>					
<b>Turnover</b>	2,386,340	(235,204)	26,000		2,177,136
Operating costs	<u>(1,938,936)</u>	170,839	(26,000)		<u>(1,794,097)</u>
<b>Gross profit</b>	447,404				383,039
Fair value gain from an investment property	75,000				75,000
Gain on disposal of subsidiaries	—			2,091,447	2,091,447
Other operating income	44,045	(1,509)			42,536
Other operating expenses	<u>(224,299)</u>	30,484			<u>(193,815)</u>
<b>Operating profit</b>	342,150				2,398,207
Finance costs	(33,273)	3,206			(30,067)
Share of profits less losses of jointly controlled entities	2,345				2,345
Share of loss of an associated company	<u>(37)</u>				<u>(37)</u>
<b>Profit before taxation</b>	311,185				2,370,448
Taxation	<u>(30,629)</u>	12,657		(78,900)	<u>(96,872)</u>
<b>Profit for the period</b>	<u>280,556</u>				<u>2,273,576</u>

## III. Unaudited Pro Forma Consolidated Cash Flow Statement

	Unadjusted consolidated cash flow statement of the Group for the six months ended 30th June 2006	Pro forma adjustments		Pro forma Remaining Group
		Note (g)	Note (h)	
<i>US\$'000</i>				
<b>Cash flows from operating activities</b>				
Cash generated from operations	106,045	(30,129)		75,916
Interest paid	(15,101)	711		(14,390)
Interest element of finance lease rental payments	(22,166)	2,647		(19,519)
Dividend on preference shares	(5,293)			(5,293)
Overseas tax paid	(19,797)	7,049		(12,748)
Net cash from operating activities	<u>43,688</u>			<u>23,966</u>
<b>Cash flows from investing activities</b>				
Sale of property, plant and equipment	9,949	(831)		9,118
Sale of available-for-sale financial assets	424			424
Purchase of property, plant and equipment	(145,864)	28,270		(117,594)
Purchase of available-for-sale financial assets	(54)			(54)
Investment in an associated company	(7,000)			(7,000)
Disposal of subsidiaries	—		2,187,800	2,187,800
Increase in amounts due by jointly controlled entities	(550)			(550)
Decrease in portfolio investments	9,732			9,732
Decrease in bank deposits maturing more than three months from the date of placement	10,095			10,095
Purchase of intangible assets	(8,505)	1,389		(7,116)
Decrease in other non-current assets	7,466	(21)		7,445
Interest received	27,035	(776)		26,259

## III. Unaudited Pro Forma Consolidated Cash Flow Statement (Continued)

	Unadjusted consolidated cash flow statement of the Group for the six months ended 30th June 2006	Pro forma adjustments		Pro forma Remaining Group
		Note (g)	Note (h)	
<i>US\$'000</i>				
<b>Cash flows from investing activities</b>				
<b>(Continued)</b>				
Dividends received from portfolio investments	786			786
Income from available-for-sale financial assets	17			17
Contribution from minority interests	4,000			4,000
Dividend received from jointly controlled entities	<u>1,030</u>			<u>1,030</u>
Net cash (used in)/from investing activities	<u>(91,439)</u>			<u>2,124,392</u>
<b>Cash flows from financing activities</b>				
New loans	84,558	(12,495)		72,063
Repayment of loans	(36,023)	9,135		(26,888)
Redemption of preference shares	(9,237)			(9,237)
Capital element of finance lease rental payments	(28,722)	4,757		(23,965)
Decrease in short-term bank loans	(35,935)			(35,935)
Dividends paid to shareholders	(94,031)			(94,031)
Dividends paid to minority interests	<u>(253)</u>			<u>(253)</u>
Net cash used in financing activities	<u>(119,643)</u>			<u>(118,246)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(167,394)	9,706	2,187,800	2,030,112
Cash and cash equivalents at beginning of period	947,370	(45,650)		901,720
Currency translation adjustments	<u>8,824</u>	(1,836)		<u>6,988</u>
Cash and cash equivalents at end of period	<u><u>788,800</u></u>			<u><u>2,938,820</u></u>

## III. Unaudited Pro Forma Consolidated Cash Flow Statement (Continued)

	Unadjusted consolidated cash flow statement of the Group for the six months ended 30th June 2006	Pro forma adjustments		Pro forma Remaining Group
		Note (g)	Note (h)	
<i>US\$'000</i>				
Analysis of cash and cash equivalents				
Bank balances and deposits maturing within three months from the date of placement	788,952	(37,780)	2,187,800	2,938,972
Overdrafts	<u>(152)</u>			<u>(152)</u>
	<u>788,800</u>			<u>2,938,820</u>

## IV. Notes to the Unaudited Pro Forma Financial Information

*Notes:*

- (a) The adjustment reflects the de-consolidation of the assets and liabilities of TSI, Global and Consolidated Terminal Holdings (collectively referred to as the "Disposal Group"), assuming that the Transaction had been taken place on 30th June 2006.
- (b) The adjustment reflects the reclassification of amounts receivable from /payable to group companies of the Disposal Group as at 30th June 2006.
- (c) The adjustment reflects (i) the cash consideration amounting to US\$2,350,000,000 less estimated expenses and tax directly attributable to the Transaction, resulting in a net cash inflow of US\$2,187,800,000, and (ii) the estimated gain of US\$1,987,950,000 resulted from the Transaction, assuming that the Transaction had been taken place on 30th June 2006. The cash consideration of US\$2,350,000,000 does not take into account any adjustment as set out under the header "Consideration" in the Letter From The Board of the Circular as the adjustment is conditional upon the Completion occurs after 31st December 2006. Had only the Initial Completion taken place on 30th June 2006, the gain on disposal (net of corresponding taxation) would be reduced by US\$421 million.
- (d) The adjustment reflects the de-consolidation of the results of the Disposal Group for the six months ended 30th June 2006, assuming that the Transaction had been taken place on 1st January 2006.
- (e) The adjustment reflects the reversal of elimination of intragroup transactions between the Group and the Disposal Group, assuming that the Transaction had been taken place on 1st January 2006. The liner business of the Group has been using the terminals of the Disposal Group at rates agreed on an arm's length basis. Upon completion of the Transaction, the Group will continue using the terminals of the Disposal Group and this adjustment has a continuing effect on the Group.
- (f) The adjustment reflects the estimated gain of US\$2,091,447,000 and corresponding estimated tax of US\$78,900,000 resulted from the Transaction, assuming that the Transaction had been taken place on 1st January 2006. Had only the Initial Completion taken place on 1st January 2006, the gain on disposal (net of corresponding taxation) would be reduced by US\$424 million.

**IV. Notes to the Unaudited Pro Forma Financial Information (Continued)***Notes:*

- (g) The adjustment reflects the exclusion of the cash flows of the Disposal Group for the six months ended 30th June 2006, assuming that the Transaction had been taken place on 1st January 2006.
- (h) The adjustment reflects the cash consideration net of estimated expenses and tax directly attributable to the Transaction received of US\$2,187,800,000 assuming that the Transaction had been taken place on 1st January 2006.
- (i) The business operation of the Disposal Group is subject to insignificant seasonal fluctuation.
- (j) No adjustment has been made to reflect any trading result or other transaction of the Group and the Disposal Group entered into subsequent to 30th June 2006.
- (k) The final amount of consideration (detail as set out under the header “Consideration” in the Letter From The Board of this Circular), assets and liabilities of the Disposal Group and the gain and corresponding taxation of the Transaction will be different from those amounts as presented above.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the auditors and reporting accountants of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.*



羅兵咸永道會計師事務所

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**REPORT FROM ACCOUNTANTS ON  
UNAUDITED PRO FORMA FINANCIAL INFORMATION  
TO THE DIRECTORS OF ORIENT OVERSEAS (INTERNATIONAL) LIMITED**

We report on the unaudited pro forma financial information of Orient Overseas (International) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages III-1 to III-8 under the heading of “Unaudited Pro Forma Financial Information” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the Company’s circular dated 4th December 2006, in connection with the sale of the entire issued share capital of each of TSI Terminal Systems Inc., Consolidated (Terminal Holdings) Limited and Global Terminal & Container Services, Inc. (the “Transaction”) by the Company (the “Circular”). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-8 of the Circular.

**Respective Responsibilities of Directors of the Company and Reporting Accountants**

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted consolidated balance sheet of the Group as at 30th June 2006, unadjusted consolidated profit and loss account and unadjusted consolidated cash flow statement of the Group for the six months ended 30th June 2006 with the financial information of the Group for the six months ended 30th June 2006 as set out in Appendix I of this Circular, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30th June 2006 or any future date, or
- the results and cash flows of the Group for the six months ended 30th June 2006 or any future periods.

**Opinion**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 4th December 2006

## 1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, 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 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 were 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 contained in the Listing Rules, were as follows:

Name	Direct Interests	Other Interests		Total Number of Shares Interested (in Long Position)	Percentage
		Beneficial	Voting		
Chee Chen Tung	—	97,811,011 <i>(Note 1)</i>	326,627,577 <i>(Notes 2 &amp; 3)</i>	424,438,588	67.82%
Roger King	—	97,811,011 <i>(Note 1)</i>	—	97,811,011	15.62%
Tsann Rong Chang	612,731	—	—	612,731	0.09%
Nicholas David Sims	55,660	—	—	55,660	0.01%
Philip Yiu Wah Chow	79,600	—	—	79,600	0.01%
Simon Murray	65,000	57,200 <i>(Note 4)</i>	—	122,200	0.02%

*Notes:*

- Mr. C C Tung and Mr. King have an interest in a trust which, through Springfield, holds 97,811,011 Shares. Of such Shares, Springfield has an indirect interest in 30,765,425 Shares in which Monterrey has a direct interest, and Springfield has a direct interest in 67,045,586 Shares.
- Wharnclyff, a company owned by a discretionary trust established by Mrs. Peng, holds 278,165,570 Shares and the voting rights in respect of such holdings are held by Mr. C C Tung through THTI. Gala Way, a company owned by the discretionary trust established by Mrs. Peng, holds 48,462,007 Shares and the voting rights in respect of such holdings are held by Mr. C C Tung through THTI.

3. Wharnclyff, Gala Way, Springfield and Monterrey together are referred to as the controlling shareholders.
4. Mr. Simon Murray has gifted 57,200 Shares to the Simon Murray Family 1985 Trust, a discretionary trust of which he is the settlor.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions 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 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. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date and so far as is known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	Number of Shares Interested (in Long Position)	Percentage
Bermuda Trust Company Limited	Trustee	424,438,588 <i>(Note 1)</i>	67.82%
Shirley Shiao Ping Peng	Founder of a discretionary trust	326,627,577 <i>(Note 2)</i>	52.19%
Fortune Crest Inc.	Indirect	326,627,577 <i>(Note 2)</i>	52.19%
Winfield Investment Limited	Indirect	326,627,577 <i>(Notes 2&amp;3)</i>	52.19%
Tung Holdings (Trustee) Inc.	Voting	326,627,577 <i>(Note 4)</i>	52.19%
Wharnclyff Limited	Direct	278,165,570 <i>(Notes 2&amp;5)</i>	44.45%
Chee Hwa Tung	Indirect	97,836,242 <i>(Note 6)</i>	15.63%

<b>Name</b>	<b>Nature of Interest</b>	<b>Number of Shares Interested (in Long Position)</b>	<b>Percentage</b>
Springfield Corporation	Direct and Indirect	97,811,011 <i>(Note 6)</i>	15.62%
Archduke Corporation	Beneficiary of a trust	97,811,011 <i>(Note 7)</i>	15.62%
Phoenix Corporation	Beneficiary of a trust	97,811,011 <i>(Note 7)</i>	15.62%
Archmore Limited	Beneficiary of a trust	97,811,011 <i>(Note 8)</i>	15.62%
Edgemont Investment Limited	Indirect	97,811,011 <i>(Note 9)</i>	15.62%
Javier Associates Limited	Indirect	97,811,011 <i>(Note 10)</i>	15.62%
Gala Way Company Inc.	Direct	48,462,007 <i>(Notes 2&amp;5)</i>	7.74%
Monterrey Limited	Direct	30,765,425 <i>(Notes 6&amp;11)</i>	4.91%

*Notes:*

1. Bermuda Trust Company Limited has an indirect interest in the same Shares in which Fortune Crest and Springfield, wholly owned subsidiaries of Bermuda Trust Company Limited, have an interest.
2. Mrs. Peng established the discretionary trust which, through Winfield, a wholly owned subsidiary of Fortune Crest, holds 326,627,577 Shares, 278,165,570 of which are owned by Wharnclyff and 48,462,007 of which are owned by Gala Way.
3. Winfield has an indirect interest in the same Shares in which Wharnclyff and Gala Way have an interest.
4. THTI is a company wholly owned by Mr. C C Tung.
5. Wharnclyff and Gala Way are wholly owned subsidiaries of Winfield.
6. Mr. C H 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 has a direct interest, and Springfield has a direct interest in 67,045,586 Shares. Mrs. Betty Hung Ping Tung (spouse of Mr. C H Tung, sister-in-law of Mr. C C Tung, Mrs. Peng and Mr. King, and mother of Mr. Alan Tung) owns 25,231 Shares.

7. Archduke Corporation and Phoenix Corporation, companies which are wholly owned by Mr. C C Tung, have an interest in the trust which, through Springfield, holds 97,811,011 Shares.
8. Archmore, a company which is wholly owned by 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, a company which is wholly owned by Mr. C C 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 above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had interests or short positions 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, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company was a director or an 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.

#### **4. SERVICE CONTRACT**

Mr. Nicholas David Sims has a service contract with the Company which will expire on 21 October 2007. None of the Directors has entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without any payment of compensation, other than statutory compensation.

#### **5. 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, member of Hong Kong Institute of Certified Public Accountants.

#### **6. LITIGATION**

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

**7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, 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.

**8. OTHER INTERESTS OF DIRECTORS IN CONTRACTS**

None of the Directors is materially interested in any contract or arrangement subsisting as at the date of this Circular which is significant in relation to the business of the Group.

**9. DIRECTORS' INTERESTS IN GROUP ASSETS**

As at the Latest Practicable Date, none of the Directors has or has had any interest, direct or indirect, in any assets which have been, since 30 June 2006, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**10. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2006, being the date to which the latest published audited accounts of the Group were made up.

**11. MATERIAL CONTRACTS**

Other than the Stock Purchase Agreement, the Group has not entered into any material contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Circular.

**12. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS**

Pursuant to Bye-law 66, at any general meeting every Shareholder present in person or by proxy or by attorney or (being a corporation) is present by a representative duly authorised under Section 78 of the Bermuda Companies Act 1981 as amended, shall have one vote on a show of hands and every Shareholder present in person or by proxy shall have one vote for every fully paid share of which he is the holder on a poll. A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or is demanded pursuant to the Listing Rules or the provisions of the Bye-laws before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

Voting by poll may be demanded:

- (a) by the Chairman; or

- (b) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the Listing Rules.

A demand for voting by poll by a person as proxy for a Shareholder shall be deemed to be the same as a demand by the Shareholder concerned.

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way pursuant to Bye-laws 71 and 72.

### **13. EXPERTS AND CONSENTS**

- (a) The following are the qualification of the expert who has been named in this Circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants

- (b) PricewaterhouseCoopers, as at the Latest Practicable Date, did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of their letters and reports and references to their name in the form and context in which they are included.

PricewaterhouseCoopers does not have any interest, direct or indirect, in any assets which has been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection by Shareholders during normal business hours at the principal office of the Company in Hong Kong at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on weekdays other than Saturdays and public holidays up to and including 22 December 2006:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) circular to Shareholders dated 4 August 2006 issued by the Company regarding Discloseable Transaction — Construction of Four Vessels;
- (c) circular to Shareholders dated 13 November 2006 issued by the Company regarding Discloseable Transaction — Construction of Four Vessels;
- (d) the accountants' report, the text of which is set out in Appendix I to this Circular, together with the statement of adjustments;
- (e) the report from PricewaterhouseCoopers on the pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this Circular;
- (f) the written consent referred to in the section headed "Experts and Consents" referred to in Appendix IV to this Circular;
- (g) audited financial statements of the Group for the two financial years ended 31 December 2004 and 31 December 2005;
- (h) the Stock Purchase Agreement; and
- (i) service contract of Mr. Nicholas David Sims, an Executive Director of the Company.

**15. MISCELLANEOUS**

The principal registrar of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda and the branch registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The English text of this Circular shall prevail over the Chinese text.

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## NOTICE OF SGM

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### ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 316)

### NOTICE OF SPECIAL GENERAL MEETING

NOTICE is hereby given that the Special General Meeting of ORIENT OVERSEAS (INTERNATIONAL) LIMITED (the “Company”) will be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 December 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“THAT

- (a) the stock purchase agreement dated 21 November 2006 (the “**Stock Purchase Agreement**”) entered into between TSI Holding S.A., OOCL (Terminals) Holdings Limited, Consolidated Leasing & Terminals, Inc., indirect wholly owned subsidiaries of the Company (together the “Sellers”); the Company; and 0775150 B.C. Ltd. and 2119601 Ontario Limited (together the “Buyer”) in relation to the sale of the entire issued share capitals of TSI Terminal Systems Inc., Consolidated (Terminal Holdings) Limited and Global Terminal & Container Services, Inc. by the Sellers to the Buyer, a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for identification purpose, be and is hereby approved, ratified and confirmed; and
- (b) any one Director or the Company Secretary of the Company be and is hereby authorised to execute all such documents and/or to do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation and completion of the Stock Purchase Agreement and the transactions contemplated therein.”

By Order of the Board  
**Lammy Lee**  
*Company Secretary*

Hong Kong, 4 December 2006

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## NOTICE OF SGM

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**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 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 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 Special General Meeting or any adjournment thereof.
- (iv) The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

\* *for identification only*



# ORIENT OVERSEAS (INTERNATIONAL) LIMITED

東方海外(國際)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 316)

## Proxy form for use at the Special General Meeting to be held on Tuesday, 19 December 2006

I/We <sup>(Note 1)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the registered holder(s) of <sup>(Note 2)</sup> \_\_\_\_\_  
ordinary shares of US\$0.10 each in the capital of Orient Overseas (International) Limited (the "Company")  
**HEREBY APPOINT** the Chairman of the Meeting or <sup>(Note 3)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
as my/our proxy to act for me/us at the Special General Meeting (the "Meeting") (or at any adjournment thereof) of the Company to be held at the Concord Room, 8th Floor, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 December 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the resolution described in the notice convening the Meeting and at the Meeting (or at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the following resolution with or without amendments as hereunder indicated.

ORDINARY RESOLUTION	FOR <sup>(Note 4)</sup>	AGAINST <sup>(Note 4)</sup>
To approve, ratify and confirm the stock purchase agreement dated 21 November 2006 and the transactions contemplated thereunder and to authorise any one Director or the Company Secretary of the Company to execute all such documents and/or to do all such acts as he/she may consider appropriate.		

Signed <sup>(Note 5)</sup> \_\_\_\_\_ Date \_\_\_\_\_ 2006

### NOTES:

- (1) Full name(s) and address to be inserted in block capitals.
- (2) Please insert, as appropriate, the number of ordinary shares of US\$0.10 each of the Company registered in your name(s). If no number is inserted, this proxy form will be deemed to relate to all the ordinary shares of the Company registered in your name(s).
- (3) If any proxy other than the Chairman of the Meeting is preferred, strike out the reference to the Chairman and insert the name and address of the proxy desired in the space provided.
- (4) **IMPORTANT:** Please indicate by a "✓" in the space provided how you wish your vote to be cast. **IF YOU WISH TO VOTE FOR THE RESOLUTION, PLEASE TICK THE APPROPRIATE BOX MARKED "FOR"; IF YOU WISH TO VOTE AGAINST THE RESOLUTION, PLEASE TICK THE APPROPRIATE BOX MARKED "AGAINST"**. Without such specific direction the proxy may at his/her discretion vote for or against the resolution or abstain from voting.
- (5) This proxy form must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its common seal or under the hand of a duly authorised officer or attorney.
- (6) In order to be valid, this proxy form, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof), must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting.
- (7) In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (8) A proxy need not be a member of the Company but must attend the Meeting in person to represent you. The proxy may vote on your behalf on a poll.
- (9) Completion and delivery of this proxy form shall not preclude a member from attending and voting in person at the Meeting or any adjournment thereof.
- (10) Any alteration made to this proxy form must be initialed by the person who signs it.

\* for identification only