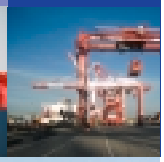
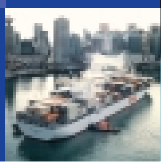
CONTAINER TRANSPORT, LOGISTICS AND TERMINALS





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

Container Transport and Logistics

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

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

CONTAINER TRANSPORT

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

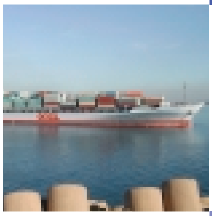
Orient Overseas Container Line

	TOTAL LIFTINGS (TEUs)			TOTAL REVENUES (US$'000)		
	2006		2005	**2006**		2005
Trans-Pacific	**1,207,398**	+7.3%	1,124,967	**1,819,490**	+3.0%	1,767,341
Asia-Europe/ Intra-Europe	**679,880**	+25.0%	544,031	**838,200**	+7.7%	777,920
Transatlantic	**339,693**	+4.0%	326,643	**566,319**	+16.6%	485,887
Intra-Asia/ Australasia	**1,667,233**	+9.1%	1,527,577	**1,029,450**	+3.3%	996,991
All Services	**3,894,204**	+10.5%	3,523,218	**4,253,459**	+5.6%	4,028,139

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

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

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



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

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

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

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

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

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

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

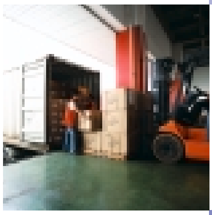
The Group keeps its fleet deployment and expansion plans under constant review, balancing the need for new and replacement tonnage against the current level of newbuilding prices. The balance between owned and chartered-in tonnage and the comparative operating costs of each is also kept under constant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

LOGISTICS

For the financial year 2006, the OOCL Logistics business achieved a revenue increase of 20% with substantial growth in warehousing and trucking, albeit from smaller bases. We shall continue to focus on building our scale over the next few years. We also refined our front end management structure to better serve our customers and for faster growth in key locations around the world.

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

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



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

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

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

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

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

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

INFORMATION TECHNOLOGY

To sustain the Group's competitiveness, it is our strategy to capitalise on our IT capabilities to improve yet further quality and cost efficiency. In pursuit of these goals the Information Systems Department has focused on providing customers with quality services that meet their individual needs and to enhance cost efficiencies through a reliable system infrastructure.

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

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

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

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

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

CONTAINER TERMINALS

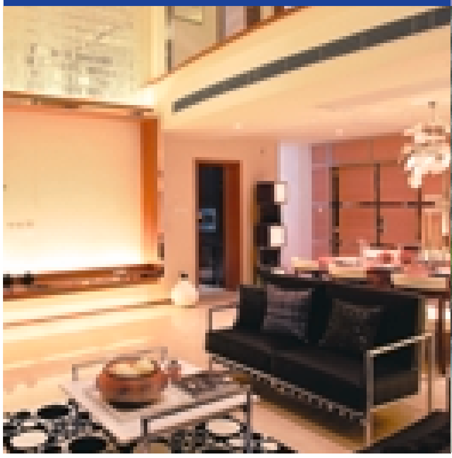
Under the terms of an agreement dated 21st November 2006 the Terminals Division was sold to Ontario Teachers' Pension Plan. As a result the performance of the four terminals in question, Deltaport and Vanterm in the Port of Vancouver and New York Container Terminal and Global Container Terminal in the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

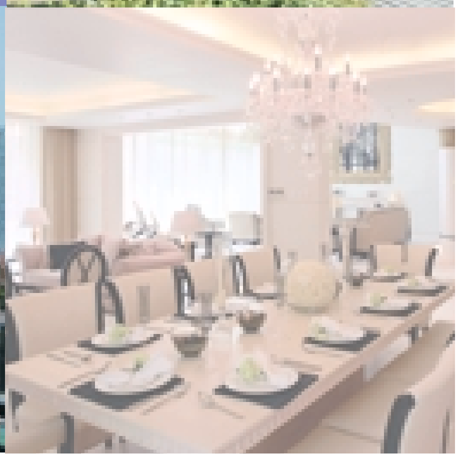
During 2006 a total of 1,230 vessels called at the four terminals compared with 1,162 in 2005 representing just a 5.85% increase. However throughput increased by 20.8%, representative of the introduction of larger vessels into service, to a total of 1,688,609 lifts, approximately equal to 2,866,338 TEU.

In the Port of New York and New Jersey the two terminals experienced a 3% increase in throughput overall. Global Terminal actually recorded a fall in throughput although more than compensated for by the increase at New York Container Terminal as services were transferred between the two. However, in the Port of Vancouver, the two terminals between them experienced a 33.5% increase in throughput. Together with a general increase across its customer base, the acquisition of C P Ships by Hapag Lloyd led to a cessation of C P Ships own services into Vancouver which had hitherto called at the Fraser Surrey Docks terminal. As a result the volumes were transferred onto Grand Alliance services calling at the OOIL terminals. This transfer was not without its problems bringing as it did, a significant volume increase over a very short period, but through improved efficiency and work practices the increase was accommodated.

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

PROPERTY INVESTMENT AND DEVELOPMENT





PROPERTY DEVELOPMENT

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

The project on Changle Lu, Luwan district, Shanghai will have a total gross floor area of approximately 145,000 sq m, consisting of residential units, a hotel and serviced apartments. Construction has begun in early 2007. The project on Changning Road, Changing District, Shanghai, with a total gross floor area of 240,000 sq m, consists of offices, retail units and a hotel. We expect construction to start in 2007. The project on Hengshan Lu will have a total gross floor area of 15,000 sq m consisting of retail units and a hotel and we expect construction to start in 2007.

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

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

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

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

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

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

PROPERTY INVESTMENT

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

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