




2006

Interim Report

Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)












Orient Overseas (International) Limited
(Incorporated in Bermuda with Limited Liability)
33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong Telephone: (852) 2833 3838 Facsimile: (852) 2827 6602

Contents

Statement to Shareholders from the Chairman

The markets have remained robust in terms of container volume growth during the first half of 2006 but average freight rates have fallen over the same period, especially on the Asia to Europe routes. This softness, when combined with steadily rising costs, both directly and indirectly as a result of higher oil prices, has led to a poorer overall performance for the first half of 2006 by comparison with the same period of 2005.

Orient Overseas (International) Limited and its subsidiaries (the "Group") attained a profit before tax of US$311.2 million for the first six months of this year. After tax and minority interests a profit attributable to shareholders of US$280.5 million was recorded. At the interim stage, this level of profitability represents a deterioration when compared with the US$308.9 million profit attributable to shareholders recorded for the first half of 2005. It also benefits significantly from a revaluation of our Wall Street Plaza investment property. The earnings per ordinary share of US44.8 cents compare with the earnings per ordinary share of US49.4 cents for the first half of 2005.

DIVIDEND

The Board of Directors is pleased to announce for 2006 an interim dividend of US11 cents (HK86 cents) per ordinary share. The dividend will be paid on 15th September 2006 to those ordinary shareholders whose names appear on the register on 4th September 2006. The outlook for the second six months of 2006 is uncertain and the Board of Directors will consider a further dividend for the full year as performance and future business prospects dictate.

CONTAINER TRANSPORT, LOGISTICS AND TERMINALS

The core international container transport business of the Group, trading under the "OOCL" name, has continued to experience strong container volume growth across all of its trade routes although this has been constrained by the effective carrying capacity of new tonnage introduced into service. As I have reported for the past few years, the combination of the processes of containerisation, globalisation and outsourcing of production and assembly, together with increasingly stable global economic growth, has resulted in container volumes continuing to increase at rates close to or above the effective rate at which new tonnage has been deployed into service. As in previous years, however, doubts abound as to the sustainability of these volume growth rates and when these were combined later last year with possibly excessive estimates of newbuilding deliveries for early 2006 and 2007, fears were raised of much softer freight rates going into and through 2006. The self-fulfilling nature of these prophecies, together with a slight but traditionally seasonal slackening of volume growth during the first quarter of 2006, created an environment in which freight rates softened generally and markedly on the Asia / Europe trade lanes. Nevertheless, once the distortions to cargo volumes as a result of the Chinese New Year holidays were behind us, volumes picked up significantly to the extent that load factors quickly regained their previous levels. However, the damage to freight rates had already been done.

It is the cost side, however, rather than the revenue side which has had the greater impact upon the first half results. Third party transportation costs, i.e. railroad and trucking charges, continue to rise as have, most notably, fuel costs. In unit cost terms, bunker prices on average during the first half of 2006 were 44% higher than they were during the first half of 2005 and they continue to rise as a percentage of total costs. Besides these increases in bunker costs which are beyond our control, we have managed largely to contain other increases during the first half of 2006. It is the continuing management and containment of these ever increasing costs which is crucial to overall performance especially in the current environment of negative sentiment which impedes our ability to pass on these cost increases.

Global consumer demand has thus far remained firm with US demand holding up despite the frequently voiced concerns over higher energy and interest costs. In Europe generally there have been signs of recovery in consumer sentiment and spending and the Japanese consumer appears to have rediscovered an appetite with deflation within the domestic economy now appearing to be a thing of the past. Stable container volume growth can be expected for the remainder of 2006 therefore, even to the extent that the potential for congestion on the North American west coast and in Europe is once again becoming a concern.

In respect of our membership of the Grand Alliance, the P&O Nedlloyd membership and joint deployment of its vessels ceased in early 2006 following its acquisition by Maersk Sealand. OOCL, together with the other remaining members, Hapag-Lloyd, MISC and NYK, oversaw a very smooth transition and also the commencement of a slot sharing agreement with the New World Alliance, comprising American President Line, Hyundai Merchant Marine and Mitsui OSK Lines. Through these arrangements, OOCL continues to deliver the highest level of service to its customers.

Logistics development during the first half of 2006 has progressed well and in line with our strategic direction. Riding on the strength of the Asia economy, the growth of our International Logistics business volumes in the Intra-Asia trades was particularly strong. We have continued to develop warehouse operations in key locations around the world to provide a solid network for supply chain management. Our new individual-customer-centric supply chain system started its production run with selected customers in 2006 and it will take another 9 months to complete the migration. By then, we shall be equipped with a best-in-class technology platform offering our customers even greater visibility and flexibility in supply chain management.

For the first half of 2006, terminal operations returned encouragingly strong results as combined container throughput at our Terminals Division which comprised of TSI Terminal Systems Inc., New York Container Terminal, Inc. and Global Terminal & Container Services, Inc. increased by 17% over the same period a year ago, with total revenues and operating profit rising by 29.6% and 46.5% respectively. In Vancouver, the Group's operations at Deltaport and Vanterm continue to play a vital role in the economy of Western Canada. Both terminals performed exceedingly well in the first half of 2006 with a 30.4% rise in TEU throughput volumes contributing to a 49.5% jump in revenue, aided in part by the continued strength of the Canadian dollar. Likewise, the Group's two terminals situated in the Port of New York and New Jersey are important contributors to the economy of the "tri-state region" consisting of New York, New Jersey and Connecticut. Business conditions remained healthy at New York Container Terminal on Staten Island, where an increase of 6.7% in TEU throughput volume was accompanied by an 8.1% rise in revenue. Global Terminal in New Jersey was, however, directly and adversely impacted by the withdrawal of P&O Nedlloyd from the Grand Alliance and the transfer of its volumes elsewhere. It experienced a TEU throughput volume drop of 13% in the first half of 2006 but revenue remained essentially unchanged.

Faced with high utilisation rates and the difficulties in obtaining necessary approvals to build new container terminals or to expand existing facilities at existing ports throughout North America, the trend of increasing volumes on ever larger container ships along the important trade routes serving the robust consumer markets of the USA and Canada bodes well for terminal operations for years to come. It is for these reasons, amongst others, that the values attributed to container terminals and ports generally have risen greatly over the past year or so. A number of recent and well publicised transactions have attracted much attention and have generated significant competition amongst potential buyers. Despite this appreciation in asset values the markets have steadfastly declined to recognise the true value of our third-party terminal businesses within the OOIL share price. We therefore conducted a strategic review of our container terminal assets and concluded that, in order to extract this value for our shareholders, we should investigate the potential of a disposal of the two terminals in the Port of Vancouver and the two in the Port of New York and New Jersey. We believe this to be a firmly founded and attractive business group. The individual terminals are third-party businesses which OOCL has always dealt with on an arm's length basis. Were they to eventually be sold, although at this stage there is no certainty to such a transaction, it would not detract from the integrity or efficiency of OOCL services and we would expect to continue a long-term commercial relationship with them, albeit under a new ownership. We shall be making further announcements on this subject as and when circumstances dictate.

PROPERTY INVESTMENT AND DEVELOPMENT

The Group's property investment and development businesses continued to be profitable during the first half of 2006. However, as a result of the project timings we do not expect a significant contribution to Group performance for 2006 as a whole.

Our portfolio of New York and Beijing investment properties continue to perform as budgeted. Our development projects in the Greater Shanghai area also continue as planned. The softness of the Greater Shanghai residential market has persisted during the first half of the year. With the new regulations announced by the Government we believe that this softness will continue for the remainder of 2006. However, we do not expect these market conditions to have a significant impact on Group results for 2006 given the timing of our projects and the fact that the majority of our existing projects, consisting of residential, office and hotel developments, will not reach the selling stage until 2008 and beyond. We believe that these projects will contribute meaningfully to Group profits going forwards.

The strength of the New York commercial property market and appreciation in land values have been such that the latest independent and professional valuation received for Wall Street Plaza has increased the value to US$175 million from the previous level of US$100 million.

Our property development and investment portfolio remains soundly positioned and we expect to continue our investment in the property sector as suitable projects are identified and become available. Our aim continues to be the creation of a long-term and balanced property business for the future.

OUTLOOK

Beginning during the second half of 2002, and following China's accession to the WTO and subsequent and significant contribution to global economic growth, we are now almost into the fifth year of uninterrupted strong container volume growth. It has continued unabated through periods of higher or lower global GDP growth and stronger or weaker consumer demand in the major consumer economies of the world. It demonstrates therefore that underpinning this growth remain the processes of containerisation, globalisation and the outsourcing of production and assembly to Asia. Thus far there appears to be little sign of these factors weakening in their effect. Volume growth forecasts for the whole of 2006 vary but in general however, are below the estimates of the new tonnage to be deployed. Volume growth forecasts tend to be overly cautious whilst the disparity between the estimates of new tonnage to be deployed, in nominal capacity terms, and the actual effective capacity introduced into service remains significant. However, it is without doubt that the industry is at present having to weather a period of unusually high new vessel deployment at the same time as doubts abound as to the sustainability of the currently still strong container volume growth. Such sentiments clearly serve to soften freight rates. Nevertheless, the supply/demand balance eventually will have its effect and so it is the strength of volume growth during the coming peak period which will set the performance level for 2006 as a whole. It is unlikely to compare with the Group's performance for the past two years however, since much of the damage to freight rates has already been done during the first half and especially for the all important Trans-Pacific trades for which the annual rate setting process took place in April. Similarly for the Asia Europe trades in which, although three monthly contracts are the norm, rates fall very quickly but rise very slowly.

In addition to the balance between supply and demand, rising costs are a major concern. The future cost of bunkers remains an unknown with many views as to where the price will go. The geopolitical issues make predictions much of a lottery. Whilst the bunker adjustment factor does allow us to recover some of any increase it is by no means a 100% recovery. Additionally, our third party transportation costs and terminal handling costs continue to rise, much of it the indirect result of higher fuel and energy costs. We remain very much concentrated upon containing these increases to a minimum and our level of success in these endeavours will greatly effect the outcome for 2006 as a whole.

C C Tung
Chairman
Hong Kong, 4th August 2006

Management Discussion and Analysis

ANALYSIS OF RESULTS

For the first six months of 2006 Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit before tax of US$311.2 million. This compares with a profit before tax of US$329.4 million for the corresponding period of 2005. Although this constitutes a 5.5% reduction it represents a commendable result overall. Group performance has suffered from a measurable reduction in profits of OOCL, a result of the current business sentiment, but has been aided by a yet further improved performance by our container terminals business which recorded a 54.5% increase at the pre tax level, a good result from our portfolio investments and an increase in the valuation of Wall Street Plaza by US$75 million. Global container volumes continue to grow robustly, almost keeping pace with the higher rate at which new tonnage has been introduced into service, but sentiment continues to be effected by fears of a near term oversupply of tonnage during the second half of 2006 and throughout 2007, resulting in average freight rates showing declines across most of our trade routes.

Group turnover for the six months ended 30th June 2006 was US$2,386.3 million, an increase of US$138.4 million or 6.2% as compared with the corresponding period of 2005. Profit attributable to shareholders for the first half of 2006 was US$280.5 million compared with US$308.9 million for the same period last year.

OOCL's total liftings increased by 7.5% for the first half of 2006 as compared with the same period last year. This compares with the volume growth of 11.6% recorded for the first half of 2005. Total revenues, however, grew by a lower 4.0% to US$2,027.7 million for the first six months of 2006 as a result of a 3.3% fall in overall revenues per TEU. The deployment during the first half of this year of number 9 in our total series of twelve 8,063 TEU "SX" Class newbuildings together with the first four of our series of eight 5,888 TEU "S" Class newbuildings, being operated under long-term charter structures, contributed towards an overall 9.9% increase in loadable capacity during the first half of the year. Despite this significant increase in fleet size, the strength in volume growth has been such that overall load factors suffered only a slight 1.8% drop as compared with the first half of 2005.

ORIENT OVERSEAS CONTAINER LINE

	CURRENT QUARTER			YEAR-TO-DATE		
	Q2 2006	Q2 2005	*change*	**1H 2006**	1H 2005	*change*
LIFTINGS *(TEU'S)* :						
Trans-Pacific	**309,919**	288,645	*+ 7.4%*	**594,814**	554,003	*+ 7.4%*
Asia / Europe	**169,951**	135,581	*+ 25.4%*	**313,442**	259,572	*+ 20.8%*
Transatlantic	**86,275**	83,323	*+ 3.5%*	**167,441**	164,070	*+ 2.1%*
Intra-Asia / Australasia	**406,666**	390,417	*+ 4.2%*	**782,585**	750,801	*+ 4.2%*
TOTAL ALL SERVICES	**972,811**	897,966	*+ 8.3%*	**1,858,282**	1,728,446	*+ 7.5%*
TOTAL REVENUES *(US$000'S)* :						
Trans-Pacific	**461,648**	443,210	*+ 4.2%*	**896,374**	847,488	*+ 5.8%*
Asia / Europe	**204,840**	197,841	*+ 3.5%*	**377,820**	376,914	*+ 0.2%*
Transatlantic	**142,466**	119,489	*+ 19.2%*	**274,779**	230,004	*+ 19.5%*
Intra-Asia / Australasia	**247,072**	254,438	*- 2.9%*	**478,729**	495,448	*- 3.4%*
TOTAL ALL SERVICES	**1,056,026**	1,014,978	*+ 4.0%*	**2,027,702**	1,949,854	*+ 4.0%*

Compared with the corresponding period last year, liftings increased by 7.4% on our Trans-Pacific services with average revenues remaining relatively stable, suffering just a 1.5% drop by comparison with the same period last year. Our Intra-Asia and Australasia services experienced increased liftings of 4.2% but saw average revenues fall by 7.3%. For our Asia / Europe services the increase in liftings was a very strong 20.8% as a result of the introduction of new capacity. However, total revenues rose by only 0.2% as a result of a steep 17.0% drop in average revenues per TEU. On the other hand, our Transatlantic services enjoyed a 17.1% increase in average revenues per TEU compared with the first half of 2005 experiencing a 19.5% increase in total revenues on liftings up by just 2.1%.

In the current environment of rising costs, both variable and fixed, we have intensified our concentration upon operational efficiencies and tight cost control aided by our ongoing investment in IT. Business and administration costs have again fallen on a per TEU basis, by 14% when compared with the same period last year. However, other fixed and variable costs have risen significantly during the first half of the year. Most significantly, voyage costs on a per TEU basis increased by 36.2% as a result of the steep increase in the cost of bunkers. On a per TEU basis, the average price paid during the first half of 2006 was 15% higher than during the second half of 2005 and 44% higher than during the first half of 2005. In absolute terms, our bunker costs were US$102.7 million higher during the first six months of 2006 than they were in the same period of 2005, although, of course, this does not take into account the expansion of the fleet in the meantime. Cargo costs have also continued to rise as terminal handling charges and third party transportation costs have begun to reflect the generally higher fuel costs.

In the first half of 2006, a total of 1.331 million TEU were handled at our Terminals Division, which, when used in this section, is comprised of TSI Terminal Systems Inc., (operating "Deltaport" and "Vanterm"), New York Container Terminal, Inc. ("NYCTI") and Global Terminal & Container Services, Inc. ("Global"), an increase of 17.0% over the comparable period for 2005. Overall container and general cargo revenue jumped 29.6% to US$234.9 million and the corresponding operating profit rose by 46.5% to US$35.0 million in the first half of 2006. In Vancouver, Canada's largest port, strong demand at both Deltaport and Vanterm fuelled a 30.4% rise in throughput volume to 0.876 million TEU, driving combined revenue up by 49.5% to US$151.7 million and operating profit higher by 91.5%, after accounting for an exit from the cruise terminal business. The Group also operates terminals in the Port of New York (NYCTI) and New Jersey (Global) which ranks third in the United States behind only Los Angeles and Long Beach in terms of container volumes and is the dominant port in the North Atlantic region with almost a 50% market share. NYCTI is located on Staten Island and remains the State of New York's only major container facility. Despite periodic disruptions caused by the dredging of the Arthur Kill on the approach to the terminal, NYCTI managed an 6.7% increase in volume to 0.255 million TEU in the first half of 2006, with total revenue rising by 8.1% to US$47.6 million and operating profit growing by 9.9%. At Global, one of several container facilities operating in New Jersey but the only one without an air-draft restriction, an important customer is the Grand Alliance consortium. Throughput at Global was adversely impacted by the withdrawal in early 2006 of P&O Nedlloyd from the Grand Alliance following its acquisition by Maersk Sealand in late 2005. While revenue remained flat at US$35.4 million despite a 13% drop in throughput volume to 0.200 million TEU in the first half of 2006, operating profit at Global tumbled 64.1%, reflecting the high fixed costs associated with container terminal operations.

On 25th July 2006 it was announced that UBS Investment Bank had been engaged to advise upon the potential disposal of the Group's Terminals Division (Deltaport, Vanterm, NYCTI and Global). The financial performance of the Terminals Division is set out below:

TERMINALS DIVISION

INCOME STATEMENT INFORMATION

US$Million	**1H 2006**	1H 2005	Last Twelve Months
Liftings (TEUs 000s)	**1,331**	1,142	2,568
Turnover	**236.6**	192.0	444.3
EBITDA	**52.2**	38.5	99.8

BALANCE SHEET INFORMATION

US$Million	**30th June 2006**	31st December 2005
Total Bank Borrowings and Capital Leases	**107.2**	102.3
Cash and Equivalents	**38.7**	48.8
Net Debt	**68.5**	53.5
Net Book Value	**179.9**	153.6

The Group's investments in the ports of Ningbo and Tianjin in China and its other terminals in Long Beach, California and Kaohsiung, Taiwan will not be included in any such sale.

Wall Street Plaza, our investment property in the city of New York has continued to perform to budget and has maintained an occupancy rate of almost 100%. We continue to be confident in the performance of Wall Street Plaza going forward given its solid location and quality. As a result of the currently buoyant commercial property market in Manhattan and an appreciation in land values, the independent valuation of this investment property has been increased by US$75 million.

Beijing Oriental Plaza, our investment property in the city of Beijing, continues to perform as forecast. We expect the project to make a meaningful contribution to the Group results over the long term.

Our property development projects in Greater Shanghai continue as planned. Our residential projects have largely been disposed of in previous years leaving us with relatively little to sell during 2006 and 2007. While recently introduced government regulations on property related financing, tax and investment have undoubtedly affected the residential property market, we do not expect any significant impact upon the Group's results for 2006 given the comparative absence of units for sale.

Projects under development include residential, commercial and hotel projects in the Greater Shanghai area. The Changle Lu Project, in the Luwan District of Shanghai, is a mixed use development of a total of 145,500 sq m of gross floor area and consists of high-end residential units, a hotel, serviced apartments and retail components. We expect construction to begin during the first half of 2007. The Changning Lu project, in the Changning District of Shanghai, is a mixed used development of a total of 240,000 sq m of gross floor area and consists of office, serviced apartment and retail components. We expect construction to begin during 2007. The Heng Shan Lu project, in the Xuhui District of Shanghai, is a serviced apartment development totalling 15,000 sq m of gross floor area. We expect construction to begin in the second half of 2007. We continue to work on the master plan for the two sites in Hua Qiao township, Kunshan, Jiangsu Province, about a 45 minute drive from central Shanghai. These projects will total approximately 600,000 sq m of gross floor area consisting primarily of residential units but with some commercial components. The hotel in Hua Qiao is under construction, and we expect completion during 2008. We do not expect these projects to make any positive contribution to the Group for 2006. We have terminated a mixed use project in Xizhuang Lu, Huang Pu District, Shanghai due to its economic non-viability. For the purposes of this project, the Group invested in 50,000 sq m of mass market housing for resettlement purposes. We shall take delivery of these housing units during the second half of this year.

Going forwards, we expect the existing pipeline projects to make a meaningful contribution to Group profitability. In addition, we shall continue to source property investment and development projects in the Shanghai area and beyond.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2006, the Group had cash, bond and portfolio investment balances of US$1,108.3 million and a total indebtedness of US$1,819.9 million. The net debt to equity ratio stood at 0.29:1, increased from 0.24:1 as at the end of 2005. Various options remain under assessment with regard to this balance of liquidity.

The indebtedness of the Group mainly comprises bank loans, finance leases and other obligations which are largely denominated in US dollars. The Group's borrowings are monitored to ensure a smooth repayment schedule to maturity. The profile of the Group's borrowings is set out in Note 18 to the Financial Information.

VESSELS

During the first half of 2006 the Group took delivery of a further "SX" Class 8,063 TEU newbuilding, the *OOCL Asia*. Its sister ship, the *OOCL Europe*, was delivered on 26th July 2006. Also delivered were the *OOCL Vancouver*, the *OOCL Kaohsiung*, the *OOCL Antwerp* and the *OOCL Dubai*, the first four of the total series of eight "S" Class 5,888 TEU newbuildings all being or to be operated under long-term charter arrangements with Japanese owners.

As at 30th June 2006, the Group is committed to the remaining two "SX" Class vessels of 8,063 TEU for delivery in 2007 and to the remaining four "S" Class 5,888 TEU vessels the delivery of which will take place during 2007.

The Group also remains committed to a series of eight ca. 4,500 TEU Panamax sized vessels, six to be built by Samsung Heavy Industries Co Ltd in South Korea and two to be built by Hudong-Zhonghua Shipyard in China. Delivery of these vessels is scheduled to take place between the fourth quarter of this year and the second quarter of 2008.

On 20th July 2006, OOCL entered into shipbuilding contracts for another four ca. 4,500 TEU Panamax sized vessels also to be built by Samsung Heavy Industries Co Ltd in South Korea. Deliveries are scheduled to take place in mid 2010.

These new vessels in total, serve to satisfy the projected capacity needs of our international container transport business for the foreseeable future. Nevertheless, the size and composition of the fleet is under constant review. Adequate resources have been reserved to ensure that the delivery of these vessels does not impose any undue financial burden upon the Group as a whole.

OTHER SIGNIFICANT INVESTMENTS

The Group continues to hold an 8% interest in the "Beijing Oriental Plaza" project in Beijing. The project is now complete. As at 30th June 2006, the Group's total investment in this project amounted to US$80.2 million and no further investment will be required.

CURRENCY EXPOSURE AND RELATED HEDGES

The Group's principal income is mainly comprised of freight revenues, receipts from terminal operations and rental income from the investment properties all of which is denominated in US dollars. Over 64% of cost items is also US dollar based. Certain costs, such as terminal charges, transportation charges and administrative expenses for regional offices, were expended in domestic currencies. The Group's policy is to hedge the payment of certain major currencies such as the Euro, Canadian Dollars and Japanese Yen.

Over 90% of the Group's total liabilities are denominated in US dollars. The non-US dollar denominated liabilities were backed by an equivalent value of assets denominated in the respective local currency. Consequently, the risk of currency fluctuations affecting the Group's debt profile is effectively mitigated.

EMPLOYEE INFORMATION

As at 30th June 2006 the Group had 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 and these are regularly reviewed. Other benefits are also provided including medical insurance and pension funds and social and recreational activities are arranged around the world.

Other Information

DIVIDEND

The Directors are pleased to announce an interim dividend of US11 cents (HK86 cents at the exchange rate of US$1 : HK$7.8) per ordinary share for the six months ended 30th June 2006. The dividend will be paid on 15th September 2006 to the ordinary shareholders of the Company whose names appear on the register of members of the Company on 4th September 2006. Shareholders who wish to receive dividend in US dollars should complete the US dollars election form, which accompanies this Interim Report, and return it to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before 7th September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st September 2006 to 4th September 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, not later than 4:00 p.m. on 31st August 2006.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2006, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the "Shares") and the interests and short positions of the Directors and the chief executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

Notes:

1. Mr Chee Chen Tung and Mr Roger King have an interest in a trust which, through Springfield Corporation ("Springfield"), holds 97,811,011 Shares. Of such Shares, Springfield has an indirect interest in 30,765,425 Shares in which Monterrey Limited ("Monterrey"), a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 67,045,586 Shares.

2. Wharncliff Limited ("Wharncliff"), a company owned by a discretionary trust established by Mrs Shirley Shiao Ping Peng, sister of Mr Chee Chen Tung, sister-in-law of Mr Roger King and aunt of Mr Alan Lieh Sing Tung, holds 278,165,570 Shares and the voting rights in respect of such holdings are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc. Gala Way Company Inc. ("Gala Way"), a company owned by the discretionary trust established by Mrs Shirley Shiao Ping Peng, holds 48,462,007 Shares and the voting rights in respect of such holdings are held by Mr Chee Chen Tung through Tung Holdings (Trustee) Inc.

3. Wharncliff, 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.

As at 30th June 2006, none of the Directors or the chief executive of the Company is a director or employee of a company which had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30th June 2006, none of the Directors or 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 30th June 2006, 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 *(Note 1)*	67.82%
Shirley Shiao Ping Peng	Founder of a discretionary trust	326,627,577 *(Note 2)*	52.19%
Fortune Crest Inc.	Indirect	326,627,577 *(Note 2)*	52.19%
Winfield Investment Limited	Indirect	326,627,577 *(Notes 2 & 3)*	52.19%
Tung Holdings (Trustee) Inc.	Voting	326,627,577 *(Note 4)*	52.19%
Wharncliff Limited	Direct	278,165,570 *(Notes 2 & 5)*	44.45%
Chee Hwa Tung	Indirect	97,836,242 *(Note 6)*	15.63%
Springfield Corporation	Direct and Indirect	97,811,011 *(Note 6)*	15.62%
Archduke Corporation	Beneficiary of a trust	97,811,011 *(Note 7)*	15.62%
Phoenix Corporation	Beneficiary of a trust	97,811,011 *(Note 7)*	15.62%
Archmore Limited	Beneficiary of a trust	97,811,011 *(Note 8)*	15.62%
Edgemont Investment Limited	Indirect	97,811,011 *(Note 9)*	15.62%
Javier Associates Limited	Indirect	97,811,011 *(Note 10)*	15.62%
Gala Way Company Inc.	Direct	48,462,007 *(Notes 2 & 5)*	7.74%
Monterrey Limited	Direct	30,765,425 *(Notes 6 & 11)*	4.91%

Notes:

1. Bermuda Trust Company Limited has an indirect interest in the same Shares in which Fortune Crest Inc. ("Fortune Crest") and Springfield, wholly-owned subsidiaries of Bermuda Trust Company Limited, have an interest.

2. Mrs Shirley Shiao Ping Peng, sister of Mr Chee Chen Tung, sister-in-law of Mr Roger King and aunt of Mr Alan Lieh Sing Tung, established the discretionary trust which, through Winfield Investment Limited ("Winfield"), a wholly-owned subsidiary of Fortune Crest, holds 326,627,577 Shares, 278,165,570 of which are owned by Wharncliff, a wholly-owned subsidiary of Winfield, and 48,462,007 of which are owned by Gala Way, a wholly-owned subsidiary of Winfield.

3. Winfield has an indirect interest in the same Shares in which Wharncliff and Gala Way, wholly-owned subsidiaries of Winfield, have an interest.

4. Tung Holdings (Trustee) Inc. is a company wholly-owned by Mr Chee Chen Tung.

5. Wharncliff and Gala Way are wholly-owned subsidiaries of Winfield.

6. Mr Chee Hwa Tung, brother of Mr Chee Chen Tung, brother-in-law of Mr Roger King and father of Mr Alan Lieh Sing Tung, has an interest in the trust which, through Springfield, holds 97,811,011 Shares. Of such Shares, Springfield has an indirect interest in the same 30,765,425 Shares in which Monterrey, a wholly-owned subsidiary of Springfield, has a direct interest, and Springfield has a direct interest in 67,045,586 Shares. Mrs Betty Hung Ping Tung, spouse of Mr Chee Hwa Tung, sister-in-law of Mr Chee Chen Tung and of Mr Roger King and mother of Mr Alan Lieh Sing Tung, owns 25,231 Shares.

7. Archduke Corporation and Phoenix Corporation, companies which are wholly-owned by Mr Chee Chen Tung, have an interest in the trust which, through Springfield, holds 97,811,011 Shares.

8. Archmore Limited, a company which is wholly-owned by Edgemont Investment Limited ("Edgemont"), has an interest in the trust which, through Springfield, holds 97,811,011 Shares.

9. Edgemont has an indirect interest in the same Shares in which Archmore Limited, a wholly-owned subsidiary of Edgemont, has an interest.

10. Javier Associates Limited ("Javier"), a company which is wholly-owned by Mr Chee Chen Tung, has an indirect interest in the same Shares in which Edgemont, a wholly-owned subsidiary of Javier, has an interest.

11. Monterrey is a wholly-owned subsidiary of Springfield.

Save as disclosed herein, as at 30th June 2006, 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 were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBT SECURITIES

As at 30th June 2006, none of the Directors nor the chief executive of the Company (or any of their spouses or children under 18 years of age) had been granted any rights to acquire shares in or debt securities of the Company or any of its associated corporations. No such rights were exercised by any Director or chief executive (or any of their spouses or children under 18 years of age) during the six-month period ended 30th June 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six-month period ended 30th June 2006, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under Bermudan law in relation to the issue of new shares by the Company.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Board of Directors of the Company (the "Board") has adopted its own code on corporate governance practices (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates the local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries (the "Group") and the Company considers that effective corporate governance makes an important contribution to corporate success and to enhancement of shareholders value.

Throughout the accounting period covered by these interim results, the Company has complied with the SEHK Code, except for the following:

- Code Provision

Code provision of the SEHK Code	Deviation	Considered reason for deviation
Separation of the role of Chairman and Chief Executive Officer of a listed issuer.	Mr Chee Chen Tung currently assumes the role of both Chairman and Chief Executive Officer of the Company.	The executive members of the Board currently consist of chief executive officers of its principal divisions and there is effective separation of the roles between chief executives of its principal divisions and the Chief Executive Officer of the Company. The Board considers that further separation of the roles of Chief Executive Officer and Chairman would represent duplication and is not necessary for the time being.

- Recommended Best Practice
  - ➢ a nomination committee has not been established
  - ➢ the announcement and publication of quarterly operational results instead of financial results

Audit Committee

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

The primary duties of the Audit Committee include to:

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

The Audit Committee meets not less than twice a year. The external auditors, the Chief Financial Officer, the Group Financial Controller and the General Manager – Finance of Orient Overseas Container Line Limited also attend the Audit Committee meetings at the invitation of the Audit Committee.

The Audit Committee has reviewed the Group's interim results.

Remuneration Committee

The Remuneration Committee currently comprises Mr Chee Chen TUNG (Chairman) and two (2) Independent Non-Executive Directors of the Company, Dr Victor Kwok King FUNG and Professor Richard Yue Chim WONG, with Ms Lammy LEE, the Company Secretary, as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

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

The Remuneration Committee meets not less than once a year.

Securities Transactions by Directors

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Model Code and the Securities Code throughout the period from 1st January 2006 to 30th June 2006.

Review Report of the Auditors

To the Board of Directors of
Orient Overseas (International) Limited
(Incorporated in Bermuda with limited liability)

Introduction
We have been instructed by the Company to review the interim financial information set out on pages 17 to 38.

Respective responsibilities of Directors and Auditors
The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial information to be in compliance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial information is the responsibility of, and has been approved by, the Directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed
We conducted our review in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the management and applying analytical procedures to the interim financial information 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 interim financial information.

Review conclusion
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 interim financial information for the six months ended 30th June 2006.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 4th August 2006

Financial Information

CONSOLIDATED PROFIT AND LOSS ACCOUNT (unaudited)

For The Six Months Ended 30th June 2006

US$'000	Note	2006	2005
Turnover	5	**2,386,340**	2,247,864
Operating costs		**(1,938,936)**	(1,704,289)
Gross profit		**447,404**	543,575
Fair value gain from an investment property		**75,000**	—
Other operating income		**44,045**	28,812
Other operating expenses		**(224,299)**	(221,351)
Operating profit	6	**342,150**	351,036
Finance costs	8	**(33,273)**	(27,199)
Share of profits less losses of jointly controlled entities		**2,345**	5,609
Share of loss of an associated company		**(37)**	—
Profit before taxation		**311,185**	329,446
Taxation	9	**(30,629)**	(20,489)
Profit for the period		**280,556**	308,957
Attributable to :			
Equity holders of the Company		**280,500**	308,859
Minority interests		**56**	98
		280,556	308,957
Interim dividend	10	**68,837**	75,095
Earnings per ordinary share (US cents)			
Basic and diluted	11	**44.8**	49.4

CONSOLIDATED BALANCE SHEET (unaudited)

As at 30th June 2006

US$'000	Note	30th June 2006	31st December 2005
ASSETS			
Non-current assets			
Property, plant and equipment	12	**2,663,345**	2,593,946
Investment property	12	**175,000**	100,000
Prepayments of lease premiums	12	**7,751**	7,787
Jointly controlled entities		**21,769**	19,857
Associated company		**14,879**	7,916
Intangible assets	12	**27,804**	21,030
Deferred taxation assets		**5,955**	8,203
Pension and retirement assets		**6,081**	6,683
Available-for-sale financial assets		**15,611**	13,021
Restricted bank balances and other deposits		**91,593**	101,859
Other non-current assets		**86,103**	93,569
		3,115,891	2,973,871
Current assets			
Properties under development and for sale		**192,131**	181,545
Inventories		**66,924**	44,511
Debtors and prepayments	13	**563,471**	415,090
Portfolio investments		**227,272**	237,004
Derivative financial instruments	14	**992**	354
Cash and bank balances		**804,212**	962,541
		1,855,002	1,841,045
Total assets		**4,970,893**	4,814,916

US$'000	Note	30th June 2006	31st December 2005
EQUITY			
Equity holders			
Share capital	15	**62,579**	62,579
Reserves	16	**2,420,283**	2,221,751
		2,482,862	2,284,330
Minority interests		**12,045**	8,129
Total equity		**2,494,907**	2,292,459
LIABILITIES			
Non-current liabilities			
Borrowings	18	**1,610,396**	1,650,044
Deferred taxation liabilities		**45,770**	50,204
Pension and retirement liabilities		**14,743**	15,080
		1,670,909	1,715,328
Current liabilities			
Creditors and accruals	17	**575,899**	603,045
Derivative financial instruments	14	**5,182**	4,592
Borrowings	18	**209,486**	188,548
Current taxation		**14,510**	10,944
		805,077	807,129
Total liabilities		**2,475,986**	2,522,457
Total equity and liabilities		**4,970,893**	4,814,916
Net current assets		**1,049,925**	1,033,916
Total assets less current liabilities		**4,165,816**	4,007,787

C C Tung
Nicholas D Sims
Directors

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

For The Six Months Ended 30th June 2006

US$'000	2006	2005
Cash flows from operating activities		
Cash generated from operations	**106,045**	347,141
Interest paid	**(15,101)**	(12,814)
Interest element of finance lease rental payments	**(22,166)**	(11,638)
Dividend on preference shares	**(5,293)**	(5,917)
Overseas tax paid	**(19,797)**	(21,081)
Net cash from operating activities	**43,688**	295,691
Cash flows from investing activities		
Sale of property, plant and equipment	**9,949**	2,741
Sale of available-for-sale financial assets	**424**	81
Purchase of property, plant and equipment	**(145,864)**	(83,117)
Purchase of available-for-sale financial assets	**(54)**	(125)
Investment in jointly controlled entities	**—**	(187)
Investment in an associated company	**(7,000)**	—
Payment of lease premiums	**—**	(3,892)
Acquisition of a subsidiary company, net of cash acquired	**—**	(35,381)
(Increase)/decrease in amounts due by jointly controlled entities	**(550)**	15,142
Decrease/(increase) in bank deposits maturing more than three months from the date of placement	**10,095**	(31,452)
Purchase of intangible assets	**(8,505)**	(4,591)
Decrease in other non-current assets	**7,466**	2
Interest received	**27,035**	17,854
Income from available-for-sale financial assets	**17**	3
Contribution from minority interests	**4,000**	—
Dividends received from portfolio investments	**786**	579
Dividends received from jointly controlled entities	**1,030**	267
Net cash used in investing activities	**(101,171)**	(122,076)

US$'000	2006	2005
Cash flows from financing activities		
New loans	**84,558**	228,100
Repayment of loans	**(36,023)**	(450,570)
Redemption of preference shares	**(9,237)**	(8,814)
Capital element of finance lease rental payments	**(28,722)**	(19,067)
(Decrease)/increase in short-term bank loans	**(35,935)**	35,039
Dividend paid to shareholders	**(94,031)**	(102,334)
Dividend paid to minority interests	**(253)**	(225)
Net cash used in financing activities	**(119,643)**	(317,871)
Net decrease in cash and cash equivalents	**(177,126)**	(144,256)
Cash and cash equivalents at beginning of period	**1,184,374**	994,182
Currency translation adjustments	**8,824**	(4,925)
Cash and cash equivalents at end of period	**1,016,072**	845,001
Analysis of cash and cash equivalents		
Bank balances and deposits maturing within three months from the date of placement	**788,952**	600,437
Portfolio investments	**227,272**	244,616
Overdrafts	**(152)**	(52)
	1,016,072	845,001

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

For The Six Months Ended 30th June 2006

	Equity holders				
US$'000	Share capital	Reserves	Sub-total	Minority interests	Total
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	62,579	2,420,283	2,482,862	12,045	2,494,907
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	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	62,579	1,948,817	2,011,396	7,681	2,019,077

NOTES TO THE INTERIM 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.

This condensed consolidated interim financial information was approved by the Board of Directors on 4th August 2006.

2. Basis of Preparation

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment, investment property and investments, and in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, the accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2005.

The Group adopted HKAS 19 (Amendment) – Employee Benefits, HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions, HKAS 39 (Amendment) – The Fair Value Option, HKAS 39 & HKFRS 4 (Amendment) – Financial Guarantee Contracts and HKFRS – Int 4 – Determining whether an Arrangement contains a Lease, as at 1st January 2006. These changes in accounting policies did not have significant impact on the Group's results and financial position.

3. Financial Risk Management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual accounts for the year ended 31st December 2005.

4. Critical Accounting Estimates and Judgements

Estimates and judgements used 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 applied in the preparation of the interim financial information are consistent with those used in the annual accounts for the year ended 31st December 2005.

5. Turnover

US$'000	2006	2005
Container transport and logistics	**2,124,892**	2,030,749
Container terminals	**244,358**	205,956
Property investment and development	**17,090**	11,159
	2,386,340	2,247,864

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.

6. Operating Profit

US$'000	2006	2005
Operating profit is arrived at after crediting :		
Interest income from banks	**21,936**	12,714
Gross rental income from an investment property	**11,803**	11,159
Profit on disposal of property, plant and equipment	**6,112**	143
Profit on disposal of available-for-sale financial assets	**26**	11
Gain on interest rate swap contracts	**—**	7,823
Gain on foreign exchange forward contracts	**5,584**	—
Portfolio investment income	**9,115**	7,102
Exchange gain	**—**	542
and after charging :		
Depreciation		
Owned assets	**66,245**	53,231
Leased assets	**19,746**	25,756
Operating lease rental expense		
Vessels and equipment	**222,601**	232,221
Land and buildings	**24,271**	14,814
Rental outgoings in respect of an investment property	**4,739**	4,648
Exchange loss	**1,061**	—
Loss on interest rate swap contracts	**5,536**	—
Loss on foreign exchange forward contracts	**—**	2,266
Amortisation		
Prepayments of lease premiums	**350**	241
Leasehold land and land use rights of properties under development and for sale	**630**	145
Intangible assets	**1,865**	3,661

7. Key Management Compensation

US$'000	2006	2005
Salaries and other short-term employee benefits	**10,415**	10,224
Pension costs - defined contribution plans	**1,001**	980
	11,416	11,204

8. Finance Costs

US$'000	2006	2005
Interest expense	**(38,428)**	(26,561)
Amount capitalised under assets	**7,779**	2,296
Net interest expense	**(30,649)**	(24,265)
Dividend on preference shares	**(2,624)**	(2,934)
	(33,273)	(27,199)

9. Taxation

US$'000	2006	2005
Current taxation		
Hong Kong profits tax	**(768)**	—
Overseas taxation	**(32,807)**	(18,367)
	(33,575)	(18,367)
Deferred taxation		
Hong Kong profits tax	**(253)**	—
Overseas taxation	**3,199**	(2,122)
	(30,629)	(20,489)

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 period. These rates range from 8% to 52% and the rate applicable for Hong Kong profits tax is 17.5% (2005: 17.5%).

10. Interim Dividend

The Board of Directors declares an interim dividend of US11 cents per ordinary share for 2006 (2005: US12 cents).

At a meeting held on 10th March 2006 the Directors proposed a final dividend of US15 cents per ordinary share amounting to US$94,031,000 for the year ended 31st December 2005, which was paid on 8th May 2006 and has been reflected as an appropriation of retained profit for the six months ended 30th June 2006.

11. Earnings Per Ordinary Share

The calculation of earnings per ordinary share is based on the profit attributable to equity holders of US$280.5 million (2005: US$308.9 million) and the weighted average of 625.8 million (2005: 625.8 million) ordinary shares in issue during the period.

12. Capital Expenditure

US$'000	Property, plant and equipment	Investment property	Prepayments of lease premiums	Intangible assets	Total
Net book amounts :					
At 31st December 2005	2,593,946	100,000	7,787	21,030	2,722,763
Currency translation adjustments	6,455	—	314	134	6,903
Fair value gain	—	75,000	—	—	75,000
Additions	152,772	—	—	8,505	161,277
Disposals	(3,837)	—	—	—	(3,837)
Depreciation and amortisation	(85,991)	—	(350)	(1,865)	(88,206)
At 30th June 2006	2,663,345	175,000	7,751	27,804	2,873,900
At 31st December 2004	2,132,066	100,000	7,702	26,785	2,266,553
Currency translation adjustments	(2,376)	—	(94)	1	(2,469)
Acquisition of a subsidiary	—	—	49,962	—	49,962
Additions	182,603	—	3,892	4,591	191,086
Disposals	(2,598)	—	—	—	(2,598)
Depreciation and amortisation	(78,987)	—	(386)	(3,661)	(83,034)
At 30th June 2005	2,230,708	100,000	61,076	27,716	2,419,500
Currency translation adjustments	6,601	—	357	123	7,081
Reclassification	—	—	(54,554)	(9,858)	(64,412)
Additions	438,734	—	1,026	4,648	444,408
Disposals	(3,782)	—	—	—	(3,782)
Depreciation and amortisation	(78,315)	—	(118)	(1,599)	(80,032)
At 31st December 2005	2,593,946	100,000	7,787	21,030	2,722,763

13. Debtors and Prepayments

US$'000	30th June 2006	31st December 2005
Trade receivables	**306,810**	284,319
Less : Provision for impairment	**(6,869)**	(7,502)
Trade receivables - net	**299,941**	276,817
Other debtors	**47,611**	47,254
Prepayments	**199,643**	65,061
Utility and other deposits	**3,914**	3,384
Tax recoverable	**12,362**	22,574
	563,471	415,090

Trade receivables of US$217.5 million (2005: US$219.2 million) were assigned to a third party trustee company which holds these receivables in favour of the Group and an independent third party sponsored by a bank. Under the arrangement, trade receivables of US$110.0 million (2005: US$110.0 million) held in the trustee company were securities for a loan of US$100.0 million (2005: US$100.0 million).

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 45 days. Trade receivables with overdue balances are requested to settle all outstanding balances before any further credit is granted. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US$'000	30th June 2006	31st December 2005
Below one month	**281,979**	246,099
Two to three months	**16,702**	25,912
Four to six months	**1,234**	4,797
Over six months	**26**	9
	299,941	276,817

14. Derivative Financial Instruments

US$'000	30th June 2006	31st December 2005
Assets / (liabilities)		
Foreign exchange forward contracts	**992**	(4,592)
Interest rate swap contracts	**(5,182)**	354

15. Share Capital

US$'000	30th June 2006	31st December 2005
Authorised :		
900,000,000 ordinary shares of US$0.10 each	**90,000**	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	**65,000**	65,000
50,000,000 redeemable preferred shares of US$1 each	**50,000**	50,000
	205,000	205,000
Issued and fully paid :		
625,793,297 (2005: 625,793,297) ordinary shares of US$0.10 each	**62,579**	62,579

16. Reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Asset revaluation reserve: Vessels	Asset revaluation reserve: Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	Total
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
At 31st December 2004	178,146	88,547	4,696	9,948	—	(35,291)	1,506,473	1,752,519
Currency translation adjustments								
Group	—	—	—	—	—	(4,538)	—	(4,538)
Bonus issue	(5,689)	—	—	—	—	—	—	(5,689)
Profit for the period	—	—	—	—	—	—	308,859	308,859
2004 final dividend	—	—	—	—	—	—	(102,334)	(102,334)
At 30th June 2005	172,457	88,547	4,696	9,948	—	(39,829)	1,712,998	1,948,817
Currency translation adjustments								
Group	—	—	—	—	—	2,928	—	2,928
Jointly controlled entities	—	—	—	—	—	138	—	138
Change in fair value	—	—	—	—	3,134	—	—	3,134
Profit for the period	—	—	—	—	—	—	341,995	341,995
2005 interim dividend	—	—	—	—	—	—	(75,261)	(75,261)
As at 31st December 2005	172,457	88,547	4,696	9,948	3,134	(36,763)	1,979,732	2,221,751

17. Creditors and Accruals

US$'000	30th June 2006	31st December 2005
Trade payables	**187,943**	160,927
Other creditors	**55,220**	52,296
Accrued expenses	**310,502**	365,730
Deferred revenue	**22,234**	24,092
	575,899	603,045

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

US$'000	30th June 2006	31st December 2005
Below one month	**154,754**	121,595
Two to three months	**26,757**	34,373
Four to six months	**4,955**	1,848
Over six months	**1,477**	3,111
	187,943	160,927

18. Borrowings

US$'000	30th June 2006	31st December 2005
Non-current		
Bank loans, secured	**376,805**	356,870
Other loans, secured	**105,320**	106,020
Redeemable preference shares and premium	**55,834**	65,514
Finance lease obligations	**1,072,437**	1,121,640
	1,610,396	1,650,044
Current		
Bank overdrafts, unsecured	**152**	82
Bank loans, secured	**122,503**	120,894
Other loans		
Secured	**2,668**	3,896
Unsecured	**1,340**	6,840
Redeemable preference shares and premium	**9,680**	9,237
Finance lease obligations	**73,143**	47,599
	209,486	188,548
Total borrowings	**1,819,882**	1,838,592

19. Commitments

(a) Capital commitments

US$'000	30th June 2006	31st December 2005
Contracted but not provided for	**287,759**	284,618
Authorised but not contracted for	**212,348**	459,899
	500,107	744,517

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 30th June 2006			
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	711,422	371,990	1,083,412
	1,619,890	574,352	2,194,242
As at 31st December 2005			
2006	248,103	45,050	293,153
2007	202,084	41,661	243,745
2008	190,560	37,608	228,168
2009	141,181	34,395	175,576
2010	108,562	32,987	141,549
2011 onwards	762,690	363,012	1,125,702
	1,653,180	554,713	2,207,893

20. Contingent Liabilities

The Group has given corporate guarantee of approximately US$43.1 million (2005: US$43.1 million) in respect of bank loan facilities extended to an investee company. At 30th June 2006, the amount utilised by the investee company is US$32.5 million (2005: US$33.9 million).

21. Segment 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.

21. Segment Information (Continued)

Business segments

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

US$'000	Container transport and logistics	Terminal	Property investment and development	Unallocated	Elimination	Group
For the six months ended 30th June 2006						
Turnover	2,124,892	270,358	17,422	—	(26,332)	2,386,340
Operating profit	199,353	37,468	80,608	24,721	—	342,150
Finance costs						(33,273)
Share of profits less losses of jointly controlled entities						2,345
Share of loss of an associated company						(37)
Profit before taxation						311,185
Taxation						(30,629)
Profit for the period						280,556
Capital expenditure	122,553	38,650	74	—	—	161,277
Depreciation	65,360	20,437	194	—	—	85,991
Amortisation	1,573	642	630	—	—	2,845
For the six months ended 30th June 2005						
Turnover	2,030,749	227,504	11,600	—	(21,989)	2,247,864
Operating profit	315,072	25,910	3,357	6,697	—	351,036
Finance costs						(27,199)
Share of profits less losses of jointly controlled entities						5,609
Profit before taxation						329,446
Taxation						(20,489)
Profit for the period						308,957
Capital expenditure	168,014	19,105	3,967	—	—	191,086
Depreciation	66,259	12,702	26	—	—	78,987
Amortisation	2,692	156	1,199	—	—	4,047

21. Segment Information (Continued)

Business segments (Continued)

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

US$'000	Container transport and logistics	Terminal	Property investment and development	Unallocated	Group
As at 30th June 2006					
Segment assets					
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	427,581	95,503	609,708	1,138,108	2,270,900
Total assets					4,970,893
Segment liabilities					
Creditors and accruals	(496,030)	(60,071)	(17,861)	(1,937)	(575,899)
Other liabilities	(10,671)	(4,072)	—	(1,885,344)	(1,900,087)
Total liabilities					(2,475,986)
As at 31st December 2005					
Segment assets					
Property, plant and equipment	2,293,813	300,009	124	—	2,593,946
Jointly controlled entities	4,429	—	15,428	—	19,857
Associated company	—	7,916	—	—	7,916
Other assets	380,232	74,363	411,315	1,327,287	2,193,197
Total assets					4,814,916
Segment liabilities					
Creditors and accruals	(530,930)	(55,160)	(14,510)	(2,445)	(603,045)
Other liabilities	(11,352)	(3,728)	—	(1,904,332)	(1,919,412)
Total liabilities					(2,522,457)

21. Segment Information (Continued)

Geographical segments

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

US$'000	Turnover	Operating profit/(loss)	Capital expenditure
Six months ended 30th June 2006			
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
	2,386,340	342,150	161,277
Six months ended 30th June 2005			
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*	—	321,769	150,137
	2,247,864	351,036	191,086

21. Segment Information (Continued)

Geographical segments (Continued)

US$'000	30th June 2006	31st December 2005
Total assets		
Asia	**572,109**	379,907
North America	**628,490**	540,467
Europe	**19,841**	21,262
Australia	**748**	627
Unallocated*	**3,749,705**	3,872,653
	4,970,893	4,814,916

* 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 comprises additions to vessels, containers and intangible assets.

22. Subsequent Event

On 25th July 2006, the Company announced that following a strategic review of its terminal assets, it had engaged UBS Investment Bank to advise it in relation to the potential disposal of its Terminals Division which comprised TSI Terminal Systems Inc., New York Container Terminal, Inc. and Global Terminal & Container Services, Inc., a move being considered in order to realise the true potential value of these assets.

At this stage, there is no certainty that a potential disposal of the Terminals Division will take place.