Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

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

Container Transport and Logistics

Summary of Operating Results

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

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

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

Asia

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

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

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

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

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

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

North America

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

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

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

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

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

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

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

Europe

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

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

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

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

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

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

Australia

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

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

Operating Costs

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

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

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

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

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

Other Operating Income

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

Share of Results of Jointly Controlled Entities and Associated Companies

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

Earnings Before Finance Costs and Tax

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

Property Investment and Development

Summary of Operating Results

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

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

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

Rental Income

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

Fair Value Gain on Investment Property

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

Profit From Property Developments

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

Unallocated Items

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

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

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

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

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

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

Finance Costs

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

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

Profit before Taxation

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

Taxation

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

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

Profit From Discontinued Operation

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

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

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

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

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

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

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

Property, Plant and Equipment

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

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

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

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

Investment Property and Land Lease Premiums

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

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

Jointly Controlled Entities and Associated Companies

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

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

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

Intangible Assets

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

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

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

Cash and Portfolio Investments

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

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

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

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

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

Accounts Receivable and Other Current Assets

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

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

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

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

Accounts Payable and Accruals

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

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

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

Total Debt

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

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

Debt Profile

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

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

Shareholders' Funds

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

Net Debt to Equity Ratio

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

Operating Leases and Commitments

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

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

Analysis of Consolidated Cash Flow Statement

Summary of Consolidated Cash Flow

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

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

Liquidity

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