Annual Report 2008

Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

Corporate Profile

Orient Overseas (International) Limited ("OOIL"), a company with total revenues in excess of US$6.5 billion, has principal business activities in container transport and logistics services and property development and investment. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 280 offices in 55 countries.

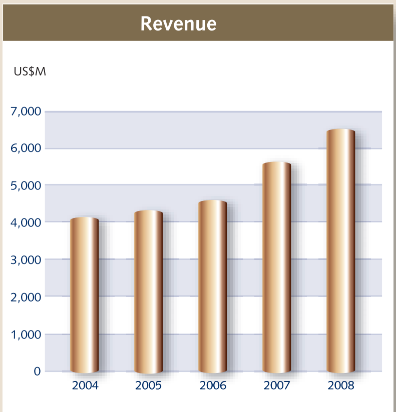
Orient Overseas Container Line Limited, operating under the trade name OOCL, OOIL's wholly owned subsidiary, is one of the world's largest integrated international transportation, logistics and terminal companies, and is one of Hong Kong's most recognised global brands. OOCL is one of the leading international carriers serving China, providing the full range of logistics and transportation services throughout the country. It is also an industry leader in the use of information technology and e-commerce to manage the entire cargo transport process.

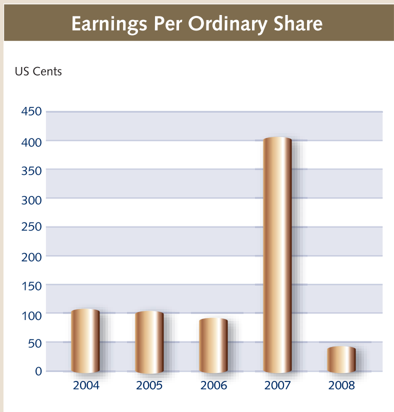
OOIL Group's property development and investment division focuses on sizable and quality investments, primarily in China, with the potential for solid and consistent returns. It has an eight percent interest in Beijing Oriental Plaza, one of Beijing's most prestigious commercial and office developments and owns Wall Street Plaza in New York City. Its key focus is on residential property development in cities in China that have a higher per capita GDP, superior urban infrastructure and high overseas Chinese investment. It has a number of residential developments in Shanghai.

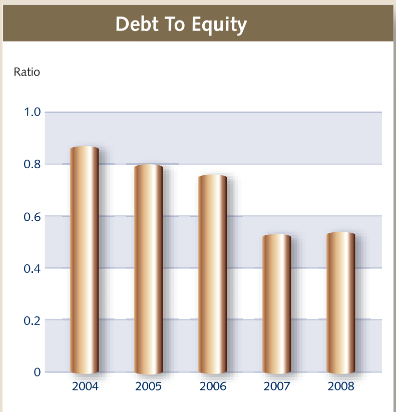
Contents

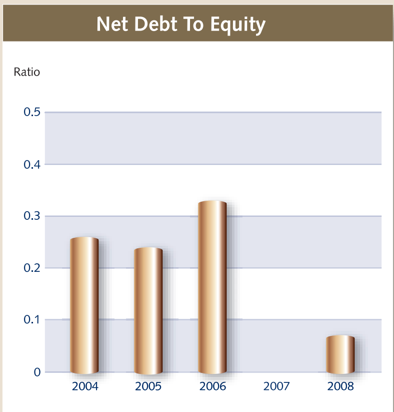
Financial Highlights

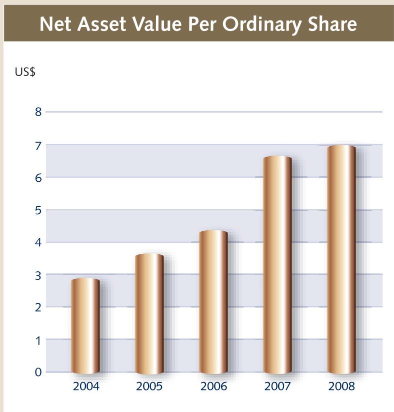
	2008 US$'000	2007 US$'000	Change	%
Revenue	**6,545,140**	5,651,030	894,110	**+16**
Finance costs	**90,884**	99,078	(8,194)	**-8**
Profit attributable to shareholders	**272,337**	2,546,979	(2,274,642)	**-89**
Earnings per ordinary share (US cents)	**43.5**	407.0	(363.5)	**-89**
Ordinary shareholders' funds	**4,387,071**	4,176,368	210,703	**+5**
Liquid assets	**2,077,087**	2,244,865	(167,778)	**-7**
Property, plant and equipment	**3,780,945**	3,350,844	430,101	**+13**
Debt to equity ratio	**0.54**	0.53	0.01	**+2**
Net debt to equity ratio	**0.07**	N/A	N/A	**N/A**
Net asset value per ordinary share (US$)	**7.01**	6.67	0.34	**+5**











Significant Events

January

OOCL celebrated the christening of its fourth in the line of sixteen 4,578 TEU vessels, *OOCL Busan*, ordered with Samsung Heavy Industries Co. Ltd.[1]

1

OOCL made a US$100,000 donation to Partners of Parks for the development of the first Universally Accessible Playground in the City of Long Beach. OOCL also donated US$40,000 to the California-based Long Beach Education Foundation, the Long Beach Unified School District's fundraising arm.

February

OOCL opened a new office in Phnom Penh, Cambodia, on 1st February 2008, enhancing OOCL's network in the Indo-China region.

March

OOIL announced a profit attributable to shareholders of US$2,547.0 million for the year ended 31st December 2007 as compared with US$580.6 million recorded in 2006.

OOCL celebrated the christening of *OOCL Texas*, the fifth of its sixteen 4,578 TEU vessels ordered with Samsung Heavy Industries Co. Ltd.[2]

2

OOCL and its consortium partners announced the upgrade of their ANL/ACE North Asia (AANA) service, serving the vital trade lanes between Japan, Korea, China (including Taiwan), to/from Australia.[3]

3

April

OOCL celebrated the christening of *OOCL Panama*, the sixth of its sixteen 4,578 TEU "P" Class vessels ordered with Samsung Heavy Industries Co. Ltd.

OOCL Logistics acquired 83,455 sqm of land in Lingang Logistics Park in Shanghai for warehouse and depot facilities, enabling international customers using Yangshan Port as a gateway for their global supply chain.[4]

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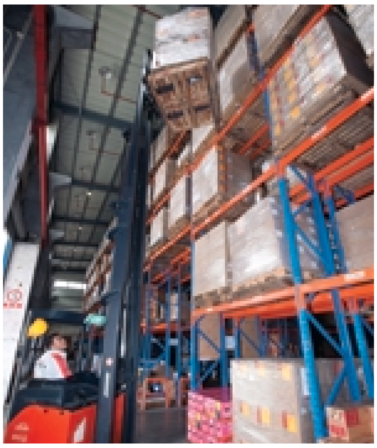

For the second consecutive year, OOCL achieved a compliance rate of 100% for the Voluntary Vessel Speed Reduction program with the Port of Long Beach's Green Flag Incentive Program, for the year of 2007.[5]

5

May

OOCL opened a Da Nang branch office in the city of Da Nang in central Vietnam on 1st May 2008.

June

OOCL announced a new service, Indonesia–Malaysia service (IMS), combining its existing Jakarta (JKT2) and Penang (PEN) feeder services. The first service was launched on 3rd July 2008 from Singapore.

6

July

OOIL Group announced a profit attributable to shareholders of US$158.3 million for the first six months of 2008 compared with US$2,216.3 million reported during the first half of 2007.

OOCL's Global Data Centre was accredited with the ISO27001 Certification, an internationally-recognised code of practice for the management and protection of information security.[6]

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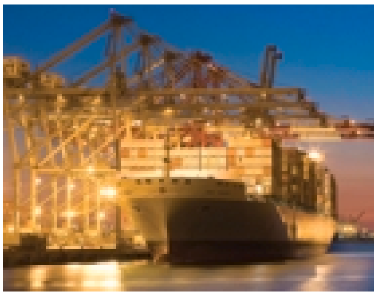


OOCL announced the launch of a new Indian Subcontinent East Coast Express (IEX) connecting India and Pakistan to the US East Coast.

OOCL announced a new feeder service between Haiphong in north Vietnam and Kaohsiung in Taiwan with the first service launched on 9th July 2008 from Haiphong.

OOCL joined the Hong Kong-based Climate Change Business Forum as a Gold Member, as part of the company's ongoing commitment to environmental care.

8

OOCL-operated Long Beach Container Terminal Inc (LBCTI) was awarded the first San Pedro Bay Ports Air Quality Excellence Award, announced by the Ports of Long Beach and Los Angeles on 16th July in Long Beach, California.[7]

OOCL passed revalidation for the US Customs and Border Protection (CBP) Customs-Trade Partnership Against Terrorism (C-TPAT), and gained a renewal of its certificate.

OODL entered into a Land Use Contract with the government of Shanghai Pudong New district. The parcel, locating just outside the Pudong inner ring road with easy subway access, was won through an auction in late 2006.

August

OOCL announced the launch of a new dedicated feeder service between Singapore and Surabaya, Indonesia, which was OOCL's first dedicated service calling Surabaya. The new service, solely operated by OOCL, was launched on 11th August 2008 from Singapore.

September

OODL's Double-Tree by Hilton in Hua Qiao/Kunshan reached physical completion and scheduled for opening in January 2009.[8]

October

OOCL announced the appointment of Mr Andy Tung as Chief Operating Officer of the OOCL Group, effective 1st January 2009.[9]

OOCL opened its own office on 1st October 2008, OOCL (Poland) Limited Sp.z o.o, based in Gdynia, to develop its business in Poland.

9

November

OOCL announced the opening of a new branch office in Mundra, India on 10th November 2008.

OOCL announced the signing of a cooperation agreement with Zhejiang International Maritime Professional Technology College to build an OOCL Maritime Academy.

December

OOCL announced the opening of a new branch office in Kolkata, India on 5th December 2008. The new office is strategically located in the state of West Bengal in Eastern India.

OOCL was named “Best of the Best” ocean carrier by US-based World Trade Magazine, in a survey of more than 19,000 readers who ship products using ocean carriers.

Chairman's Letter

RESULTS FOR 2008

China's accession to the WTO in late 2001 saw a six-year upswing in the fortunes of container shipping as American and European consumption growth was met by Asian based production. With the deepening global economic downturn and increasing capacity in the industry, those buoyant conditions ended during the later part of 2008. We have now entered what I expect will be a protracted downturn for the container shipping industry.

During the first half of 2008 the industry struggled with record fuel prices and increases in other energy-related costs. While all-in freight rate increases were inadequate to maintain existing operating margins, acceptable levels of profitability were still achieved in the first half of the year. However, the last quarter of the year saw market freight rates decline dramatically despite operating costs across the industry remaining high.

Despite the difficult trading environment of high costs and falling rates in 2008, I am able to report that Orient Overseas (International) Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders for the year of 2008 of US$272.3 million.

As the prior year's result of US$2,547.0 million included a one-time profit of US$1,994.7 million from the sale of the Terminal Division, the appropriate comparison is of profit from continuing operations. The 2008 Profit from Continuing Operations is US$275.5 million, which is a US$278.2 million (50%) reduction from the equivalent US$553.7 million reported for 2007.

Having considered the likely operating environment and financial market conditions over the medium term, the Board of Directors recommends the payment of a final dividend of US4.5 cents

(HK$0.35) per share to shareholders for 2008. Together with the interim dividend, this represents a total ordinary dividend payout of 25% of the Profit Attributable to Shareholders for 2008.

Going into last year our Container Transport and Logistics business faced a challenging environment with increasing costs and weakening demand as global economic conditions deteriorated. The scheduled delivery of substantial new capacity into the industry also contributed to negative pressure on freight rates.

The sub-prime issues that emerged in 2007 developed into a turmoil far exceeding most predictions and the financial landscape today looks vastly different from that of a year ago. The impact of the financial crisis on the global economy has seen trade growth slow dramatically. This was most noticeable in the last quarter of 2008 which, while still profitable for us, saw sudden and severe reductions in demand across a number of trades.

Whilst unprecedented levels of government intervention have helped alleviate some of the financial market uncertainty, the global economic environment has continued to deteriorate. With the United States already in recession in 2008, IMF and consensus forecasts are for economic contraction in the major OECD economies in 2009.

With a contraction in consumption in the United States, Europe and Japan all occurring at the same time, Asian economies have also been impacted more noticeably in 2009 given the importance of exports for China and the wider Asia-Pacific region.

The acute deterioration in the global economy has come at a time when the industry faces an unprecedented supply of new capacity, particularly in the form of very large vessels. This combination of low demand growth and excessive new supply will almost certainly present the worst set of market dynamics that the container shipping industry has ever had to deal with.

We are managing the business in 2009 with the expectation of a continued deterioration in the shipping markets over the course of the year. The particularly severe drop in freight rates in the fourth quarter of 2008, compounded by further rate reductions and volume declines in the first quarter of 2009, has made the continuation of services at historic levels unsustainable.

Should the various stimulus packages that have been introduced by governments around the world be successful as is hoped, then we could see a recovery in demand by the end of this year. However, if there is only a gradual improvement in the global economy during 2010, then it is likely that conditions in the container shipping industry will take longer to improve given the worsening supply and demand balance over the next three to four years if there is no material change to the current schedule of new vessel deliveries.

It is fortunate that we have flexibility in managing our capacity through the mix of owned and chartered vessels making up our fleet. By redelivering chartered-in vessels, we have the ability to more than offset the capacity increase from our newbuild ships delivering in 2009. Through planned redeliveries and potential vessel lay-ups, we are positioned to further remove excess capacity to match market conditions.

The ongoing investment in IT that we have made over the years has been key to our consistently high operating margin relative to many of our competitors. I believe that the benefits of this investment will continue to positively differentiate our performance. In addition to delivering superior customer service, our systems give us accurate and timely information on trade profitability. This allows us to make capacity, vessel allocation and cargo acceptance decisions quickly and with an eye to maintaining acceptable levels of profitability. Our systems continue to produce productivity gains that allow us to hold our business and administration expenses at levels appropriate for the current conditions.

Our investment in systems also supports our logistics business which demonstrated improved performance in 2008. Our logistics business remains an important component of our offering to customers that have a need for its services. These value-added services, the quality of information available to customers, and the certainty of supply from OOCL during the times ahead create an opportunity for us to expand our customer base in 2009.

Our focus on costs remains relentless. In addition to reducing our own directly controllable costs, our efforts in 2009 are directed at achieving a reduction in third-party costs to reflect the reduction in energy prices and in the face of lower volumes in the current downturn. In addition to cost control, the levels of capital expenditure in our Container Transport and Logistics business are being managed to reflect the poor industry outlook.

Our Property Development and Investment business (OODL) continued on plan through 2008. We completed construction of the Hilton Double-Tree Hotel in Kunshan during the year and it opened in January 2009. With the division focused on moving its existing projects toward completion, no new sites were acquired during the year.

While we expect a lower economic growth rate for China in 2009, we have confidence in the Chinese economy over the medium to long term. We remain of the view that the economies of the coastal regions in particular will continue to show the strongest growth, underpinning good real estate development and investment opportunities. Accordingly our property development activities will continue to concentrate on the Greater Shanghai area and the Greater Bohai (Beijing/Tianjin) area.

I have previously noted that we will adjust the timing of expenditure and eventual sale of the completed projects to match market conditions. With a diversified mix of projects, covering the residential, office, hotel and retail sectors, we are able to concentrate on the projects in the stronger segments, matching the pace of development with the anticipated rate of economic development.

Our medium-term goal continues to be to develop OODL to become self-sustaining with regard to both operating cash flow and capital requirements. With the favourable location, cost structure and market outlook for each of OODL's projects, we continue to be confident in the success of the individual developments and of realising the full potential value of the division's ongoing activities.

Over the years, I have noted the tremendous efforts of our staff in delivering financial performance for the Group that is amongst the best in the industry. This performance has come from adherence to the Group's Core Values. Those values are demonstrated through an ongoing commitment to consistency in development of our people, to investment in IT and to process enhancement to control costs, improve productivity and deliver superior customer service. These commitments have served us well and remain as important as ever as we face the likelihood of subdued economic growth in coming years.

While recent data and forecasts point to a continued weakening of the global economy that is likely to persist well into 2010, your Group is well positioned both operationally and financially.

Our property development and investment activities are sufficiently flexible to adapt to market conditions without requiring additional capital investment by the Group on other than a discretionary basis. Our container transportation and logistics businesses are equally well placed to endure and emerge stronger from this period of adverse demand and supply dynamics.

The Group has a strong capital structure, good liquidity and moderate financial commitments. We have sound and supportive relationships with our banks and continue to be able to access the credit markets to meet our financing needs.

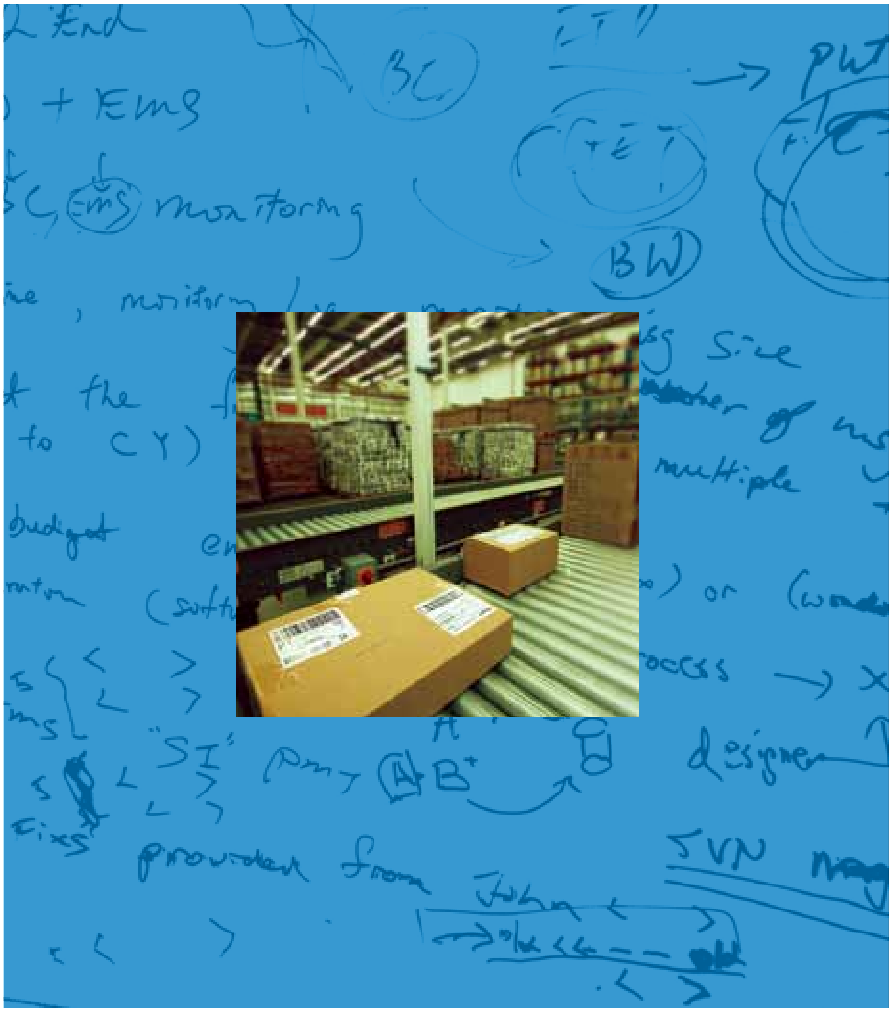
Accordingly, while 2009 will be a challenging year in terms of profitability, I have every confidence that the Group will continue to prosper over the longer term.

C C Tung
Chairman
Hong Kong, 19th March 2009

Supply Chain & Information Technology

As a total logistics service provider and an industry leader in IT applications, we use our superior strength in technology to offer our customers tailor-made transport and logistics solutions at every stage in the supply chain.



Operations Review

CONTAINER TRANSPORT AND LOGISTICS

CONTAINER TRANSPORT AND LOGISTICS

(US$ millions)	2008	2007	Variance
Volumes (TEU)	**4,834,689**	4,601,625	5%
Revenue	**6,502.6**	5,616.2	16%
EBITDA	**585.9**	732.7	(20%)
Depreciation / Amortisation	**(188.0)**	(176.7)	6%
EBIT	**397.9**	556.0	(28%)

CONTAINER TRANSPORT

2008 was a transition year, bridging a strong market which began in 2003 to the challenging environment in 2009 and beyond. It was a year that went from good to bad in the space of six months. We began the year with a strong first quarter; however, profitability was soon eroded by the rapid increase in fuel and commodity prices. Those increases not only directly affected ship operations but also impacted practically all cost categories, including trucking, terminal handling, feedering and equipment.

The weakening of global trade markets became particularly apparent in mid-year when the Asia-Europe trade slowed dramatically. The growth of this trade in 2007 and into 2008 had been instrumental in absorbing the capacity from new buildings as well as surplus supply from other trade routes. However, the increased capacity and weakening in demand resulted in there being no significant surge in industry load factors during the entire peak season.

Finally, the last quarter saw a rapid deterioration of global economic conditions and a resultant decrease in demand across all trades. Rates fell during the fourth quarter to such an extent that carriers began suspending services and withdrawing capacity to reflect weakening demand, so as to save cost and avoid negative cash flow from operations. Unfortunately, these measures have had little discernable impact on rates going into 2009.

ORIENT OVERSEAS CONTAINER LINE

	LIFTING (TEU)			REVENUE (US$'000)		
	2008	2007	Var	**2008**	2007	Var
Trans-Pacific	**1,324,382**	1,342,525	(1%)	**2,239,236**	1,962,521	14%
Asia-Europe	**812,835**	777,752	5%	**1,331,675**	1,221,647	9%
Trans-Atlantic	**424,650**	388,497	9%	**749,722**	624,533	20%
Intra-Asia/ Australasia	**2,272,822**	2,092,851	9%	**1,612,143**	1,343,686	20%
All Services	**4,834,689**	4,601,625	5%	**5,932,776**	5,152,387	15%

Trans-Pacific – Demand in the Transpacific, driven by United States consumption, further weakened over the course of 2008 following the anemic growth of 2007. Eastbound volume shrank by 6-7% over the course of the year – the first such decline since 1992. Despite the volume decline, eastbound revenue held up until the third quarter but then deteriorated as competition to fill capacity intensified and as rates began reflecting the reduction in underlying fuel costs as oil prices fell. For services in the westbound direction, rates fell sharply in the fourth quarter due to the diversion of containerised grain shipments to bulk shipping. The bulk rates had become very competitive as the dry-bulk market collapsed by the end of 2008.

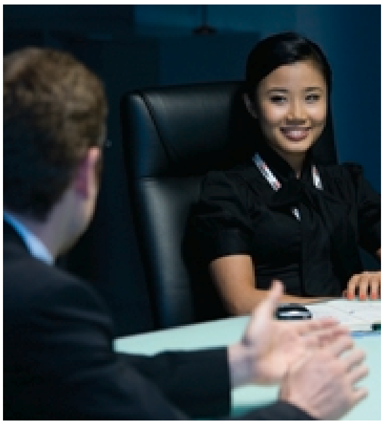
Asia-Europe – Growth in the pivotal Asia-Europe trade took a sudden turn down in 2008 after three consecutive years of double-digit growth rates. The market lost momentum in the second quarter of the year, leading to a long and substantial decline of rates that accelerated towards year-end. Reactions from individual carriers across the industry included using additional vessels for efficient operation, scheduling maintenance during the period of high oil prices, and withdrawing services to reflect weakening demand. With the repeal of EU Liner block exemption in September, the industry no longer had a wider platform to discuss effective measures for more efficient operations under the extremely difficult environment.

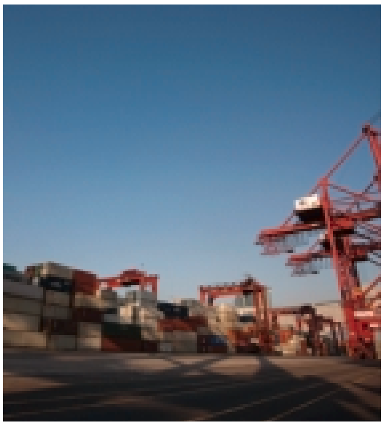
Rampant pirate activities in the Gulf of Aden have added cost and concern to the trade, though it has been fortunate that, so far, container ships have only been threatened but not hijacked due to their higher speeds.

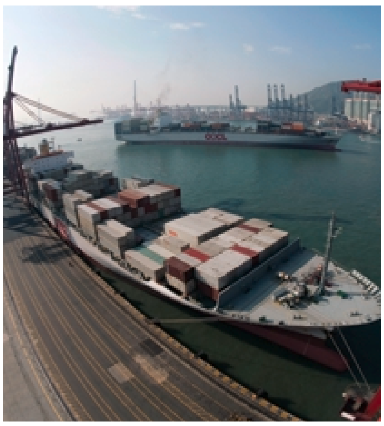
Intra-Asia and Australasia – The Intra-Asia trade maintained healthy growth on a yearly basis, but closer examination revealed a rapid loss in momentum. After a stable market in the first eight months, the situation changed noticeably when China implemented measures to prevent the economy from overheating and started to impose production restrictions prior to the summer Olympics. Growth slowed abruptly in September and turned negative in November. Supported by fuel surcharges, freight rates remained firm until the fourth quarter. Rates then started falling due to the softening of fuel prices and weakening demand, particularly for automotive components, chemicals and recycling products.

Similarly, the Australasia southbound trade recorded healthy growth in 2008 but turned negative in the final months of the year. Over the course of 2008, this relatively small segment was adversely impacted by a 35% industry-wide increase in capacity, which was partially mitigated by two rationalisations among the carriers. The northbound trade enjoyed a higher growth rate than the southbound with the help of the weak Australia and New Zealand dollars and a reduction in drought conditions in Australia.

Trans-Atlantic – Westbound trade demand in the Transatlantic has now been contracting for three consecutive years. As a result, eastbound volumes in 2008 overtook those of the traditional westbound "head-haul" direction. Trade capacity saw some minor contraction in the first half of the year through withdrawals and redeployments, while OOCL increased capacity due to redistribution within the Grand Alliance. Eastbound utilisations and revenue were buoyed by strong demand in exports from North America, which began a notable softening trend in the final quarter. The transition into the deregulated operating environment was successful and uneventful.







Reefer Trade - Reefer demand was strong in the first half of the year, particularly to China due to a shortage of pork and other food items as a result of domestic production disruptions from bad weather and earthquakes. However, demand contracted drastically from October as economic conditions deteriorated. Exotic fruits, prime cut and mid-to-high end seafood demand disappeared. At the same time, the strengthening of the US dollar dampened US exports and altered the global cargo pattern. The trade imbalance worsened in late 2008 and the market softness has continued into 2009.

SHIP OPERATIONS

As at 31st December 2008, the OOCL fleet composition was as follows:

Operated	No. of Vessels	TEU Capacity
Owned / Long Term Chartered / Operating Lease	60	302,424
Short Term Chartered / Bareboat Chartered	32	86,704
Chartered Out	-3	-16,032
Net Operating Capacity	89	373,096

In the first half of 2008, we took delivery of three newbuild P-class vessels of 4,583 TEU each. With no deliveries in the second half of the year, we had thirty-five ships in our owned fleet at year-end, with an average age of 6.7 years and an average size of 5,839 TEU. We did not place any orders for new buildings in 2008 and outstanding committed orders at year-end were for ten P-class vessels and ten SX-class (8,000 TEU) vessels, which will be delivered over the next three years.

The economic downturn affected the charter market more severely than the new building market. Short-term charter rates dropped by 60% over the course of the year. In 2008, the Group contracted eleven charters - ten ships for short-term charters ranging between five and twenty-six months and one vessel for a five-year term; and redelivered seven ships upon charter expiry.

During the year, we re-designed our service networks in response to the extreme increases in oil prices in the first half of the year. In addition to increasing the use of additional vessels for efficient operation and bringing forward scheduled maintenance, we successfully expanded our Enhanced Bunker Saving Program from covering our owned fleet to include our long-term charters. The program is an elaborate framework that requires close coordination among scheduling, navigation, stowage, ballasting, maintenance and fuel management operations. Apart from cost savings, the initiative also significantly reduces gas emissions.

MARINE TERMINALS

OOCL continues to manage and operate the Long Beach Container Terminal in California and the Kaohsiung Container Terminal in Taiwan, with a total throughput of 1.7 million TEU in 2008. We also have a 20% interest in both the Tianjin Alliance International Container Terminal and the Ningbo Yuandong Terminal, each with active management participation by OOCL. 2008 was the first year of operation for these two terminals and their combined throughput exceeded 2.2 million TEU.

LOGISTICS

In 2008, OOCL Logistics achieved more than a 20% increase in revenue and improved its financial performance with improved economies of scale and operational efficiency. Throughout the year, International Logistics expanded its customer base and consistently contributed positive results. However due to the economic environment, the growth of international volume was relatively flat.

On the other hand, Domestic Logistics volume continued to grow rapidly. During 2008, we established our Yangtze Jiang barge center in Shanghai and purchased land near Yangshan Port in Shanghai for depot and warehouse operations. Our "Warehouse-centric" logistics network and the 'Green Approach' proved to be successful in drawing additional support from international brand-name customers. Consistent with this direction, the Group continued to upgrade its depot, trucking, customs house broking and warehouse capability globally, with special emphasis in China.

The deployment of the Podium suite of Logistics applications has largely been completed and has started to produce substantial benefits for both customers and the company. We shall see continuous gains from our IT investments in respect of quality and efficiency for years to come.

Our logistics business has been affected by the world economic downturn and business from individual customers declined markedly in the last quarter of 2008. In response, we have been conducting comprehensive reviews of our logistics operations with a view to mitigating risks and seizing opportunities to build our customer base through continued quality customer service ahead of our 30th anniversary in 2009.

Information Technology

The Group's strategy continues to be to leverage our IT capabilities to create competitive advantages through integration of IT systems, processes and organisation globally. We have built systems that achieve synergies across different lines of software applications – Liner, Logistics and Industry Portals - with common technologies and compatible platforms. The vision is to create a borderless organisation with full information visibility anytime, anywhere.

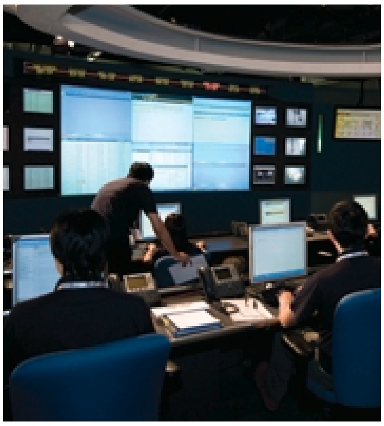
In 2008, we focused the upgrade of the Liner enterprise system, IRIS-2, on yield management, pricing and customer interactions. With delivery of the applications in 2009 and beyond, the platform will expand our customers' visibility from physical events to fulfilments.

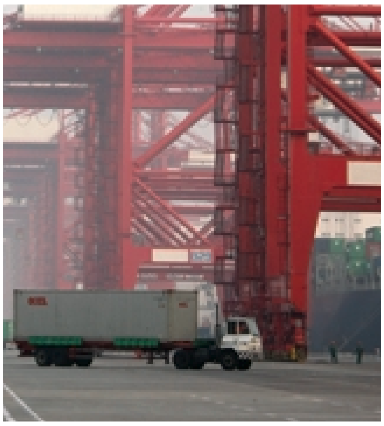
CargoSmart, the Liner industry portal and a leading Software as a Service (SaaS) provider, successfully launched CS-2 Advanced Shipment Management, specialising in exception monitoring; and made available "Shipment Folders" for all shipment parties to collaborate and manage their document flow. This platform has also been packaged as a private label solution to provide individual Liner carriers with a multi-channel customer services platform.

The capabilities of Podium, an individual-customer-focused system for supply chain management, have been expanded through improved integration with distribution center and warehouse operations – at system, process and organisation levels. Its capabilities in providing ready solutions for the ever changing regulatory landscape, including the recent US 10+2, have gained wide acceptance.

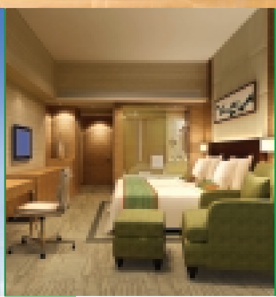
As an integral part of the IT strategy, IP phone technology was deployed globally through the organisation. The convergence of voice and data provides us with a robust infrastructure to consolidate all customer touch points – voice, mobile short message, fax, email, instant internet messaging, web application and EDI. This infrastructure will elevate our "Take It Personally" spirit to the next level – "any time and anywhere".

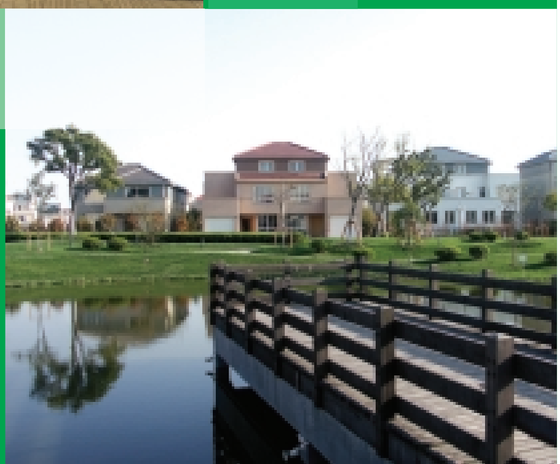
Apart from developing software synergy and capabilities, OOCL's global data center has been accredited with the ISO27001 certificate to ensure effective security management to achieve greater customer satisfaction. Moreover, our Liner enterprise platform and the attendant infrastructure had been upgraded to support three times the existing transaction volume architecturally, while achieving a cost reduction of 15%.

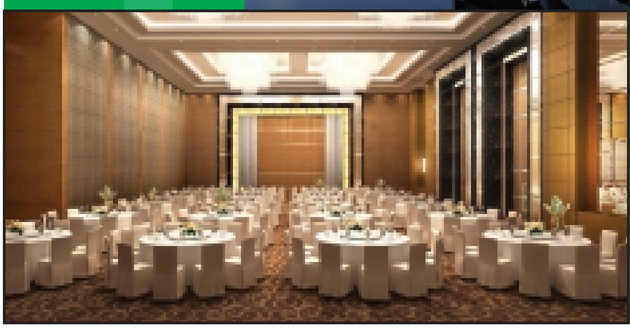




PROPERTY INVESTMENT AND DEVELOPMENT







PROPERTY DEVELOPMENT

As at the end of 2008, the Group had 1.4 million square meters ("sqm") of Total Gross Floor Area ("GFA") under development under OODL, with no new sites having been acquired during the year. The Group's objective continues to be to build the OODL real estate development and investment business to leverage our established record of accomplishment and expertise built over the last 15 years.

Recognising the complexities of real estate development and investment business in the PRC, our property development business will remain geographically focused on the Greater Shanghai and Greater Bohai (Beijing / Tianjin) areas over the medium-term.

OODL's past and current development projects include residential, commercial, retail, and hotel projects. The current projects provide a good balance across product sectors and opportunities for recurring income generation. The project portfolio includes developments that have the potential to provide an appropriate level of investment income for the business - which we consider desirable given the volatility of the market place and the scale of the business. We believe all existing projects in the pipeline are competitive and form an excellent foundation for further growth.

The immediate focus of the property development division is to bring our existing projects towards completion, with both sales and the further acquisition of sites to replenish the development pipeline depending on market conditions. Future acquisitions will conform to our geographical focus and be in line with the established areas of expertise.

The real estate environment in China declined through 2008 as the growth rate of the Chinese economy reduced and all sectors are expected to continue to be challenging in 2009. We expect that the office and hospitality sector within our geographical area of focus will face a particularly difficult period.

The residential market has slowed dramatically during 2008 and is expected to be challenging in 2009. However, we do expect that the various policies initiated by the Chinese Government starting in the fourth quarter of 2008 will assist in the recovery of the market, with the residential segment likely to be the first to stabilise.

For 2009 we have prioritised our development projects according to our market view with emphasis on the residential developments. Development of the other sites will also be paced to match financing and demand conditions. We expect to be in a position to enter the Greater Shanghai residential sales market in early 2010 should the recovery of the residential sector be sufficiently firm by that time.

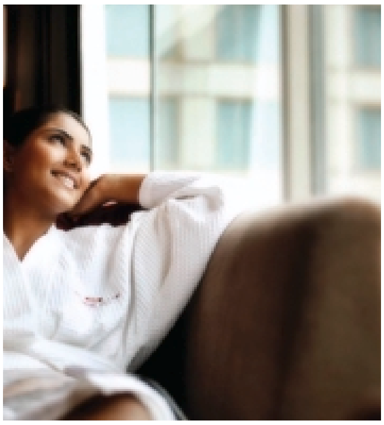
Over the medium term, the Group remains very confident that its pipeline projects will produce solid returns given their competitive locations and overall entry cost structures.

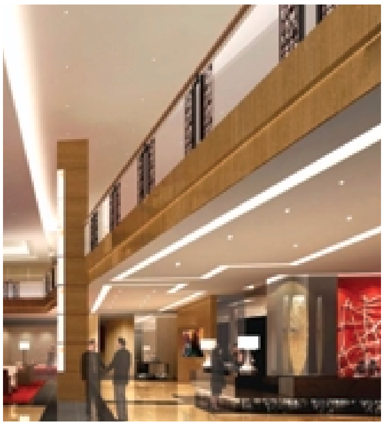
The division's projects currently under development are as follows:

1) *Shanghai Luwan Changle Lu Residential Project*
   This is a high-end luxury residential project in downtown Shanghai within walking distance from Huai Hai Zhong Lu shopping avenue, Okura Garden Hotel and Subway Station Line No 1. The development will have a GFA of approximately 80,000 sqm, including clubhouse facilities and purpose designed landscaping to create a high-end residential product. The project is situated next to the Group's Changle Lu five-star hotel project. Construction is underway. Phase One is scheduled for completion in 2011.

2) *Shanghai Luwan Changle Lu Hotel Project*
   This high-end luxury hotel and service apartment complex is adjacent to the Changle Lu Residential Project in downtown Shanghai. The Hotel will have approximately 500 hotel rooms with conference and meeting facilities. An international five star hotel operator will operate the hotel. As at the end of 2008, piling for the hotel has been completed.

3) *Shanghai Xuhui Hengshan Lu Project*
   The site is located in a quiet, low-density area of Shanghai, within walking distance from Xu Jia Hui Shopping area, Shanghai Library and subway station line No 1. The area, in the heart of the former French Concession, is known for its low rises and clustering of consulates. While planning for this project is yet to be finalised, an option being assessed is to develop a high-end luxury hotel consisting of approximately 150 rooms with total GFA of 15,000 sqm. Construction is expected to commence in 2010, with completion in 2012.





4) *Shanghai Changning Mixed Use Project*
This project may consist of approximately 185,000 sqm of offices together with approximately 30,000 sqm of retail and a 400-room hotel. It is located within the inner Ring Road in Changning District, Shanghai, and is within walking distance of the Zhong Shan Park. The area has numerous shopping facilities, and is served by a subway line No 2 and elevated railway lines No 3 and No 4. Construction is planned to commence in 2010 with completion of the first phase of the project in 2012.

5) *Shanghai Pudong Nanmatou Residential Project*
Located in Pudong just outside the inner ring road in Pudong area, this is a medium class residential project. The surrounding area has established residential projects and will be served by subway line No 7. A subway station is located within walking distance of the site. The project totals approximately 100,000 sqm of GFA. Construction will commence in 2009, with completion of Phase 1 in 2011.

6) *Jiangsu Kunshan Huaqiao Residential Project*
This is a predominantly residential project located in Huaqiao Township at the first exit outside Shanghai along Shanghai/Kunshan/Suzhou/Nanjing expressway. The site is 45 minutes from Hongqiao, Shanghai, and is within the Jiangsu Hua Qiao Economic Development Zone, a business zone established by the Jiangsu Government. The Shanghai/Kunshan/Suzhou corridor is populated by numerous manufacturing enterprises and Kunshan is especially noted for its manufacturing and OEM industries. Adjacent to the site across the Shanghai border is Anting, the automotive industry hub of Shanghai. Subway line No 11, which will reach Anting in 2010, will have a station approximately 250 meters from the site. Total GFA of the project is around 700,000 sqm consisting of approximately 540,000 sqm residential, 50,000 sqm retail and 110,000 sqm commercial. Construction for Phase One of the residential portion will commence in 2009, with completion of that initial phase in 2011.

7) *Tianjin International Trade Centre Project*
The project is located in the Xiaobailou CBD area of downtown Tianjin. This site includes a previously uncompleted structure, and at completion, will be a high rise mixed use complex consisting of high-end service apartment, office and retail elements. The site has subway access with a total GFA of 230,010 sqm (above ground 190,350 sqm; basement 39,660 sqm). Planning works in progress.

PROPERTY INVESTMENT

The Group continues to hold an 8% interest in Beijing Oriental Plaza. Consisting of a retail mall, office towers, service apartments and a 5-star hotel, the project totals some 572,900 sqm in gross floor area. While the project is achieving modest profits at the project level, we do not expect it to contribute materially to Group profitability in the near term.

Wall Street Plaza, the Group's investment property in New York City's financial district maintained a high occupancy rate of 90% in 2008. The New York City office market, however, has been adversely affected by the economic turmoil, and is expected to worsen as we move into 2009. While the performance of Wall Street Plaza has been satisfactory in 2008, the weakening of the market has resulted in a reduction in the assessed value of the property of US$25 million in total for the year, leaving the property valued at US$175 million as at year-end 2008.

During the year, the Group completed development of the 399 room Hilton Double Tree branded Hotel in Kunshan, Jiangsu Province. The hotel includes approximately 2,000 sqm of conference facilities and is located adjacent to the Group's Kunshan residential development project. The Hotel opened in January 2009 and now forms part of our property investment portfolio. Given both the nature of the hospitality business and the current environment, we expect a period of stabilisation over the next two to three years until steady cash flow and earnings can be achieved.

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

Property Development & Investment

As property developer and investor, we continue to select choice locations and quality projects with the objective of securing a solid and continuing return. We have established ourselves as a quality residential developer, and will continue to build upon the brand name in Shanghai and beyond.

Corporate Responsibility

The OOIL Group prides itself on being a responsible corporate citizen and we employ the highest standards of business ethics in all that we do. Headed by a senior management steering committee and a Global Security, Safety and Environment Protection Officer, the Group embraces the core values of Corporate Social Responsibility at all levels.

ENVIRONMENT

The Group recognises that businesses must take responsibility for their industry's effects on the environment. Our company is dedicated to meeting the needs of the present without compromising those of the future. We encourage sustainable economic development through innovative environmental protection measures.

We believe that by taking a proactive role in caring for the environment, we can help minimise our carbon footprint and make the world a better place to live. We actively support many environmental programs and standards around the world, and have received numerous awards and recognition for our achievements and quality practices, including:

— Certification by the United States Coast Guard under the Qualship 21 Initiative (quality shipping for the 21st century). This program, which identifies non-US flagged vessels operated in a high quality manner, promotes the most rigid safety and pollution-prevention standards in the world. OOCL's policy is to ensure that each of our ships complies with these standards, regardless of whether they enter the waters of the United States.

— Being the first container shipping line in the world to have achieved the Safety, Quality and Environmental (SQE) Management System certification (which consolidates the ISM-Code, ISO9001.2000 and ISO14001 requirements).

— Port of Long Beach Green Flag Award (voluntary speed reduction program). OOCL vessels maintained voluntary 100% compliance with the Port of Long Beach Green Flag Speed reduction program in 2006 and 2007, and the company was awarded rebates on dockage fees as a result. Port officials estimate that if all vessels comply with the program, the amount of smog-forming nitrogen oxides (NOx) produced by container ships will be reduced by nearly 550 tons a year. To further our community partnerships, OOCL donated the money received from the award, totalling US$140,000 in 2008, to various Long Beach park and educational projects, including the Long Beach Education Foundation and a Universally Accessible Playground for the "Partners of Parks" program (In California, USA).

— OOCL's Long Beach Container Terminal won the first San Pedro Bay Ports Air Quality Excellence Award. This award recognises Port customers that go beyond the basic requirements and goals of the Port's Clean Air Action Plan that set a five-year goal to reduce port-related emissions by at least 45 percent by 2011.

— Ballast Water Management Program. All ships discharge ballast water, which can contain organisms that are harmful to the environment. We have a policy of exchanging ballast water exchange in the open sea (200 nautical miles away from the nearest coastline) and we have the aim of having zero ballast-water exchange at port.

OOCL is a member of the following environment-focused organisations:

- Clean Cargo Working Group, which is a Working Group of the Business for Social Responsibility (BSR) organisation. The group comprises 28 major multinational shippers and carriers. The Clean Cargo Working Group is dedicated to benefiting the environment and people by assessing and addressing the environmental footprint of goods transported globally. Practical solutions developed by the Group include the Environmental Performance Survey, which offers consistent standards and measurements of environmental performance of carriers.

- Climate Change Business Forum. OOCL is a Gold Member of this Forum, the membership fees of which fund research on climate change issues in Hong Kong.

- World Wildlife Fund (WWF), a leading environmental and conservation organisation, using funds generated by employees during the annual "OOCL Green Week".

The OOIL Group is committed to reducing emissions, promoting environmental care and conserving resources. We do this in all areas of our business – on land and at sea – from our vessels and containers, at our terminals, and in our offices.

1. **OOCL Vessels** - The best way to reduce harmful emissions in the shipping industry is to save fuel. OOCL has implemented a fuel saving program – including weather routing systems, slow steaming and minimum ballast water to help achieve a lighter vessel load, thereby burning less fuel. These initiatives all reduce weight and "drag" of the vessels in the ocean, maximising fuel efficiency. We have reduced CO_2 emissions by more than 11% since 2004.

   Since 2000, all our vessels have been installed with environmentally friendly NOx-controlled propulsive engines. Advanced slide fuel injection valves, reducing NOx by 30%, are being adopted on all our vessels.

   All of our newbuilding vessels have large capacity low-sulphur fuel oil tanks to promote emissions control and prepare ships for low-sulphur fuel use. Apart from strictly complying with SOx Emission Control Area requirements, we ensure that the average sulphur content of our fuel is well below the International Maritime Organisation's (IMO) prescribed standard of 4.5%; in 2008, we achieved an average sulphur content of less than 3%. In the North Sea, English Channel and Baltic Sea, our own ships are now using 1.5% sulphur fuel as per EU/IMO requirements and we use 0.5% sulphur fuel in California. We are studying methods, such as Alternative Maritime Power and Scrubber technology to potentially further reduce SOx emissions.

2. **OOIL Group Offices** – We aim to work as a "paperless office" by eliminating the use of faxes and faxed documents and promoting the use of electronic communication instead. As a business that relies on many documents from customers transporting goods, such as a bill of lading, invoices, etc. this is an extremely innovative step, and we have reduced paper consumption by 20%. In addition, we have implemented a "reduce, re-use and recycle" campaign in all our 280 offices around the world, encouraging employees to switch off computers, copiers and lights after work, and to use energy-saving office equipment, such as power saving light bulbs and timers. We also have mandatory training for all staff in safety, security and environmental issues.

3. **OOCL Terminals** - OOCL's container terminal in Long Beach was awarded the first San Pedro Bay Area Ports Air Quality Excellence Award by the Ports of Long Beach and Los Angeles. Our Long Beach terminal also purchased four additional "Regen" units for rubber-tired gantry cranes in 2008. These units, which capture, store and supply electrical energy as a crane functions, can help cut fuel consumption by 25%, and cut diesel emissions by more than half. OOCL also voluntarily switched to a Clean Trucks program for all older trucks (built before 1990) operating in the Port of Long Beach, in a program which is expected to cut drayage truck emissions by 80 percent in five years.

   The OOCL operated Kaohsiung Terminal in Taiwan has converted its entire container yard to a "green" enterprise; discontinuing the use of its straddle carriers in favour of rail-mounted gantry cranes (RMGs). There are now 14 RMGs in the terminal. Run electrically and on a fixed-rail system, these RMGs are emission-free, quiet and provide a much safer working environment at the port.

4. **OOCL Containers** - Today, OOCL uses only CFC-free refrigerants for all of our refrigerated containers. OOCL's newest refrigerated containers have the lowest power consumption in the industry, and we have installed ThermoKing "EcoPower" generator sets for better fuel efficiency. All our containers have tin-free paint applied and we continue testing the use of sustainable bamboo floors instead of the traditional hardwood floors.

5. **Sustainable Procurement Policy** – the OOIL Group is dedicated to promoting sustainable practices into our supply chain. In 2008, we developed a Corporate Sustainable Procurement Policy to cover every aspect of our business and every stage of the supply chain.

The Group's achievements, in many aspects, have already greatly exceeded legal requirements and general industry standards in the countries in which it operates. However, as a responsible and committed member of the international community, we continually strive for further improvement in all aspects of our business.

SECURITY

The issue of security has always been a priority for the Group and we remain committed to the security of our operations against possible compromise and to the maintenance of the highest level of compliance in security related areas. We fully recognise our responsibility to ensure the safety and integrity of all our employees, both on shore and at sea, of our managed ships, of our customers' cargoes and at our port facilities.

The Group's Corporate Security Policy and internal guidelines comply with Customs-Trade Partnership Against Terrorism (C-TPAT) rules and regulations, and we work actively with various Government and other authorities worldwide in their efforts against any act that would impinge upon maritime or cargo security. Under our policy, we have internal security checks of all of our holdings and our security profile has been validated by the US Customs and Border Protection agency through physical checking of the offices and facilities of OOIL including terminals, warehouses, depots and vessels.

Our company meets the International Ship and Port Facility Security Code ("ISPS" Code), which ensures that security threats are detected and assessed, and that preventative measures are in place on our vessels and at our port facilities. A designated officer on each ship and at each port facility reports to the Company Security Officer who oversees the security plans, drills and training. With this in place, all our vessels continue to have an exemplary record containing zero breaches of security and totally clean detention records.

In addition, to provide excellent quality and secure information to customers and partners, our Global Data Centre has achieved and maintains BS7799 certification.

COMMUNITY AND EDUCATION

OOIL commits to being a responsible corporate citizen and recognises that the societies in which its employees live and work contribute greatly to the Group's overall success. Care for these communities in which we operate is therefore a major focus for us. We concentrate our community efforts on charity programmes designed to provide well-rounded youth education programmes, charity relief to the needy, and cultural entertainment to the whole community.

Every week, throughout the world, OOCL employees give something back to the communities in which they live – in the form of charity events, fund-raising or by dedicating their time and effort. One of the major and on-gong projects in which OOCL has been involved is Project HOPE (Health Opportunities for People Everywhere). OOCL assists through the transportation of the latest medical diagnostic equipment and supplies from the US to China to care for children in urgent need of treatment.

In 2008, OOIL employees made donations, matched by the company on a one-to-one basis, in support of Disaster Relief. In July 2008, more than HK$9.3 million (US$1.2 million) was donated to the China earthquake relief fund.

In addition to financial donations, the Group has been contributing transportation and logistics support and providing numerous containers to help with relief work in the affected areas. Assistance in the form of free transportation is regularly given to a number of charitable projects. With sponsorship of the Group, volunteer teams are set up by employees to focus on community servicing, fund raising for charity and donations.

Beneficiaries of welfare donations made by OOIL and its employees include social services, orphanages and children's hospitals, cancer research, multiple sclerosis and diabetes research and many others in Asia, North America, Australasia and Europe.

In keeping with our long tradition of community responsibility, the Tung OOCL Scholarship supports the education of youth. OOIL, in partnership with The Tung Foundation, spends over US$300,000 per year on educational scholarships for students in mainland China and for the children of employees globally.

EMPLOYEE INFORMATION

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, OOIL understands that the process begins with the treatment of its employees. As a successful corporation, we appreciate that our success, growth and performance rests on the skills, dedication and teamwork of our staff. We regard people as our greatest asset and care for them accordingly.

In a spirit of mutual respect, the Group has a clearly defined policy that, as an equal opportunity employer, includes treating all employees with fairness and dignity, and encouraging a culture of open and frank communication throughout the organisation. We invest in our people - caring for their hopes and aspirations through people-development programmes, training, education, and the recognition and reward of their efforts and achievements.

People development remains a cornerstone of the corporate culture and enables the effective operation of our policy of career development through recruitment and promotion from within. Over the past years, we have channelled a great deal of time and effort into various people-development programmes. We advocate continuous learning and support employee career development through job rotation, local and overseas job assignments as well as through offering formal and informal learning and development opportunities for performance enhancement.

OOIL employs an innovative approach to employee learning and management development. A rich culture of knowledge sharing is in place and a new knowledge-sharing platform was adopted in 2005 to facilitate knowledge and best practice sharing amongst all employees. E-learning has created a learner-centric, interactive path to training and self-improvement as well as opening up learning opportunities to many more people within the business.

As at 31st December 2008, the Group had 8,236 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 OOIL's salary and bonus schemes which are regularly reviewed. Other benefits are also provided, including medical insurance and pension funds, and social and recreational activities are arranged around the world.

In the interests of adhering to the highest ethical standards on an ongoing basis, we have a Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards. The Code precludes offences under local, national and international laws, and of breaches of confidentiality, non-disclosure requirements or intellectual property rights. It also prohibits conflicts of interest, acts of bribery, corruption or political contribution and other areas of deemed misconduct. We have established procedures to identify, manage and control risks that may have an impact on the business of the Group. Our "Whistle Blower Policy", established in 2006, is one of the Group's formalised procedures through which employees can anonymously file reports or register concerns. As such, it helps govern the reporting and thorough investigation of allegations of suspected improper activities.

OOIL is committed to the philosophy of equal opportunity in employment. It is the Group's policy not to discriminate against any employee or applicant for employment on the grounds of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status and or any other category whether protected by local laws and legal regulations or not.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2008	2007	Change	%
Operating results by activity:				
Container Transport and Logistics	**397,913**	555,935	(158,022)	-28%
Property Investment and Development	**2,016**	8,132	(6,116)	-75%
Unallocated items	**20,244**	127,035	(106,791)	-84%
Earnings before finance costs and tax	**420,173**	691,102	(270,929)	-39%
Finance costs	**(90,884)**	(99,078)	8,194	-8%
	329,289	592,024	(262,735)	-44%
Loss in fair value on investment property	**(25,000)**	—	(25,000)	N/A
Profit before taxation	**304,289**	592,024	(287,735)	-49%
Taxation	**(28,760)**	(38,275)	9,515	-25%
Minority interests	**(3,192)**	(1,423)	(1,769)	124%
Profit from continuing operations	**272,337**	552,326	(279,989)	-51%
Profit from discontinued operation	**—**	1,994,653	(1,994,653)	-100%
Profit attributable to shareholders	**272,337**	2,546,979	(2,274,642)	-89%

Container Transport and Logistics

Summary of Operating Results

US$'000	2008	2007	Change	%
Liftings (TEUs)	**4,834,689**	4,601,625	233,064	5%
Revenue per TEU (US$)	**1,227**	1,120	107	10%
Turnover				
Asia	**4,334,816**	3,912,522	422,294	11%
North America	**1,153,869**	832,008	321,861	39%
Europe	**894,646**	774,691	119,955	15%
Australia	**119,300**	96,958	22,342	23%
	6,502,631	5,616,179	886,452	16%
Operating costs	**(5,640,158)**	(4,627,769)	(1,012,389)	22%
Gross profit	**862,473**	988,410	(125,937)	-13%
Business and administrative expenses	**(479,287)**	(456,383)	(22,904)	5%
Other operating income, net	**8,929**	22,749	(13,820)	-61%
	392,115	554,776	(162,661)	-29%
Share of results of jointly controlled entities and associated companies	**5,798**	1,159	4,639	400%
Earnings before finance costs and tax	**397,913**	555,935	(158,022)	-28%

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 2008. 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 Container 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 Container Terminal in Taiwan.

Turnover from the Asia area rose from US$3,912.5 million in 2007 to US$4,334.8 million in 2008 as a result of the continued growth in volume on sustained freight rate level. The increased volumes carried by the Intra-Asia services served as the revenue growth driver for the year.

Overall liftings on the Trans-Pacific Eastbound services decreased by 5% while freight rates improved by 7% when compared with those of 2007. Performance on the Westbound legs of the Asia/Northern Europe services was comparable to that of 2007 with a moderate growth in volume offsetting a slight drop in rates. Intra-Asia, on the other hand, performed noticeably well with an 8% growth in liftings for the year and a double-digit percentage growth in average freight rates.

Overall load factor as a percentage of the capacity available during 2008 decreased by 5 percentage point from 2007 following 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$321.9 million for this area in 2008. All routes from this region performed favourably against 2007 with a moderate growth in volume and a further improvement in average freight rates. Both Europe and Asia bound cargo recorded further improvements in average freight rates which contributed to the increase in revenue for the region.

Westbound liftings on the Asia/North America West Coast service grew by 4% over last year while the Westbound trade of the Asia/US East Coast service via the Panama Canal recorded an 8% increase. The Eastbound Canada/Northern Europe and US East Coast/Northern Europe services continued to perform well with a combined 9% growth in volume and a 41% increase in revenue.

Overall volumes grew by 6% during 2008 while the average revenue per TEU on all outbound cargoes from North America recorded a 38% rise as compared with last year.

With no notable addition in capacity during the year, the overall load factor in the region increased by 5 percentage point against those of 2007.

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 2008 surpassed that of 2007 by US$120.0 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 3% growth in volume and a 37% increase in revenue. The Westbound rates of the Trans-Atlantic routes sustained moderate growth in 2008, thereby also contributing to the revenue increase.

The Eastbound leg of the Asia/Northern Europe services recorded a slowdown in volume growth but a further improvement in freight rates during 2008. Liftings for the Westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were 10% better than those of 2007 while average revenue per TEU for both services recorded a 4% drop.

Overall load factors as a percentage of capacity available for cargo shipments from this region were comparable with those recorded in 2007 despite an 8% capacity increase for the Europe area during 2008.

Average revenues per TEU on all outbound cargoes from Europe were 9% better than that of 2007, amid a 6% 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 9% in 2008 which, together with a double-digit percentage gain in freight rates, resulted in a net increase in turnover of US$22.3 million for the year.

Operating Costs

Principal operating costs of the containerised transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased at a higher pace than volume growth as driven by the buoyant oil prices.

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. Although oil price retreated in late 2008, fuel costs remained buoyant throughout the best part of the year, causing increases in terminal and transportation related costs. The two cost items alone recorded a 12% rise for the year and constituted the highest increment to the costing formula in dollar term.

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 delivery of newbuildings and chartered-in vessels, total carrying capacity increased from the 352,650 TEU of 2007 to 373,096 TEU in 2008 and the total number of vessels, either owned or chartered in and operated by OOCL, also rose from 84 to 89. As a result, vessel operating costs increased by 18% as compared with 2007.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. With bunker price rising from an average of US$357 per ton in 2007 to an average of US$519 per ton during 2008 and an enlarged fleet size, costs in this category were driven up by more than 44%.

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 655,939 TEU of 2007 to 689,863 TEU in 2008 and a 21% step up in positioning costs to maintain the equipment flow for enlarged operating capacity, total equipment and repositioning costs increased by US$85.1 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 2008 were able to contain at a modest growth rate as a result of the efficiency brought by the enhanced IT systems.

Other Operating Income

Other operating income principally comprises exchange arising from foreign currency transactions and profits on the disposal of retiring assets. Compared with 2007, other operating income decreased by US$13.8 million due mainly to exchange losses on foreign currency assets as a result of the strengthening of US$ in 2008.

Share of Results of Jointly Controlled Entities and Associated Companies

Share of results of jointly controlled entities and associated companies mainly represents the Group's investment in a depot joint venture in Qingdao and a 20% stake in two terminals located in Tianjin and Ningbo, which commenced operation in 2007. The share of US$5.8 million profit from jointly controlled entities and associated companies in 2008, against US$1.2 million for 2007, mainly reflected the full year effect of the Tianjin and Ningbo terminal operation.

Earnings Before Finance Costs and Tax

Earnings before finance costs and tax of US$397.9 million for the Container Transport and Logistics business in 2008 was 28% below that achieved in 2007. The growth in volume and improvement in freight rates were more than offset by the rise in various cost items, notably bunker and transportation costs.

Property Investment and Development

Summary of Operating Results

US$'000	2008	2007	Change	%
Rental income	**28,224**	24,227	3,997	16%
Property management costs	**(12,288)**	(10,912)	(1,376)	13%
Gross profit	**15,936**	13,315	2,621	20%
Business and administrative expenses	**(2,195)**	(3,990)	1,795	-45%
Profit from property investment	**13,741**	9,325	4,416	47%
Loss from property developments	**(12,833)**	(3,699)	(9,134)	247%
	908	5,626	(4,718)	-84%
Share of results of jointly controlled entities	**1,108**	2,506	(1,398)	-56%
Earnings before finance costs and tax	**2,016**	8,132	(6,116)	-75%

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 572,900 sqm, on a site located at Wangfujing Dajie, Beijing.

In addition, the Group owns interests in a variety of property development projects in China. As at the end of 2008, the Group had 1.4 million square metres of total gross floor area under development. The Group currently has 7 projects under development and the primary location of these projects is around the Greater Shanghai and Greater Bohai area.

Rental Income

Rental income for the year, representing mainly the rental income derived from Wall Street Plaza, was US$4.0 million higher than that of last year mainly as a result of the receipt of an early lease termination compensation from a tenant during the year. The building maintained an occupancy rate of over 90% throughout 2008.

Loss From Property Developments

A loss of US$12.8 million was recorded from property developments in 2008 compared with a loss of US$3.7 million in 2007 as there was no development project completed for sale in 2008. The results for 2007 also benefited to a certain extent from favourable exchange gains on the appreciation of the RMB.

Unallocated Items

US$'000	2008	2007	Change	%
Investment (loss)/income	**(13,872)**	27,915	(41,787)	-150%
Interest income	**48,060**	107,033	(58,973)	-55%
Profit on disposal of available-for-sale financial assets	**—**	4,473	(4,473)	-100%
Others	**(13,944)**	(12,386)	(1,558)	13%
Earnings before finance costs and tax	**20,244**	127,035	(106,791)	-84%

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.

Investments recorded a loss of US$13.9 million, against a profit of US$27.9 million in 2007, reflecting the global downturn of financial markets during 2008.

Interest income was US$59.0 million lower in 2008 which was attributable to the falling interest rates and a lower average cash balance available for deposit purposes.

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 dividends on loan stocks and fees on lease administration.

Finance costs decreased by US$8.2 million as compared with 2007 principally as a result of the general decline in interest rates, offset in part by the increases in indebtedness pursuant to the delivery of newbuildings in 2008. The average cost of financing dropped from 5.2% in 2007 to 2.0% in 2008 as a whole.

Loss in Fair Value on Investment Property

Wall Street Plaza was valued at US$190 million as at 30th June 2008, down from the US$200 million valuation at the end of 2007, resulting in a loss in fair value of US$10 million for the first half of 2008. As at 31st December 2008, the investment property was valued at US$175 million, further down by US$15 million due to the deterioration of the credit market in the second half of the year. Consequently, a total of US$25 million loss in fair value was recorded in 2008.

Profit before Taxation

Pre-tax profit for the year was US$304.3 million compared with last year's profit of US$592.0 million. The decreased earnings reflected the softened market in the Container Transport and Logistics business, lower treasury income and a loss in fair value on Wall Street Plaza revaluation.

Taxation

US$'000	2008	2007	Change	%
Company and subsidiaries:				
North America	**4,947**	18,023	13,076	73%
Europe	**4,862**	2,763	(2,099)	-76%
China	**6,013**	3,704	(2,309)	-62%
Asia and others	**12,938**	13,785	847	6%
Total	**28,760**	38,275	9,515	25%

Tax liabilities in North America for 2008 was lower than that of last year mainly as a result of the loss in fair value on Wall Street Plaza revaluation and the write-back of associated deferred tax provisions. Higher tax liabilities for Europe area in 2008 was mainly due to increases in deferred tax provisions. For China, the continued growth of business activities also induced higher tax liabilities across the country.

Profit from Discontinued Operation

Profit from discontinued operation for 2007 represented the disposal of the Group's multi-user terminals in North America (the "Terminals Division") comprising TSI Terminal Systems Inc. which operated the Vanterm Terminal in Vancouver, Canada and Deltaport Terminal at Roberts Bank near Vancouver; New York Container Terminal, Inc. at Staten Island, New York, USA; and Global Terminal and Container Services, Inc. at 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 the three terminals was completed in the first half of 2007 with a total of US$1,994.7 million profit on disposal for the year. Pursuant to the disposal, the operation of the Terminals Division has no longer been included in the Group's results and hence is separately identified as discontinued operation in the years under review.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2008	2007	Change	%
Property, plant and equipment	**3,780,945**	3,350,844	430,101	13%
Investment property and prepayments of lease premiums	**189,201**	208,710	(19,509)	-9%
Jointly controlled entities and associated companies	**67,911**	59,896	8,015	13%
Intangible assets	**47,098**	39,696	7,402	19%
Liquid assets	**2,077,087**	2,244,865	(167,778)	-7%
Accounts receivable and other assets	**1,496,368**	1,284,588	211,780	16%
Other non-current assets	**43,025**	25,045	17,980	72%
TOTAL ASSETS	**7,701,635**	7,213,644	487,991	7%
Accounts payable and other liabilities	**(850,472)**	(752,343)	(98,129)	13%
Current taxation	**(16,034)**	(18,832)	2,798	-15%
TOTAL ASSETS LESS TRADING LIABILITIES	**6,835,129**	6,442,469	392,660	6%
Long-term borrowings	**2,218,251**	1,864,436	353,815	19%
Short-term borrowings, overdrafts and current portion of long-term borrowings	**153,895**	341,748	(187,853)	-55%
Total debt	**2,372,146**	2,206,184	165,962	8%
Minority interests and deferred liabilities	**75,912**	59,917	15,995	27%
Ordinary shareholders' funds	**4,387,071**	4,176,368	210,703	5%
CAPITAL EMPLOYED	**6,835,129**	6,442,469	392,660	6%
Debt to equity ratio	**0.54**	0.53		
Net debt to equity ratio	**0.07**	N/A		
Accounts payable as a % of turnover	**12.8**	13.3		
Accounts receivable as a % of turnover	**6.7**	9.4		
% return on average ordinary shareholders' funds	**6.4**	73.8		
Net asset value per ordinary share (US$)	**7.01**	6.67		
Liquid assets per ordinary share (US$)	**3.32**	3.59		
Share price at 31st December (US$)	**2.21**	7.40		
Price earnings ratio based on share price at 31st December	**5.1**	1.8		

Property, Plant and Equipment

US$'000	2008	2007	Change	%
Container Transport and Logistics	**3,676,360**	3,301,117	375,243	11%
Property Investment and Development	**104,585**	49,727	54,858	110%
	3,780,945	3,350,844	430,101	13%

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 were 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, three in 2007 and the remaining three in 2008. During 2006, the Group placed 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. In 2007, further orders were placed for six 4,500 TEU and six 8,600 TEU new vessels for delivery in 2009 to 2011. As at the end of 2008, the Group had a total of 20 newbuildings on order to be delivered in 2009 to 2011.

The increase in property, plant and equipment in 2008 principally reflects the delivery of new container vessels during the year, the stage payments and capitalisation of lease obligations on new vessels under construction and new container equipment acquired, offset in part by the annual depreciation charges for the year.

The increased balance in 2008 for Property Investment and Development represents additions to the capitalised construction costs of the hotels in Luwan and Kunshan as the two projects progress as planned. The Double Tree by Hilton in Kunshan was completed in 2008 and commenced business in January 2009.

Investment Property and Prepayments of Lease Premiums

US$'000	2008	2007	Change	%
Investment property	**175,000**	200,000	(25,000)	-13%
Prepayments of lease premiums	**14,201**	8,710	5,491	63%
	189,201	208,710	(19,509)	-9%

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US$175.0 million at the end of 2008 by an independent valuer (2007 : US$200.0 million).

Jointly Controlled Entities and Associated Companies

US$'000	2008	2007	Change	%
Container Transport and Logistics	**60,994**	54,118	6,876	13%
Property Investment and Development	**6,917**	5,778	1,139	20%
	67,911	59,896	8,015	13%

The investment in jointly controlled entities and associated companies by Container Transport and Logistics for 2008 mainly comprises a 20% interest in two associated companies for two 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 largely represents the profits shared for the year.

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 sqm. This project was developed in phases with the final phase completed in 2005. The increased balances in jointly controlled entities and associated companies were attributable to the residual profit accrued during the year.

Intangible Assets

US$'000	2008	2007	Change	%
Container Transport and Logistics	**47,005**	39,696	7,309	18%
Property Investment and Development	**93**	—	93	N/A
	47,098	39,696	7,402	19%

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

Liquid Assets

US$'000	2008	2007	Change	%
Container Transport and Logistics	**595,303**	489,007	106,296	22%
Property Investment and Development	**591,874**	202,860	389,014	192%
Cash and portfolio funds	**847,843**	1,545,209	(697,366)	-45%
Available-for-sale listed equity securities	**5,435**	7,789	(2,354)	-30%
Held-to-maturity investments	**36,632**	—	36,632	N/A
	2,077,087	2,244,865	(167,778)	-7%

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.

Liquid Assets per ordinary share at 31st December 2008 amounted to US$3.32 compared with US$3.59 at 31st December 2007.

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.

Available-for-sale listed equity securities mainly represent listed securities holding for medium-term value growth and held-to-maturity investments are entirely bonds intended to hold towards maturity.

The Group's total liquid assets at the end of 2007 and 2008 can be further analysed as follows:

US$'000	2008	2007	Change	%
Cash (per cashflow statement)	**1,778,453**	1,855,289	(76,836)	-4%
Bank overdrafts	**262**	181	81	45%
Bank balances and deposits maturing within three months from the date of placement	**1,778,715**	1,855,470	(76,755)	-4%
Bank balances and deposits maturing over three months from the date of placement	**81,395**	19,919	61,476	309%
Cash and bank balances (per balance sheet)	**1,860,110**	1,875,389	(15,279)	-1%
Restricted bank balances	**120,867**	73,967	46,900	63%
Portfolio investments	**54,043**	287,720	(233,677)	-81%
Available-for-sale listed equity securities	**5,435**	7,789	(2,354)	-30%
Held-to-maturity investments	**36,632**	—	36,632	N/A
Total liquid assets	**2,077,087**	2,244,865	(167,778)	-7%

Accounts Receivable and Other Assets

US$'000	2008	2007	Change	%
Container Transport and Logistics	**512,331**	586,419	(74,088)	-13%
Property Investment and Development	**979,499**	693,454	286,045	41%
Others	**4,538**	4,715	(177)	-4%
	1,496,368	1,284,588	211,780	16%

Accounts receivable and other assets increased by US$211.8 million to US$1,496.4 million at the end of 2008. The decreases for the Container Transport and Logistics principally reflected a lower balance of trade receivables in line with a more cautious credit period extended to customers amid a volatile business environment.

As at 31st December 2008, the balance of accounts receivable and other assets in Property Investment and Development represented the Group's 88% interest in a development project in Luwan district, Shanghai, a 95% interest in a commercial project on Changning Lu, Shanghai, and a 100% interest in a number of projects including a residential project in Kunshan, Jiangsu, a hotel project in Hengshan Lu, Shanghai, a residential project in Pudong, Shanghai and a mixed-use project in Xiaobailou, Tianjin. Accounts receivable and other assets in Property Investment and Development also included the Group's 8% interest in Beijing Oriental Plaza. The increase in balance for 2008 reflected further investments on existing projects.

Accounts Payable and Other Liabilities

US$'000	2008	2007	Change	%
Container Transport and Logistics	**631,540**	650,828	(19,288)	-3%
Property Investment and Development	**217,006**	100,779	116,227	115%
Others	**1,926**	736	1,190	162%
	850,472	752,343	98,129	13%

Accounts payable and other liabilities at the end of 2008 were US$98.1 million higher than that of 2007. The accounts payable and other liabilities for the Container Transport and Logistics in 2008 was comparable with that of 2007 while increases in accounts payable and other liabilities balances for Property Investment and Development mainly represented the balance of auction amount to be paid for the Tianjin project.

Total Debt

US$'000	2008	2007	Change	%
Bank loans	**588,923**	653,774	(64,851)	-10%
Other loans	**205,052**	131,430	73,622	56%
Finance lease obligations	**1,577,909**	1,420,799	157,110	11%
Bank overdrafts	**262**	181	81	45%
	2,372,146	2,206,184	165,962	8%

Total debt increased during the year by US$166.0 million principally as a result of the financial obligations taken on pursuant to the delivery of new container vessels during the year and the capitalisation of lease obligations undertaken for new vessels under construction, offset in part by the scheduled repayments. The repayment profile of the Group's borrowings is set out in Note 36 to the Accounts.

Debt Profile

As at the end of 2008, 95% (2007 : 90%) 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$2,372.1 million debt outstanding at the end of 2008, US$128.7 million was fixed rate debt and the remaining US$2,243.4 million of indebtedness was subject to floating interest rates at various competitive spreads over three months LIBOR (or equivalent) and related principally to indebtedness on vessels, container equipment and the investment property, Wall Street Plaza. The Group's average cost of debt at 31st December 2008 was 2.0% (2007 : 5.2%).

Shareholders' Funds

As at 31st December 2008, the Company had a number of 625,793,297 shares in issue, consisting entirely of ordinary shares. With the favourable operating results, the Group's consolidated shareholders' funds increased by US$210.7 million to US$4,387.1 million as at the end of 2008 with a net asset value per ordinary share of US$7.01 (2007 : US$6.67).

Net Debt to Equity Ratio

This ratio turned from a net cash position at end of 2007 to 0.07 : 1 at end of 2008 mainly a result of the stage payments on newbuildings and continued investments in China projects. 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 three years. It is the Group's objective to keep this key ratio below a threshold of 1.0.

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 2009 amounted to US$349.9 million as detailed in Note 38(b) to the Accounts of this report. Assets under operating lease arrangements consist primarily of container boxes, chassis, container vessels and a terminal in North America.

As at the end of 2008, the Group had outstanding capital commitments amounting to US$1,074.2 million, principally represented by the orders placed for new container vessels to be delivered between 2009 and 2011.

Analysis of Change in Liquid Assets

US$'000	2008	2007	Change	%
Net inflow from operations	**463,341**	563,143	(99,802)	-18%
Investing and financing inflow:				
Interest and investment income	**53,051**	108,994	(55,943)	-51%
Sale of property, plant and equipment and investments	**22,646**	35,772	(13,126)	-37%
Sale of Terminals Division, net of tax	**—**	2,221,893	(2,221,893)	-100%
New loan drawdown	**504,419**	174,860	329,559	188%
Cash from jointly controlled entities	**2,922**	17,271	(14,349)	-83%
Contribution from minority interests	**15,224**	10	15,214	152140%
Others	**—**	1,814	(1,814)	-100%
	598,262	2,560,614	(1,962,352)	-77%
Investing and financing outflow:				
Interest paid	**(102,275)**	(97,890)	(4,385)	4%
Dividends paid to shareholders	**(125,167)**	(1,135,504)	1,010,337	-89%
Taxation paid	**(16,188)**	(49,842)	33,654	-68%
Purchase of property, plant and equipment and investments	**(399,957)**	(509,006)	109,049	-21%
Loan repayments	**(565,799)**	(259,479)	(306,320)	118%
Purchase of intangible assets	**(14,107)**	(14,703)	596	-4%
Others	**(615)**	(288)	(327)	114%
	(1,224,108)	(2,066,712)	842,604	-41%
Net (outflow)/inflow	**(162,505)**	1,057,045	(1,219,550)	-115%
Beginning liquid asset balances	**2,244,865**	1,180,056	1,064,809	90%
Changes in exchange rates	**(5,273)**	7,764	(13,037)	-168%
Ending liquid asset balances	**2,077,087**	2,244,865	(167,778)	-7%
Represented by:				
Unrestricted bank balances and deposits	**1,860,110**	1,875,389	(15,279)	-1%
Restricted bank balances and deposits	**120,867**	73,967	46,900	63%
Portfolio investments	**54,043**	287,720	(233,677)	-81%
Available-for-sale listed equity securities	**5,435**	7,789	(2,354)	-30%
Held-to-maturity investments	**36,632**	—	36,632	N/A
	2,077,087	2,244,865	(167,778)	-7%

A net outflow of US$162.5 million was recorded in 2008 as compared with a net inflow of US$1,057.0 million in 2007. Operating inflow of US$463.3 million for the year was US$99.8 million less than that of 2007 as a result of lower operating profit for the year. The disposal of the Terminals Division was duly completed in 2007 and no further receipt was recorded in 2008. The capital payments and corresponding loan drawdown amounts in 2008 mainly reflected the scheduled stage payments on new vessels previously ordered and continual investments in property development projects. Total liquid asset balances dropped to US$2,077.1 million at the end of 2008 as compared with US$2,244.9 million of 2007.

Liquidity

As at 31st December 2008, the Group had total liquid asset balances of US$2,077.1 million compared with debt obligations of US$153.9 million repayable in 2009. Total current assets at the end of 2008 amounted to US$3,250.2 million against total current liabilities of US$1,020.4 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 an efficient investment of surplus funds.

Board of Directors

TUNG Chee Chen

Kenneth Gilbert CAMBIE

Mr. TUNG Chee Chen, aged 66, has been appointed as Chairman, President and Chief Executive Officer of the Company since October 1996. Mr. Tung chairs the Executive Committee and the Remuneration Committee of the Company. He is also the Chairman or a Director of various subsidiaries of the Company. Mr. Tung graduated from the University of Liverpool, England, where he received his Bachelor of Science degree and acquired a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. Mr. Tung is an Independent Non-Executive Director of BOC Hong Kong (Holdings) Limited, Cathay Pacific Airways Limited, Wing Hang Bank, Limited, Sing Tao News Corporation Limited, PetroChina Company Limited, Zhejiang Expressway Co., Ltd., and U-Ming Marine Transport Corp., which are all listed public companies. Mr. Tung is the brother-in-law of Mr. King Roger and uncle of Mr. Tung Lieh Sing Alan.

Mr. Kenneth Gilbert CAMBIE, aged 47, has been an Executive Director and the Chief Financial Officer of the Company since August 2007. He chairs the Finance Committee and the Share Committee and is a member of the Compliance Committee and the Executive Committee of the Company and a Director of various subsidiaries of the Company. He is a member of the New Zealand Institute of Chartered Accountants and holds a Master of Commerce degree (first class honours) from Auckland University in New Zealand. Mr. Cambie joined the Company following a 20-year career with Citibank. His last position with Citibank was as Director, Transportation, Asia Pacific Corporate Banking based in Hong Kong. In that role Mr. Cambie was responsible for meeting the banking and financing needs of a range of shipping, port, airline and airport companies in the Asia and Pacific regions. Prior to moving to Hong Kong in mid-2001, Mr. Cambie was the corporate banking head for Citibank, New Zealand for seven years and had also spent several years with the bank in Australia in corporate banking and leveraged finance roles. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

CHOW Philip Yiu Wah

Mr. CHOW Philip Yiu Wah, aged 61, has been an Executive Director of the Company since December 2003 and is a member of the Executive Committee, the Finance Committee and the Share Committee of the Company and a Director of various subsidiaries of the Company. Mr. Chow holds a Bachelor of Science degree in chemistry and physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has served the Group in various capacities for 33 years and is the Chief Executive Officer of Orient Overseas Container Line Limited. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

TUNG Lieh Sing Alan

Mr. TUNG Lieh Sing Alan, aged 41, has been an Executive Director of the Company since 1st May 2005. He is the Managing Director of Orient Overseas Developments Limited, a wholly-owned subsidiary of the Company, which is the holding company for the Group's property investments. Mr. Tung has been with the Group in various capacities for 16 years and is a Director of various subsidiaries of the Company. Mr. Tung graduated from Princeton University, Politics Department with a Bachelor of Arts degree. Mr. Tung is a nephew of Mr. Tung Chee Chen and Mr. King Roger. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

KING Roger

Mr. KING Roger, aged 68, has been a Non-Executive Director of the Company since March 2000 and was an Executive Director from 1992, a member of the Finance Committee of the Company since 4th March 2008 and is also a Director of an associated company. He was the Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited ("OOHL") for the period from September 1985 to January 1987 and a Director from 1983 until 1992. Mr. King is a graduate of the University of Michigan, BSEE, New York University, MSEE; Harvard Business School, AMP; and Hong Kong University of Science and Technology, Ph.D. in Finance. Prior to joining OOHL in 1974, he served in the United States Navy and worked in computer research and management consultancy at Bell Telephone Laboratories and John Diebold, respectively. Mr. King is currently a Non-Executive Director of a number of other companies, including Arrow Electronics, Inc., a company listed on the New York Stock Exchange, a Member of the Supervisory Board of TNT N.V., listed in the Netherlands and Sincere Watch (Hong Kong) Limited, listed on the Hong Kong Stock Exchange. He is the former Executive Chairman of System-pro Computers Limited, one of the largest personal computer reseller in Hong Kong and the former Non-Executive Chairman of Pacific Coffee Limited. He is also the former

President and Chief Executive of Sa Sa International Holdings Limited and the former Independent Non-Executive Director and a member of Audit Committee of China LotSynergy Holdings Limited, both of which are listed companies in Hong Kong. Mr. King is the Honorary Consul for the Republic of Latvia in Hong Kong, an Adjunct Professor at The Hong Kong University of Science and Technology and was also a member of the Standing Committee of Zhejiang Province People's Political Consultative Conference. Mr. King is the brother-in-law of Mr. Tung Chee Chen and the uncle of Mr. Tung Lieh Sing Alan.

Simon MURRAY

Mr. Simon MURRAY, CBE, aged 68, has been an Independent Non-Executive Director of the Company since 1992 and was a Non-Executive Director of Orient Overseas (Holdings) Limited from 1989 until 1992. He serves on the Audit Committee of the Company. He is currently the Chairman of General Enterprise Management Services (International) Limited (GEMS Ltd.), a private equity fund management company. He is also a Director of a number of listed public companies, including Cheung Kong (Holdings) Limited, Arnhold Holdings Limited, Compagnie Financière Richemont SA, Sino-Forest Corporation, USI Holdings Limited and Vodafone Group Plc. He is a former Independent Non-Executive Director of Hutchison Whampoa Limited, a listed public company in Hong Kong. Mr. Murray is a member of the Former Directors Committee of the Community Chest of Hong Kong and has been involved in a number of other charitable organisations, including Save The Children Fund and The China Coast Community Association.

FUNG Kwok King Victor

Dr. FUNG Kwok King Victor, aged 63, has been an Independent Non-Executive Director of the Company since July 1996. He is Chairman of the Audit Committee and serves on the Remuneration Committee of the Company. Dr. Fung holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University. He is Group Chairman of Li & Fung (1937) Limited and publicly listed Li & Fung group companies including Li & Fung Limited, Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. He is also an Independent Non-Executive Director of BOC Hong Kong (Holdings) Limited, CapitaLand Limited in Singapore and Baosteel Group Corporation in the People's Republic of China, and a Non-Executive Director of Hup Soon Global Corporation Limited in Singapore. He was an Independent Non-Executive Director of PCCW Limited and Sun Hung Kai Properties Limited in Hong Kong. In public service, Dr. Fung is Chairman of the International Chamber of Commerce. He is a member of the Chinese People's Political Consultative Conference, and a member of the Executive Committee of the Commission on Strategic Development of the Government of The Hong Kong Special Administrative Region. Dr. Fung is also Chairman of the Hong Kong University Council, the Greater Pearl River Delta Business Council and the Hong Kong - Japan Business Co-operation Committee. From 1991 to 2000, he was the Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. From 1999 to 2008, he was Chairman of the Hong Kong Airport Authority. In 2003, the Government awarded Dr. Fung the Gold Bauhinia Star for distinguished service to the community.

Professor WONG Yue Chim Richard

Professor WONG Yue Chim Richard, aged 56, has been an Independent Non-Executive Director of the Company since December 2003. He serves on the Audit Committee and Remuneration Committee of the Company. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is Deputy Vice-Chancellor and Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions to education, housing, industry and technology development. He was appointed a Justice of the Peace in July 2000.

CHENG Wai Sun Edward

Mr. CHENG Wai Sun Edward, aged 53, has been an Independent Non-Executive Director of the Company since 19th March 2009. He serves on the Audit Committee of the Company. Mr. Cheng graduated from Cornell University with a bachelor degree in political science and economics, and Oxford University with a bachelor degree in jurisprudence and a master degree. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng is an Executive Director, Chief Executive and Deputy Chairman of USI Holdings Limited, a Non-Executive Director of Winsor Properties Holdings Limited and an Independent Non-Executive Director of Television Broadcasts Limited, all listed on The Stock Exchange of Hong Kong Limited.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and the Council of the Hong Kong Polytechnic University. He is a Justice of the Peace and is awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region.

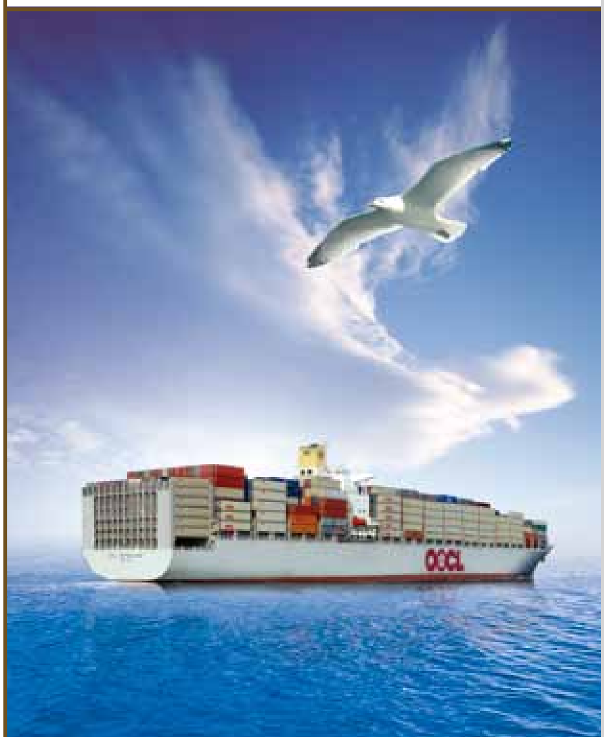
Mr. Cheng was the former Chairman of the Urban Renewal Authority. He has also served on the Hong Kong SAR Government's Commission on Strategic Development, the Steering Committee on Innovation & Technology, the Council of the Hong Kong Institute of Education, the Council of the City University of Hong Kong, the Executive Committee of the Hong Kong Housing Society, the Council of the Hong Kong Institute of Certified Public Accountants, the Securities and Futures Commission's Takeovers and Mergers Panel and the Takeovers Appeal Committee, and was a part-time member of the Central Policy Unit.

CHANG Tsann Rong Ernest

Mr. CHANG Tsann Rong Ernest, aged 69, has been re-designated from a Non-Executive Director to an Independent Non-Executive Director of the Company since 30th December 2008 and is a member of the Finance Committee, Share Committee, Audit Committee and Remuneration Committee of the Company. Mr. Chang was an Executive Director of the Company from 23rd December 1988, a member of the Executive Committee from 30th October 1996 and the Vice Chairman of the Company from 1st December 2003, all until 30th June 2006. He was a Non-Executive Director of the Company from 1st July 2006 until 29th December 2008. He is a Certified Public Accountant in Taiwan and holds a Master of Business Administration degree from Indiana State University, USA. He has served the Group in various capacities for 40 years and was the Chief Executive Officer of Orient Overseas Container Line Limited and a Director of various subsidiaries of the Company until 31st December 2003. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Corporate
Responsibility

We care deeply about our people and the world around us. As a responsible corporate citizen, we give paramount attention to security, safety and environmental care. We are also proud to serve the entire community by voluntarily providing education, charity and cultural entertainment.




OOCL

Senior Management

C L Ting

Mr. Ting, aged 60, has been the Managing Director of OOCL (Asia Pacific) Ltd since April 2001 and Managing Director of OOCLL since October 1996. Mr. Ting holds a Bachelor and Master degree in Economics from the Universite' Catholique de Louvain, in Belgium. Mr. Ting joined the Group in 1974 and has served OOCLL and its subsidiaries in various capacities for 35 years.

Peter Leng

Mr. Leng, aged 61, has been the President of OOCL (USA) Inc. and a Director of OOCLL since July 2003. Mr. Leng holds a Bachelor of Arts degree from Soochow University, Taiwan. Mr. Leng joined the Group in 1976 and has served OOCLL and its subsidiaries in various capacities for 33 years.

Allan Wong

Mr. Wong, aged 55, has been the Managing Director of OOCL (Asia Pacific) Ltd and a Director of OOCLL since October 2000. Mr. Wong holds a Bachelor of Social Science degree and a Master of Business Administration from The Chinese University of Hong Kong. Mr. Wong joined the Group in 1976 and has served OOCLL and its subsidiaries in various capacities for 32 years and has been the Chief Executive Officer of OOCL Logistics Ltd since June 2004.

Henry Wong

Mr. Wong, aged 58, has been the Managing Director of OOCL (Europe) Limited and a Director of OOCLL since January 2006. Mr. Wong holds a Bachelor degree from The Chinese University of Hong Kong. Mr. Wong joined the Group in 1973 and has served OOCLL and its subsidiaries in various capacities for 35 years.

Bosco Louie

Mr. Louie, aged 57, has been the Director of Corporate Logistics and Fleet Management since January 2004 and a Director of OOCLL since March 2006. Mr. Louie holds a Bachelor degree from The University of Hong Kong. Mr. Louie joined the Group in 1975 and has served OOCLL and its subsidiaries in various capacities for 33 years.

Andy Tung

Mr. Tung, aged 44, has been the Chief Operating Officer of OOCLL since 1st January 2009, concurrently a Director of Corporate Planning and Marketing of OOCLL and a Director of OOCLL since March 2006. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration from Stanford University in the USA. Mr. Tung has worked for OOCLL in various management capacities between 1993 and 1999.

Steve Siu

Mr. Siu, aged 51, has been the Chief Information Officer and a Director of OOCLL since November 2006. Mr. Siu holds a Bachelor of Science degree and a Master of Science degree from The University of Essex, UK and a Master of Business Administration jointly organised by Northwestern University and The Hong Kong University of Science and Technology. Mr. Siu joined the Group in 1987 and has served OOCLL and its subsidiaries in various capacities for 21 years and has been the Chief Executive Officer of CargoSmart since January 2002.

Financial Calendar

Announcement of results for the half year ended 30th June 2008	31st July 2008
Despatch of 2008 Interim Report to shareholders	19th August 2008
Announcement of results for the year ended 31st December 2008	20th March 2009
Despatch of 2008 Annual Report to shareholders	7th April 2009
Closure of the Register of Members to determine entitlements to final dividend for ordinary shareholders in respect of the year ended 31st December 2008	27th April 2009 to 30th April 2009 both days inclusive
2008 Annual General Meeting	30th April 2009
Payment of 2008 final dividend	18th May 2009

Shareholder Information

Ordinary shares

Issued shares	625,793,297 shares (as at 31st December 2008)
Nominal value	US$0.10

Annual report

This annual report is available in both English and Chinese.
Shareholders can obtain copies by writing to:

Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attn: Company Secretary

This annual report is also available at our website at http://www.ooilgroup.com.

Shareholder services

Any matters relating to your shareholding, including transfer of shares, change of name or address, and loss of share certificates should be addressed in writing to:

Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990

Shareholder enquiries

Any matters relating to shareholders' rights should be addressed in writing to:

Orient Overseas (International) Limited
33rd Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attn: Company Secretary

Our enquiry hotline is operational during normal office hours:
Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

Ordinary Shareholder Information as at 31st December 2008:

	Shareholders		Shares of US$0.10 each	
Category	**Number**	**Percentage**	**Number**	**Percentage**
Corporate	34	2.9617%	617,496,182	98.6742%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.0871%	2,740	0.0004%
Individual	1,113	96.9512%	8,294,375	1.3254%
	1,148	100.00%	625,793,297	100.00%

	Shareholders		Shares of US$0.10 each	
Number of Shares Held	**Number**	**Percentage**	**Number**	**Percentage**
1 – 10,000	1,057	92.0732%	1,644,064	0.2627%
10,001 – 100,000	74	6.4460%	2,266,414	0.3622%
100,001 – 1,000,000	12	1.0453%	3,544,374	0.5664%
1,000,001 or above	5	0.4355%	618,338,445	98.8087%
	1,148	100.00%	625,793,297	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2008, the interests of the 10 largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholder	**Number of ordinary shares held**	**Percentage**
Fortune Crest Inc.	347,188,656	55.48%
HKSCC Nominees Limited	190,906,746	30.51%
Gala Way Company Inc.	79,227,432	12.66%
Mok Kwun Cheung	1,237,111	0.20%
Cheng Tien Shun	619,021	0.10%
Chang Tsann Rong Ernest	612,731	0.10%
Leung Kai Lon & Leong I Hong	552,000	0.09%
So Tung Lam	500,000	0.08%
Wong Chun Shing	211,000	0.03%
Chan Ping Wah	160,000	0.03%

Corporate Governance Report

Corporate Governance Practices

The Board of Directors (the "Board") and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year of 2008, 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. TUNG Chee Chen 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 Practices
    - a nomination committee has not been established
    - the remuneration of senior management is disclosed in bands
    - operational results are announced and published quarterly instead of financial results

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 23 to the Listing Rules:

A. BOARD OF DIRECTORS

1. Board Composition

The Board currently comprises four Executive Directors, one Non-Executive Director and five Independent Non-Executive Directors.

Executive Directors

Mr. TUNG Chee Chen *(Chairman, President and Chief Executive Officer)*

Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*

Mr. CHOW Philip Yiu Wah

Mr. TUNG Lieh Sing Alan

Non-Executive Director

Mr. KING Roger

Independent Non-Executive Directors

Mr. Simon MURRAY

Dr. FUNG Kwok King Victor

Professor WONG Yue Chim Richard

Mr. CHENG Wai Sun Edward *

Mr. CHANG Tsann Rong Ernest **

* *appointed as an Independent Non-Executive Director on 19th March 2009*

** *re-designated from a Non-Executive Director to an Independent Non-Executive Director on 30th December 2008*

The biographical details of the Directors and the relevant relationships between them are set out on the Company's website at http://www.ooilgroup.com and on pages 42 to 45 of this annual report.

The Directors, other than Mr. Kenneth Gilbert CAMBIE who has a service contract with the Company, have formal letters of appointment setting out the key terms and conditions of their appointment, and are for a fixed term of three years, renewable or extendable automatically by three years on the expiry of such initial term and every successive period of three years and are subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group bringing independent and diversified experience, competencies, skills and judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between Executive and Non-Executive Directors and has provided adequate checks and balances for safeguarding the interests of the shareholders and the Group.

The Board has received from each Independent Non-Executive Director a written annual confirmation of their independence and considers that all the Independent Non-Executive Directors have satisfied their independence to the Group up to the date of this annual report.

During 2008, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Mr. KING Roger (Non-Executive Director of the Company) is the brother-in-law of Mr. TUNG Chee Chen (Chairman, President and Chief Executive Officer of the Company), and Mr. TUNG Lieh Sing Alan (Executive Director of the Company) is the nephew of both Mr. TUNG Chee Chen and Mr. KING Roger.

Since 1990, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Company and directors and officers of its subsidiaries arising out of corporate activities.

2. Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirement.

The Board has a fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategy and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions and certain specific responsibilities to six committees (Executive, Audit, Remuneration, Finance, Share and Compliance). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company. No such independent professional advice was requested by any Director in 2008.

3. Chairman and Chief Executive Officer

Mr. TUNG Chee Chen is the Chairman and the Chief Executive Officer of the Company with the respective roles set out in writing.

a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:

   — ensure that Directors are briefed and have received accurate, complete, timely and clear information on issues to be discussed at Board meetings;

   — ensure that the Board has considered all key and appropriate issues in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;

— approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matters proposed by other Directors for inclusion in the agenda;

— encourage Directors to contribute fully and actively in the affairs of the Company and the Group and to take the lead to ensure that the Board acts in the best interests of the Company and the Group;

— at least annually to hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors to facilitate the effective contribution of those Non-Executive Directors and Independent Non-Executive Directors (in particular) and to promote a constructive relationship amongst Executive Directors, Non-Executive Directors and Independent Non-Executive Directors;

— ensure effective communication with shareholders and that the views of shareholders are communicated to the Board; and

— attend the annual general meetings and arrange for the chairman of the Audit Committee and the Remuneration Committee, or in the absence of the chairman of the Audit Committee and/or the Remuneration Committee, other members of the Audit Committee and/or the Remuneration Committee, to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meetings, the Chairman shall be entitled to a second or casting vote.

b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operations of the Company and Group business. These duties include to:

— provide leadership and supervise the effective management of the principal divisions of the Group;

— monitor and control the operational and financial performance of the various principal divisions of the Group;

— implement and report to the Board on the adoption of the Company's strategy, policies and objectives by the principal divisions of the Group;

— provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the various principal divisions of the Group; and

— set up programmes for management development and succession planning for the principal divisions of the Group.

4. Board Meetings

Regular Board meetings are scheduled one year in advance to maximise the attendance of Directors. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters into the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is not dealt with by way of written resolution or by a committee (except if that committee was specifically established for such purpose by the Board or by the terms of reference of such committee). If considered appropriate, the Board meeting shall be attended by Independent Non-Executive Directors who have no material interest in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their record.

5. Supply of and Access to Information

All Directors have access to Board's and Committees' papers and other materials either from the Company Secretary or the Chairman so that they are able to make informed decisions on matters placed before them.

6. Nomination of Directors

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company follows a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience, integrity and commitment of that appointee to the relevant principal division, the Company and the Group.

On 30th December 2008, Mr. CHANG Tsann Rong Ernest was re-designated from a Non-Executive Director to an Independent Non-Executive Director of the Company and his re-designation was approved by the Board at the Board meeting held on 5th December 2008. In addition, Mr. CHENG Wai Sun Edward was appointed as an Independent Non-Executive Director of the Company on 19th March 2009 and his appointment was approved by the Board at the Board meeting held on 19th March 2009.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments.

At the annual general meeting of the Company held on 18th April 2008 (the "2007 AGM"), Messrs. Kenneth Gilbert CAMBIE, TUNG Lieh Sing Alan, KING Roger and Simon MURRAY were re-elected as Directors of the Company.

7. Board Committees

In addition to the Audit Committee and Remuneration Committee, established in compliance with the Listing Rules, the other committees comprise the Executive Committee, Finance Committee, Share Committee and Compliance Committee. Each committee has its own well defined scope of duties and terms of reference. The Company Secretary shall make available the terms of reference of the committees to any shareholder upon receipt of a written request from such shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the Directors for their record.

a. Executive Committee

The Executive Committee was established in 1996 and currently comprises Mr. TUNG Chee Chen (Chairman), Mr. Kenneth Gilbert CAMBIE and Mr. CHOW Philip Yiu Wah, with Ms. Lammy LEE as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

— formulate strategy and policies and to set corporate and management targets and operational initiatives and policies on risk management for the principal divisions of the Group and plans and operational directions for the Group;

— monitor, control and manage operational and financial performance and business affairs of the principal divisions of the Group;

— review, discuss and approve (if appropriate) (i) announcements, circulars and other documents (including price sensitive and financial information) required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; (ii) submissions from the Finance Committee, the Share Committee and the Compliance Committee and, if appropriate, to recommend to the Board for consideration and approval;

— approve capital expenditure for a specified amount;

— liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board of the Company for consideration, approval and / or ratification, if necessary; and to

— report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken.

b. **Audit Committee**

The Audit Committee was established in 1992 and currently comprises five members who are Independent Non-Executive Directors, namely, Dr. FUNG Kwok King Victor (chairman), Mr. Simon MURRAY, Professor WONG Yue Chim Richard, Mr. CHENG Wai Sun Edward and Mr. CHANG Tsann Rong Ernest, with Mr. FUNG Yee Chung Vincent, the Head of Internal Audit as the secretary and Ms. Lammy LEE as the assistant secretary.

Mr. CHANG Tsann Rong Ernest and Mr. CHENG Wai Sun Edward were elected as members of the Audit Committee with effect from 30th December 2008 and 19th March 2009 respectively.

Under its Terms of Reference, the primary duties of the Audit Committee include to:

— make recommendation to the Board on the appointment and removal of external auditor 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;

— review the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;

— 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

— monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

Under the Group's whistle-blowing policy, employees may report any concerns regarding accounting, internal accounting controls and auditing matters to the Audit Committee without fear of dismissal or retaliation, in order to ensure that the Group complies with all the applicable laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee will review each complaint and decide on how the investigation should be conducted. In 2008, the Audit Committee received no complaint from employees.

The Audit Committee held two meetings during the year ended 31st December 2008. The following is a summary of work performed by the Audit Committee during 2008:

(i) reviewed the annual accounts for 2007 and the interim accounts for 2008 with recommendations to the Board for approval;

(ii) reviewed the significant audit and accounting issues arising from the external auditor's statutory audit of the 2007 annual accounts and issues arising from the review of the 2008 interim accounts;

(iii) reviewed the impact of the new and revised accounting standards on the Company;

(iv) reviewed the external auditor's audit strategy and approach;

(v) reviewed the Internal Audit Department's audit objectives and approval of the annual Internal Audit Plan;

(vi) reviewed the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during 2007;

(vii) reviewed the effectiveness of the internal control systems;

(viii) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2007 concerning the Audit Committee;

(ix) reviewed the continuing connected transactions and their annual caps; and

(x) reviewed the continuous implementation of the whistle-blowing policy.

The minutes of the Audit Committee meetings are prepared by the secretary of the Audit Committee with details of all matters considered by the attendees and of decisions reached, including any concerns raised by the attendees and dissenting views expressed. The final version of the minutes is sent to the attendees for their records. The minutes are open for inspection by the Committee members and the Board members.

c. Remuneration Committee

The Remuneration Committee was established in 2005 and currently comprises Mr. TUNG Chee Chen (Chairman) and three Independent Non-Executive Directors of the Company, Dr. FUNG Kwok King Victor, Professor WONG Yue Chim Richard and Mr. CHANG Tsann Rong Ernest, with Ms. Lammy LEE as the secretary of the Remuneration Committee.

Mr. CHANG Tsann Rong Ernest was elected as a member of the Remuneration Committee with effect from 30th December 2008.

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 the 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.

In 2008, the Board accepted the recommendations of the Remuneration Committee:

(i) that the emoluments of the Executive Directors of the Company for the year 2008 should continue to be comprised of their respective remunerations as determined by reference to market terms, their individual experience, duties and responsibilities within the Company and its subsidiaries (if applicable) and the Executive Directors also participate in a performance-based discretionary bonus scheme determined by reference to the Company's and the individual's performance;

(ii) the bonus package for the Chairman and the Executive Directors for the year 2007;

(iii) the emolument of the Non-Executive Director of the Company for the year 2008; and

(iv) the directors' fee of the Independent Non-Executive Directors and fees for acting as committee members for the year 2008.

No Director is involved in determining his own remuneration.

d. Finance Committee

The Finance Committee was established in 1993 and currently comprises Mr. Kenneth Gilbert CAMBIE (chairman), Mr. CHOW Philip Yiu Wah, Mr. KING Roger and Mr. CHANG Tsann Rong Ernest, with Ms. Lammy LEE as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

— assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties, equipment and the financing of the business operations of the Group;

— report to the Board on its decisions, and any matters in respect of which it considers that action is needed, and its recommendations as to the steps to be taken; and to

— discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company for its approval.

e. **Share Committee**

The Share Committee was established in 1992 and currently comprises Mr. Kenneth Gilbert CAMBIE (chairman), Mr. CHOW Philip Yiu Wah and Mr. CHANG Tsann Rong Ernest, with Ms. Lammy LEE as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

— deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;

— deal with share transactions including, but not limited to, share repurchases, the issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and the placement of the Company's shares;

— give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to

— discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

f. **Compliance Committee**

The Compliance Committee currently comprises Ms. Lammy LEE (Chairperson), Mr. Kenneth Gilbert CAMBIE, Mr. MOK Yun Lee Paul and Mr. FUNG Yee Chung Vincent.

The primary duties of the Compliance Committee is to ensure the Company's and its subsidiaries' compliance with disclosure obligations pursuant to the Listing Rules on notifiable transactions, connected transactions and continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules and corporate governance compliance and reporting pursuant to Appendix 14 and Appendix 23 to the Listing Rules.

8. Attendance Records of Board Meetings, Board Committees Meetings and General Meetings

The attendance records of each Director and each member of the six Board Committees are as follows:

	Meetings Attended / Held in 2008							
	Board	Executive Committee	Audit Committee	Remuneration Committee	Finance Committee	Share Committee	Compliance Committee	2007 AGM
No. of meetings held during the year	5	11	2	2	3	1	2	1
Executive Directors								
Mr. TUNG Chee Chen (Chairman, President and Chief Executive Officer)	5/5	11/11	—	2/2	—	—	—	1/1
Mr. Kenneth Gilbert CAMBIE (Chief Financial Officer)	5/5	11/11	—	—	3/3	1/1	2/2	1/1
Mr. CHOW Philip Yiu Wah	4/5	11/11	—	—	3/3	1/1	—	0/1
Mr. TUNG Lieh Sing Alan	5/5	—	—	—	—	—	—	1/1
Non-Executive Director								
Mr. KING Roger	5/5	—	—	—	2/3	—	—	1/1
Independent Non-Executive Directors								
Mr. Simon MURRAY	3/5	—	0/2	—	—	—	—	0/1
Dr. FUNG Kwok King Victor	2/5	—	2/2	2/2	—	—	—	1/1
Professor WONG Yue Chim Richard	4/5	—	2/2	1/2	—	—	—	1/1
Mr. CHANG Tsann Rong Ernest *	5/5	—	—	—	3/3	1/1	—	1/1
Others								
Ms. Lammy LEE (Company Secretary)	—	—	—	—	—	—	2/2	—
Mr. MOK Yun Lee Paul ** (Group Financial Controller)	—	—	—	—	—	—	1/1	—
Mr. FUNG Yee Chung Vincent (Chief Auditor)	—	—	—	—	—	—	2/2	—
Mr. FUNG Kit Man ** (Group Financial Controller)	—	—	—	—	—	—	1/1	—
Average attendance rate	84.44%	100%	66.67%	83.33%	91.67%	100%	100%	77.77%

* *Mr. CHANG Tsann Rong Ernest was re-designated as an Independent Non-Executive Director and elected as a member of the Audit Committee and the Remuneration Committee, all on 30th December 2008*

** *Mr. MOK Yun Lee Paul was appointed as Group Financial Controller following the retirement of Mr. FUNG Kit Man on 1st June 2008*

9. Securities Transactions by Directors

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2008.

10. Share Interests of Directors and Senior Management

a) Directors

Directors' interests in the shares of the Company are set out on page 70 of this annual report.

b) Senior Management

As at 31st December 2008, the number of shares of the Company held by the senior management of the Company are as follows:

Name	Number of shares held
Mr. TING Cheng-Lung	5,000
Mr. LENG Pan Shih Peter	—
Mr. WONG Tak Sing Allan	290,000
Mr. WONG Kong Tsun Henry	—
Mr. LOUIE Bun Hei Bosco	110,000
Mr. TUNG Lieh Cheung Andy	—
Mr. SIU Kai Ho Steve	30,000

11. Emoluments of Directors and Senior Management#

a) Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2008 are set out on page 112 of this annual report.

b) Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2008 are set out below:

Emoluments bands (US$)		No. of Individual(s)
705,101 - 769,200	(HK$5,500,001 - HK$6,000,000)	1
897,401 - 961,500	(HK$7,000,001 - HK$7,500,000)	1
961,501 - 1,025,600	(HK$7,500,001 - HK$8,000,000)	1
1,346,201 - 1,410,300	(HK$10,500,001 - HK$11,000,000)	1
1,474,301 - 1,538,400	(HK$11,500,001 - HK$12,000,000)	1
		5

biographical details of senior management are set out on page 48 of this annual report

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

PricewaterhouseCoopers were re-appointed as the Company's external auditor by shareholders at the 2007 AGM until the conclusion of the next annual general meeting.

The fee in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 31st December 2008 is set out on page 115 note 11 to the consolidated accounts of this annual report.

2. Directors' and Auditor's acknowledgement

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31st December 2008.

PricewaterhouseCoopers, the auditor of the Company, acknowledge their reporting responsibilities in the auditor's report on the financial statements for the year ended 31st December 2008.

3. Internal Controls

The Board is responsible for maintaining sound and effective internal control systems for the Group, and through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal divisions and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for assurance of the reliability of financial information for internal use or publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

— A distinct organisational structure for each principal division with defined authority responsibilities and control/measures.

— An annual budget for each principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for each principal division is approved by the Board on an annual basis.

— A comprehensive management accounting system for each principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purposes. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary.

— Systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and each principal division. Exposure to these risks is monitored by the Executive Committee and the management of the respective principal divisions.

— Clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio.

— The Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal divisions and the Audit Committee that controls have been set in place and adequately addressed.

The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal divisions. The Internal Audit Department has unrestricted access to information that allows it to review all aspects of the Group's risk management, control and governance processes. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on high risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal divisions. The management of the Company and the relevant principal divisions including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations. On a yearly basis, the Internal Audit Department summarises the major audit findings and other relevant information that have come to the Internal Audit Department's attention during the course of the audits and reports to the Audit Committee.

According to the 2008 Internal Audit report, the Group's internal control system is functioning effectively and there was no significant weakness found in the course of the audits carried out during the year. The Audit Committee has concluded that the Group has maintained sound and effective internal controls to safeguard the Group's assets, and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group. The Board, through the Audit Committee and the internal audit function, has reviewed the effectiveness of the Group's internal control systems and is of the view that there are no suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2008. In compliance with the recent amendments to the SEHK Code, the Board will conduct an annual review to ensure that adequate accounting system and staffing are in place to fulfill the continuing financial reporting obligations and will confirm compliance in the Corporate Governance Report as of the year 2009.

The Company has implemented the following procedures and internal controls for the handling and dissemination of price sensitive information:—

a) it monitors any price sensitive information and makes appropriate announcement as required by the Listing Rules;

b) it conducts its affairs by reference to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange;

c) it has established procedures for handling external affairs about the Group; and

d) it has established guidelines to be followed by senior management and employees in dealing with confidential and insider information.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairman of the Audit Committee and the Remuneration Committee, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meetings.

The most recent shareholders' meeting of the Company was the 2007 AGM held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong on 18th April 2008, at which the following ordinary resolutions were passed with the voting results as follows:—

		Number of Votes (%)	
	Ordinary Resolutions	For	Against
1.	To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditor for the year ended 31st December 2007.	495,969,658 (99.909130%)	451,100 (0.090870%)
2.	To declare a final dividend of US13.5 cents (HK$1.05) for the year ended 31st December 2007.	502,010,864 (99.998995%)	5,045 (0.001005%)
3(a).	To re-elect Mr. Kenneth Gilbert CAMBIE as an Executive Director.	499,499,403 (99.498720%)	2,516,505 (0.501280%)
3(b).	To re-elect Mr. TUNG Lieh Sing Alan as an Executive Director.	499,499,006 (99.527685%)	2,370,405 (0.472315%)
3(c).	To re-elect Mr. KING Roger as a Non-Executive Director.	497,119,666 (99.025769%)	4,890,743 (0.974231%)
3(d).	To re-elect Mr. Simon MURRAY as an Independent Non-Executive Director.	443,925,961 (88.428664%)	58,089,948 (11.571336%)
4.	To authorise the Board of Directors to fix the Directors' remuneration.	501,718,764 (100%)	0 (0)%
5.	To re-appoint PricewaterhouseCoopers as Auditor and to authorise the Board of Directors to fix its remuneration.	501,089,161 (99.872312%)	640,648 (0.127688%)
6(a).	To grant a general mandate to the Directors to allot, issue and deal with the Company's shares.	439,286,595 (88.024886%)	59,761,589 (11.975114%)
6(b).	To grant a general mandate to the Directors to repurchase the Company's shares.	502,015,408 (100%)	0 (0%)
6(c).	To extend the general mandate to issue shares to cover the shares repurchased by the Company under Resolution 6(b) above.	443,073,178 (88.784545%)	55,969,960 (11.215455%)

Shareholders who wish to put forward proposals at shareholders' meetings or who have enquiries to put to the Board of the Company may write to the Company Secretary at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The procedures for shareholders to convene a special general meeting are available on our website or on request to the Company Secretary in writing.

D. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

1. Shareholdings Information

As at 31st December 2008:

Authorised share capital: US$205,000,000, comprising 900,000,000 ordinary shares of US$0.1 each, 65,000,000 convertible redeemable preferred shares of US$1 each and 50,000,000 redeemable preferred shares of US$1 each.

Issued and fully-paid up capital: US$62,579,329.7 comprising 625,793,297 ordinary shares of US$0.1 each.

Details of the shareholding of the ordinary shares of the Company by category as at 31st December 2008 are as follows:

Category	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	34	2.9617%	617,496,182
Untraceable Shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.0871%	2,740
Individual	1,113	96.9512%	8,294,375
Total	1,148	100.00%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2008 are as follows:

Number of Shares held	Number of Shareholders	Shareholders % of total
1 - 10,000	1,057	92.0732%
10,001 - 100,000	74	6.4460%
100,001 - 1,000,000	12	1.0453%
1,000,001 or above	5	0.4355%
Total	1,148	100.00%

2. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeds 25% as at 31st December 2008.

3. Financial Calendar

Important dates for the coming financial year are set out on page 49 of this annual report.

Report of the Directors

The Directors of the Company present their report together with the audited accounts of the Company for the year ended 31st December 2008.

Principal Activities

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and jointly controlled entities are set out on pages 166 to 182 of this annual report.

Group Results

The consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") are set out on page 77 of this annual report.

Dividend

An interim dividend of US6.5 cents (HK$0.51 at the exchange rate of US$1 : HK$7.8) per ordinary share was paid on 12th September 2008.

The Directors have recommended the payment of a final dividend for the year ended 31st December 2008 of US4.5 cents (HK$0.35 at the exchange rate of US$1 : HK$7.8) per ordinary share to be paid on 18th May 2009 to the shareholders of the Company whose names appear on the register of members of the Company on 30th April 2009. Shareholders who wish to receive the proposed final dividend in US Dollars should complete the Dividend Election Form and return it to the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on 6th May 2009.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. TUNG Chee Chen *(Chairman, President and Chief Executive Officer)*
Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*
Mr. CHOW Philip Yiu Wah
Mr. TUNG Lieh Sing Alan

Non-Executive Director
Mr. KING Roger

Independent Non-Executive Directors
Mr. Simon MURRAY
Dr. FUNG Kwok King Victor
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward*
Mr. CHANG Tsann Rong Ernest**

* *appointed as an Independent Non-Executive Director on 19th March 2009*
** *re-designated from a Non-Executive Director to an Independent Non-Executive Director on 30th December 2008*

In accordance with the provisions of the Company's Bye-laws, Dr. Fung Kwok King Victor, Mr. Chang Tsann Rong Ernest and Mr. Chow Philip Yiu Wah will retire by rotation at the annual general meeting of the Company to be held on 30th April 2009 (the "Annual General Meeting"). Dr. Fung Kwok King Victor, Mr. Chang Tsann Rong Ernest and Mr. Chow Philip Yiu Wah, being eligible offer themselves (except for Dr. Fung Kwok King Victor) for re-election at the Annual General Meeting. Mr. Cheng Wai Sun Edward, appointed as an Independent Non-Executive Director of the Company on 19th March 2009, and being eligible, offers himself for re-election at the Annual General Meeting of the Company.

Mr. Kenneth Gilbert Cambie has a service contract with the Company which will expire on 31st July 2010. None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers all of the Independent Non-Executive Directors are independent.

Directors' and Chief Executive's Rights to Acquire Shares and Debt Securities

During the year and as at 31st December 2008, none of the Directors nor the Chief Executive of the Company (or any of their associates) (as defined in the Listing Rules) was granted any right to acquire shares in or debt securities of the Company.

Directors' Interest

1. Significant Contracts

The Group continues to share the rental of offices at Harbour Centre, Hong Kong and at Shin Osaki Kangyo Building, Shinagawa-ku, Tokyo, Japan on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and Island Navigation Corporation ("INC") respectively, both owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL and INC to the Group for the year ended 31st December 2008 was approximately US$377,000.

Yuensung Investment Company Limited ("Yuensung"), a company controlled by Mr. C U Tung, uncle of Mr. Tung Chee Chen, also shares the rental of an office at Harbour Centre, Hong Kong with our Group. The total amount of rental on an actual cost reimbursement basis paid by Yuensung to the Group for the year ended 31st December 2008 was approximately US$41,000.

Except for the above (other than contracts amongst Group companies), no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

2. Shares

As at 31st December 2008, the issued share capital of the Company (the "Issued Capital") 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:-

Name	Direct Interests	Other Interests	Total Number of Shares (Long Position)	Percentage
Tung Chee Chen	—	426,416,088 *(Notes 1 & 2)*	426,416,088	68.14%
Chang Tsann Rong Ernest	612,731	—	612,731	0.09%
Chow Philip Yiu Wah	133,100	7,000 *(Note 3)*	140,100	0.02%
Simon Murray	122,000	—	122,000	0.02%
Kenneth Gilbert Cambie	60,000	—	60,000	0.0096%
Professor Wong Yue Chim Richard	—	500 *(Note 4)*	500	0.00008%

Notes:

1. Mr. Tung Chee Chen has an interest in a trust which, through Artson Global Limited ("Artson") as trustee, holds shares of Thelma Holdings Limited ("Thelma"), which has an indirect interest in 426,416,088 Shares, in which Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), wholly owned subsidiaries of Thelma, have direct interests in 347,188,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 426,416,088 Shares are held by Mr. Tung Chee Chen through Tung Holdings (Trustee) Inc. ("THTI").
2. Fortune Crest and Gala Way together are referred to as the controlling shareholders.
3. 7,000 Shares are held by the spouse of Mr. Chow Philip Yiu Wah.
4. 500 Shares are held by the spouse of Professor Wong Yue Chim Richard.

As at 31st December 2008, 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 31st December 2008, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. **Directors' Interests in Competing Business**

As at 31st December 2008, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

Substantial Shareholders' Share Interest

As at 31st December 2008, the following persons (other than a Director or Chief Executive of the Company) 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 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
Artson Global Limited *	Trustee	426,416,088 *(Note 1)*	68.14%
Hanberry Global Limited *	Trustee	426,416,088 *(Note 2)*	68.14%
Thelma Holdings Limited *	Indirect	426,416,088 *(Note 3)*	68.14%
Tung Chee Hwa	Indirect	426,441,319 *(Note 4)*	68.14%
Archmore Investment Limited *	Beneficiary of a trust	426,416,088 *(Note 5)*	68.14%
Edgemont Holdings Limited *	Indirect	426,416,088 *(Note 6)*	68.14%
Javier Global Limited *	Indirect	426,416,088 *(Note 7)*	68.14%
Bartlock Assets Ltd. *	Beneficiary of a trust	426,416,088 *(Note 8)*	68.14%
Flowell Development Inc.	Beneficiary of a trust	426,416,088 *(Note 9)*	68.14%
Izone Capital Limited *	Beneficiary of a trust	426,416,088 *(Note 10)*	68.14%
Jeference Capital Inc. *	Beneficiary of a trust	426,416,088 *(Note 11)*	68.14%
Tung Holdings (Trustee) Inc. *	Voting	426,416,088 *(Note 12)*	68.14%
Fortune Crest Inc.	Direct	347,188,656 *(Note 13)*	55.47%
Gala Way Company Inc.	Direct	79,227,432 *(Note 14)*	12.66%

Notes:

1. Artson, a company which is wholly owned by Mr. Tung Chee Chen, holds 56.36% of the shares of Thelma and, accordingly, has an indirect interest in the same Shares in which Thelma has an interest.

2. Hanberry Global Limited ("Hanberry"), a company which is wholly owned by Mr. Tung Chee Hwa, holds 43.64% of the shares of Thelma and, accordingly, has an indirect interest in the same Shares in which Thelma has an interest.

3. Thelma, a company which is owned collectively by Artson and Hanberry, has an indirect interest in the same Shares in which Fortune Crest and Gala Way, wholly-owned subsidiaries of Thelma, have an interest.

4. Mr. Tung Chee Hwa has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares. Mrs. Tung Chiu Hung Ping Betty (spouse of Mr. Tung Chee Hwa, sister-in-law of Mr. Tung Chee Chen and Mr. King Roger, and mother of Mr. Tung Lieh Sing Alan) owns 25,231 Shares.

5. Archmore Investment Limited ("Archmore"), a company which is wholly owned by Edgemont Holdings Limited ("Edgemont"), has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.

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

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

8. Bartlock Assets Ltd., a company which is wholly owned by Mr. Tung Chee Hwa, has an interest in a trust which, through Hanberry as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.

9. Flowell Development Inc., a company which is wholly owned by Mr. Tung Chee Chen , has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.

10. Izone Capital Limited, a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.

11. Jeference Capital Inc., a company which is wholly owned by Mr. Tung Chee Chen, has an interest in a trust which, through Artson as trustee, holds shares of Thelma, which has an indirect interest in 426,416,088 Shares.

12. THTI is a company wholly owned by Mr. Tung Chee Chen.

13. Fortune Crest has a direct interest in 347,188,656 Shares.

14. Gala Way has a direct interest in 79,227,432 Shares.

15. Mr. Tung Chee Chen is a director of companies marked with an asterisk.

Save as disclosed herein, as at 31st December 2008, the Company has not been notified by any person (other than the Directors or Chief Executive of the Company) who had an interest or short position in the Shares or 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.

Connected Transactions

During the year ended 31st December 2008, the Group had the following continuing connected transactions (the "Continuing Connected Transactions") constituted by the following agreements entered into by OOCL (Taiwan) Co. Ltd. ("OTWL"), the Group's Taiwanese subsidiary and acting as the general agent for the carrier of the Group in Taiwan:—

a) CMT Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreement dated 10th December 2007, both entered into between OTWL and Chinese Maritime Transport Ltd. ("CMT"), CMT agreed to provide and to procure members of the CMT group to provide various services to OTWL in Taiwan including (i) trucking service; (ii) leasing of equipment (including chassis and tractors); (iii) maintenance and repair services for generator sets and chassis; (iv) freight station depot and container storage facilities; (v) container yard and gate services; (vi) crew manning services; and (vii) container inspection services, for a period of three years commencing from 1st January 2008, which is renewable for successive periods of three years upon mutual agreement of the parties and subject to the annual caps of not exceeding US$30,560,000, US$36,000,000 and US$41,000,000 for the years 2008, 2009 and 2010 respectively.

During the year 2008, US$26,980,000 was paid by OTWL to the CMT group for the aforesaid services.

b) AII Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreement dated 10th December 2007, both entered into between OTWL and Associated International Inc. ("AII"), AII agreed to provide and to procure members of the AII group to provide various services to OTWL in Taiwan including (i) provision of office premises; and (ii) freight station depot and container storage facilities, for a period of three years commencing from 1st January 2008, which is renewable for successive periods of three years upon mutual agreement of the parties subject to the annual caps of not exceeding US$2,700,000 for the years 2008, 2009 and 2010 respectively.

During the year 2008, US$1,778,000 was paid by OTWL to AII group for the aforesaid services.

c) AIC Master Agreement

The master agreement dated 29th June 2005 entered into between OTWL and Associated Industries China Inc. was not renewed upon its expiry on 1st January 2008.

Mr. John Peng is the controlling shareholder of CMT and AII, and the brother-in-law of Mr. Tung Chee Chen who is an Executive Director, Chairman, President and Chief Executive Officer of the Company; brother-in-law of Mr. King Roger, a Non-Executive Director of the Company; uncle of Mr. Tung Lieh Sing Alan, an Executive Director of the Company; and brother-in-law of Mr. Tung Chee Hwa, a substantial shareholder of the Company. Mr. Peng and accordingly CMT and AII are therefore connected persons of the Company as defined in the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-Executive Directors of the Company, namely Mr. Simon Murray, Dr. Fung Kwok King Victor, Professor Wong Yue Chim Richard and Mr. Chang Tsann Rong Ernest (excluding Mr. Cheng Wai Sun Edward, appointed a Director of the Company after the approval of the audited financial statements and the Reports of the Directors and the Auditor for the year ended 31st December 2008 on 19th March 2009), have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, have also performed certain agreed-upon procedures on the above Continuing Connected Transactions and confirmed that the transactions entered into:

(i) were approved by the Board of Directors of the Company;

(ii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iii) have not exceeded the respective annual caps.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2008, 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 Bermuda law in relation to the issue of new shares by the Company.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 35 to the consolidated accounts on pages 154 to 155 of this annual report.

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company 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 and conforms to local and international best practices. The CG Code sets out the corporate governance principles to be applied by the Company and its subsidiaries and is constantly reviewed to ensure transparency, accountability and independence. Further information on the CG Code is set out in the corporate governance report (the "Corporate Governance Report") on pages 52 to 67 of this annual report.

Throughout the year of 2008, the Company has complied with the SEHK Code except as set out in the Corporate Governance Report on page 52.

The Board, in addition, acknowledges its responsibility for the Group's systems of internal control and has pursued this responsibility through formalised Group financial and legal procedures, the Group's Internal Audit Department and the Audit Committee.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued Shares as required under the Listing Rules.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment are set out in note 17 to the consolidated accounts on pages 121 to 123 of this annual report.

Donations

Donations made by the Group during the year amount to US$507,000.

Annual General Meeting

The Annual General Meeting will be held on 30th April 2009.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) details of biographical details of the retiring Directors to be re-elected at the Annual General Meeting; (iii) the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities; (iv) the general mandate to authorise the repurchase of the Company's securities and (v) amendments to the Company's Bye-laws together with a proxy form will be distributed to the shareholders of the Company on around 27th March 2009.

Company Secretary

The Company Secretary of the Company is Ms. Lee Chee Fun Lammy, Barrister.

Auditor

The Group's financial accounts have been audited by PricewaterhouseCoopers who will retire at the Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Orient Overseas (International) Limited
Tung Chee Chen
Chairman

Hong Kong, 19th March 2009

Independent Auditor's Report

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

We have audited the consolidated accounts of Orient Overseas (International) Limited (the "Company") set out on pages 77 to 182, which comprise the balance sheets of the Company and the Group as at 31st December 2008, and the consolidated profit and loss account, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the accounts

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2009

Consolidated Profit and Loss Account

For the year ended 31st December 2008

US$'000	Note	2008	2007
Revenue	5	**6,545,140**	5,651,030
Operating costs	6	**(5,668,906)**	(4,645,842)
Gross profit		**876,234**	1,005,188
Fair value loss from an investment property	18	**(25,000)**	—
Other operating income	7	**63,944**	163,871
Other operating expenses	8	**(526,911)**	(481,622)
Operating profit	11	**388,267**	687,437
Finance costs	12	**(90,884)**	(99,078)
Share of profits less losses of jointly controlled entities	21	**3,209**	4,756
Share of profits/(losses) of associated companies	22	**3,697**	(1,091)
Profit before taxation		**304,289**	592,024
Taxation	13	**(28,760)**	(38,275)
Profit for the year from continuing operations		**275,529**	553,749
Discontinued operation :			
Profit for the year from discontinued operation	16	**—**	1,994,653
Profit for the year		**275,529**	2,548,402
Attributable to :			
Equity holders of the Company		**272,337**	2,546,979
Minority interests		**3,192**	1,423
		275,529	2,548,402
Dividends	15	**68,894**	644,613
Earnings per ordinary share (US cents)	14		
- from continuing operations		**43.5**	88.3
- from discontinued operation		**—**	318.7
Basic and diluted		**43.5**	407.0

Consolidated Balance Sheet

As at 31st December 2008

US$'000	Note	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	17	**3,780,945**	3,350,844
Investment property	18	**175,000**	200,000
Prepayments of lease premiums	19	**14,201**	8,710
Jointly controlled entities	21	**10,748**	9,914
Associated companies	22	**57,163**	49,982
Intangible assets	23	**47,098**	39,696
Deferred taxation assets	24	**1,008**	895
Pension and retirement assets	25	**21,868**	4,233
Restricted bank balances	26	**92,759**	63,822
Bank deposit	33	**55,200**	—
Other non-current assets	27	**195,427**	124,337
		4,451,417	3,852,433
Current assets			
Properties under development and for sale	28	**826,889**	385,303
Inventories	29	**89,905**	100,953
Debtors and prepayments	30	**440,237**	694,602
Portfolio investments	31	**54,043**	287,720
Derivative financial instruments	32	**6,126**	7,099
Restricted bank balances	26	**28,108**	10,145
Cash and bank balances	33	**1,804,910**	1,875,389
		3,250,218	3,361,211
Total assets		**7,701,635**	7,213,644

As at 31st December 2008

US$'000	Note	2008	2007
EQUITY			
Equity holders			
Share capital	34	**62,579**	62,579
Reserves	35	**4,324,492**	4,113,789
		4,387,071	4,176,368
Minority interests		**34,292**	14,937
Total equity		**4,421,363**	4,191,305
LIABILITIES			
Non-current liabilities			
Borrowings	36	**2,218,251**	1,864,436
Deferred taxation liabilities	24	**37,689**	33,475
Pension and retirement liabilities	25	**3,931**	11,505
		2,259,871	1,909,416
Current liabilities			
Creditors and accruals	37	**836,535**	752,343
Derivative financial instruments	32	**13,937**	—
Borrowings	36	**153,895**	341,748
Current taxation		**16,034**	18,832
		1,020,401	1,112,923
Total liabilities		**3,280,272**	3,022,339
Total equity and liabilities		**7,701,635**	7,213,644
Net current assets		**2,229,817**	2,248,288
Total assets less current liabilities		**6,681,234**	6,100,721

C C Tung
Kenneth G Cambie
Directors

Balance Sheet

As at 31st December 2008

US$'000	Note	2008	2007
ASSETS			
Non-current assets			
Subsidiaries	20	**169,482**	169,482
Amount due from a subsidiary	20	**1,143,186**	—
Restricted bank balances	26	**—**	121
		1,312,668	169,603
Current assets			
Prepayments		**50**	30
Amounts due from subsidiaries	20	**932,346**	1,979,483
Restricted bank balances	26	**199**	—
Cash and bank balances	33	**1,449**	2,326
		934,044	1,981,839
Total assets		**2,246,712**	2,151,442
EQUITY			
Equity holders			
Share capital	34	**62,579**	62,579
Reserves	35	**1,245,358**	853,320
Total equity		**1,307,937**	915,899

As at 31st December 2008

US$'000	Note	2008	2007
LIABILITIES			
Non-current liability			
Amount due to a subsidiary	20	**417,878**	—
Current liabilities			
Accruals		**596**	500
Derivative financial instruments	32	**1,102**	—
Amounts due to subsidiaries	20	**519,199**	1,235,043
		520,897	1,235,543
Total liabilities		**938,775**	1,235,543
Total equity and liabilities		**2,246,712**	2,151,442
Net current assets		**413,147**	746,296
Total assets less current liabilities		**1,725,815**	915,899

C C Tung

Kenneth G Cambie

Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2008

US$'000	Note	2008	2007
Cash flows from operating activities			
Cash generated from operations	40(a)	**463,341**	563,143
Interest paid		**(35,579)**	(39,352)
Interest element of finance lease rental payments		**(62,721)**	(53,893)
Dividend on preference shares		**(3,975)**	(4,645)
Hong Kong profits tax paid		**—**	(3,253)
Overseas tax paid		**(16,188)**	(46,589)
Net cash from operating activities		**344,878**	415,411
Cash flows from investing activities			
Sale of property, plant and equipment		**24,964**	32,139
Sale of available-for-sale financial assets		**36**	7,976
Purchase of property, plant and equipment		**(394,444)**	(502,674)
Purchase of available-for-sale financial assets		**(123)**	(163)
Purchase of held-to-maturity investments		**(10,015)**	—
Decrease/(increase) in portfolio investments		**207,155**	(23,206)
Investment in an associated company		**—**	(6,169)
Disposal of subsidiaries	40(c)	**—**	2,298,266
Overseas tax paid on disposal of subsidiaries	40(c)	**—**	(76,373)
Payment of lease premiums		**(5,485)**	—
Decrease in amounts due by jointly controlled entities		**445**	67
Increase in restricted bank balances and bank deposits maturing more than three months from the date of placement		**(108,376)**	(1,526)
Decrease in other deposits		**—**	3,000
Purchase of intangible assets		**(14,107)**	(14,703)
Increase in other non-current assets		**(232)**	(1,186)
Interest received		**51,957**	108,229
Dividends received from portfolio investments		**1,077**	747
Income from available-for-sale financial assets		**17**	18
Dividends received from jointly controlled entities		**2,477**	17,204
Net cash (used in)/from investing activities		**(244,654)**	1,841,646
Cash flows from financing activities			
New loans		**504,419**	174,860
Repayment of loans		**(495,420)**	(187,202)
Redemption of preference shares		**(10,145)**	(9,680)
Capital element of finance lease rental payments		**(60,315)**	(62,631)
Contribution from minority interests		**15,224**	10
Dividends paid to shareholders		**(125,167)**	(1,135,504)
Dividend paid to minority interests		**(383)**	(288)
Net cash used in financing activities		**(171,787)**	(1,220,435)
Net (decrease)/increase in cash and cash equivalents		**(71,563)**	1,036,622
Cash and cash equivalents at beginning of year		**1,855,289**	810,903
Currency translation adjustments		**(5,273)**	7,764
Cash and cash equivalents at end of year	40(d)	**1,778,453**	1,855,289

Consolidated Statement of Changes in Equity

For the year ended 31st December 2008

US$'000	Equity holders Share capital	Reserves	Sub-total	Minority interests	Total
At 31st December 2006	62,579	2,664,627	2,727,206	12,827	2,740,033
Currency translation adjustments	—	35,346	35,346	965	36,311
Deferred taxation on currency translation adjustments	—	(4,011)	(4,011)	—	(4,011)
Change in fair value	—	9,263	9,263	—	9,263
Asset revaluation reserve realised	—	(2,911)	(2,911)	—	(2,911)
Profit for the year	—	2,546,979	2,546,979	1,423	2,548,402
2006 final dividend	—	(75,049)	(75,049)	—	(75,049)
2006 special dividend	—	(500,324)	(500,324)	—	(500,324)
2007 interim dividend	—	(59,455)	(59,455)	—	(59,455)
2007 special dividend	—	(500,676)	(500,676)	—	(500,676)
Contribution from minority interests	—	—	—	10	10
Dividend paid to minority interests	—	—	—	(288)	(288)
At 31st December 2007	62,579	4,113,789	4,176,368	14,937	4,191,305
Currency translation adjustments	—	31,260	31,260	1,322	32,582
Deferred taxation on currency translation adjustments	—	(2,049)	(2,049)	—	(2,049)
Change in fair value	—	34,322	34,322	—	34,322
Profit for the year	—	272,337	272,337	3,192	275,529
2007 final dividend	—	(84,433)	(84,433)	—	(84,433)
2008 interim dividend	—	(40,734)	(40,734)	—	(40,734)
Contribution from minority interests	—	—	—	15,224	15,224
Dividend paid to minority interests	—	—	—	(383)	(383)
At 31st December 2008	62,579	4,324,492	4,387,071	34,292	4,421,363

Notes to the Consolidated Accounts

1. General information

Orient Overseas (International) Limited ("the Company") is a limited liability company incorporated in Bermuda. The address of its registered office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The Company has its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts, are disclosed in note 4.

The adoption of new / revised HKFRS

In 2008, the Group, which comprises the Company and its subsidiaries, adopted the following amendments and interpretation of HKFRS, which are relevant to its operations.

HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets

The adoption of HKAS 39 & HKFRS 7 (Amendments) resulted in the reclassification of certain financial assets from portfolio investments to held-to-maturity investments. The amendments are effective prospectively from 1st July 2008 and the effect is disclosed in note 27(b).

Other than the above, no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts is resulted from the adoption of HK(IFRIC) – Int 14.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and accounts and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods as follows:

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing Costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1st January 2009
HK(IFRIC)-Int 17	Distributions of non-cash assets to owners	1st July 2009

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards, interpretations and amendments to existing standards that are not yet effective (Continued)

Improvements to HKFRS published in October 2008		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2009
HKAS 16 Amendment	Property, Plant and Equipment	1st January 2009
HKAS 19 Amendment	Employee Benefits	1st January 2009
HKAS 23 Amendment	Borrowing Costs	1st January 2009
HKAS 27 Amendment	Consolidated and Separate Financial Statements	1st January 2009
HKAS 28 Amendment	Investments in Associates	1st January 2009
HKAS 31 Amendment	Interests in Joint Ventures	1st January 2009
HKAS 36 Amendment	Impairment of Assets	1st January 2009
HKAS 38 Amendment	Intangible Assets	1st January 2009
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement	1st January 2009
HKAS 40 Amendment	Investment Property	1st January 2009

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the accounts will result.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

The consolidated accounts also include the Group's attributable share of post-acquisition results and reserves of its jointly controlled entities and associated companies.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. Amounts due from subsidiaries that are equity in nature are classified as non-current assets. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

(b) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of profits less losses is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost or valuation less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for vessels and buildings under construction and freehold land.

Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers	5 to 12 years
Chassis	10 to 12 years
Terminal equipment and improvements	10 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Vehicles, furniture, computer and other equipment	3 to 15 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account. Upon disposal of revalued assets, any revaluation reserve is transferred directly to retained profit.

2. Summary of significant accounting policies (Continued)

2.4 Investment properties

Property that is held for long-tem rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out annually by Directors or independent external valuers. Changes in fair values are recognised in the consolidated profit and loss account.

Investment property held for sale without redevelopment is classified within non-current assets held for sale, under HKFRS 5.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date, usually ranging from three to five years. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2.6 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary company, associated company or jointly controlled entity at the effective date of acquisition and, in respect of an increase in holding in a subsidiary company, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies or jointly controlled entities is included in investments in associated companies or jointly controlled entities.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) *Computer software*

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life of five years.

2. Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.8 Investments

The Group classifies its investments in the following categories: portfolio investments, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Portfolio investments

Portfolio investments include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available for sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses if any.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

2. Summary of significant accounting policies (Continued)

2.9 Properties under development and for sale

The cost of acquiring land held under operating leases is amortised on a straight-line basis over the lease term. If the property is in the course of development or re-development, the amortisation charge is included as part of the costs of the property under development. In all other cases the amortisation charge for the period is recognised in the consolidated profit and loss account immediately. In all other respects, inventories in respect of property development activities are carried at the lower of cost and net realisable value.

2.10 Inventories

Inventories mainly comprise bunkers and consumable stores. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the equity holders of the Company and all the shares are cancelled.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the consolidated profit and loss account as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2. Summary of significant accounting policies (Continued)

2.15 Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates. These schemes are generally funded by payments from employees and by relevant Group companies, taking into account of the recommendations of independent qualified actuaries where required.

For defined benefit pension plans, annual contributions are made in accordance with the advice of qualified actuaries for the funding of retirement benefits in order to build up reserves for each scheme member during the employee's service life and are used to pay to the employee or his or her dependent(s) a pension after retirement. Such pension costs are assessed using the projected unit method, under which, the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries with full valuation of the plans every two to three years. The pension obligations are measured as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liabilities. Plan assets are measured at fair values. Actuarial gains and losses are recognised in the consolidated profit and loss account over the expected average remaining service lives of employees to the extent of the amount in excess of 10% of the greater of the present value of the plan obligations and the fair value of plan assets.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(b) Other post-employment obligations

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the consolidated profit and loss account over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

2.18 Insurance contracts

The Group assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated profit and loss account. The Group regards its financial guarantees provided to its subsidiaries and an investee company as insurance contracts.

2.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A discontinued segment is separately presented from continuing segments.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Summary of significant accounting policies (Continued)

2.21 Revenue recognition

Revenue comprises the fair value for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:-

(a) Freight revenues from the operation of the container transport and logistics business are recognised on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered or on an accrual basis.

(c) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

(d) Sales of properties are recognised when the risks and rewards of the property have been passed to the customers.

(e) Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income is recognised when the right to receive payment is established.

2.22 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.23 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Summary of significant accounting policies (Continued)

2.24 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's accounts in the period in which the dividends are approved by the Company's Directors / shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Additional focus has been put by the Group to mitigate the heightened risks as a result of the recent global financial turmoil.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid extra attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of equity and debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated accounts.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income from container transport and logistics activities is mainly denominated in US dollar and expenses are incurred in various currencies, mainly including US dollar, Euro, Pound sterling, Japanese yen and Renminbi.

As a main rule, a high US dollar exchange rate will have a positive effect on the Group's net earnings for the year and the Group's equity.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has an effect on the results for 2008 of approximately US$23.0 million (2007: US$21.0 million).

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's result will increase/decrease by US$59.3 million (2007: US$51.5 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating cost will be increased by approximately US$2.3 million (2007: US$2.2 million) for one US dollar increase in bunker price per ton.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments, held-to-maturity investments, derivative financial instruments, restricted bank balances, other deposits, debtors and prepayments and advance to an investee company. The credit quality of these exposures are disclosed in relevant notes to the consolidated accounts.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

The table below analyses the Group's and the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31st December 2008				
Borrowings	194,562	324,020	853,605	1,377,650
Creditors and accruals	836,535	—	—	—
Derivative financial instruments	13,937	—	—	—
At 31st December 2007				
Borrowings	443,557	239,377	897,675	1,433,547
Creditors and accruals	752,343	—	—	—
Company				
At 31st December 2008				
Accruals	596	—	—	—
Derivative financial instruments	1,102	—	—	—
Amounts due to subsidiaries	519,199	417,878	—	—
At 31st December 2007				
Accruals	500	—	—	—
Amounts due to subsidiaries	1,235,043	—	—	—

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

There are no material fixed rate receivables or borrowings in the Group.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings. These exposures are partially managed through the use of derivative financial instruments such as interest rate swaps.

At 31st December 2008, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$0.5 million (2007: US$0.2 million) lower/higher, mainly as a result of higher/lower net interest expense on the net floating rate borrowings.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments.

The gearing ratios at 31st December 2008 and 2007 were as follows :

US$'000	2008	2007
Total borrowings (note 36)	**(2,372,146)**	(2,206,184)
Less : Restricted bank balances (note 26)	**120,867**	73,967
Cash and bank balances (note 33)	**1,860,110**	1,875,389
Portfolio investments (note 31)	**54,043**	287,720
Net (debt)/cash and investments	**(337,126)**	30,892
Total equity	**4,421,363**	4,191,305
Gearing ratio	**0.08**	N/A

The change in the gearing ratio results primarily from new borrowings upon vessels delivery and investment in property projects in the People's Republic of China.

3. Financial risk management (Continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Unlisted investments have been valued by reference to the market prices of the underlying investments or by reference to the current market value of similar investments or by reference to the discounted cash flows of the underlying net assets.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange market rates at the balance sheet date.

The fair values of debtors, cash and cash equivalents, creditors and current borrowings are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

4. Critical accounting estimates and judgements

Estimates and judgements used in preparing the accounts are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Investment property

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. Management has critically assessed these estimates and has regularly compared to actual market data and actual transactions entered into by the Group, in view of the volatility of the property market as a result of the global financial crisis.

4. Critical accounting estimates and judgements (Continued)

(c) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated. Subject to result of impairment assessment, technically obsolete or non-strategic assets that have been abandoned will be written down to its recoverable amount.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$13.1 million or US$10.8 million respectively (2007: US$13.9 million or US$11.5 million respectively).

The Group's management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of containers and vessels to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$6.7 million or US$7.4 million respectively (2007: US$6.5 million or US$5.2 million respectively).

(d) Properties under development and for sale

The Group assesses the carrying amounts of properties under development and for sale according to their net realisable values based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(e) Provision of operating cost

Operating costs, which mainly comprise cargo, vessel and voyage costs, equipment repositioning cost and terminal operating cost. Invoices in relation to these expenses are received approximately up to six months after the expenses have been incurred. Consequently, recognition of operating costs is based on the rendering of services as well as the latest tariff agreed with vendors.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

4. Critical accounting estimates and judgements (Continued)

(f) Held-to-maturity investments

The Group follows the HKAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances defined in HKAS 39, it will be required to reclassify the whole class as portfolio investments. The investments would therefore be measured at fair value, not amortised cost. If the class of held-to-maturity investments was tainted, the fair value would decrease by US$4.3 million, and recognised in the consolidated profit and loss account.

5. Revenue and segment information

(a) Revenue

US$'000	2008	2007
Container transport and logistics	**6,502,631**	5,616,179
Property investment and development	**42,509**	34,851
	6,545,140	5,651,030

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

Revenue comprises turnover which includes gross freight, charterhire, service and other income from the operation of the container transport and logistics and sales of properties and rental income from the investment property.

(b) Segment reporting

The principal activities of the Group are container transport and logistics and property investment and development. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, 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 portfolio investments, held-to-maturity investments, derivative financial instruments, deferred taxation assets, tax recoverable, restricted bank balances and cash and bank balances. While unallocated segment liabilities include borrowings, derivative financial instruments, current and deferred taxation liabilities.

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment

The segment results for the year ended 31st December 2008 are as follows:

US$'000	Continuing operations: Container transport and logistics	Property investment and development	Unallocated	Elimination	Group
Revenue	6,502,631	43,447	—	(938)	6,545,140
Operating profit/(loss)	392,115	(24,092)	20,244	—	388,267
Finance costs (note 12)					(90,884)
Share of profits less losses of jointly controlled entities (note 21)					3,209
Share of profits of associated companies (note 22)					3,697
Profit before taxation					304,289
Taxation					(28,760)
Profit for the year					275,529
Capital expenditure	596,666	53,902	—	—	650,568
Depreciation	180,907	991	—	—	181,898
Amortisation	7,047	416	—	—	7,463

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment results for the year ended 31st December 2007 are as follows:

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Property investment and development	Continuing operations: Unallocated	Continuing operations: Elimination	Continuing operations: Sub-total	Discontinued operation: Terminal	Elimination	Group
Revenue	5,616,179	35,774	—	(923)	5,651,030	53,387	(5,773)	5,698,644
Operating profit	554,776	5,626	127,035	—	687,437	9,864	—	697,301
Finance costs (note 12)					(99,078)	(748)		(99,826)
Share of profits less losses of jointly controlled entities (note 21)					4,756	—		4,756
Share of losses of associated companies (note 22)					(1,091)	—		(1,091)
Profit before taxation					592,024	9,116		601,140
Taxation					(38,275)	(4,577)		(42,852)
Profit after taxation					553,749	4,539		558,288
Gain on disposal of subsidiaries, net of tax					—	1,990,114		1,990,114
Profit for the year					553,749	1,994,653		2,548,402
Capital expenditure	731,553	16,950	—	—	748,503	4,400	—	752,903
Depreciation	172,027	94	—	—	172,121	1,867	—	173,988
Amortisation	4,698	1,402	—	—	6,100	—	—	6,100

Inter-segment transfers or transactions are conducted at prices and terms mutually agreed amongst those business segments.

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2008 are as follows:

US$'000	Container transport and logistics	Property investment and development	Unallocated	Group
Segment assets				
Property, plant and equipment	3,676,360	104,585	—	3,780,945
Jointly controlled entities	3,831	6,917	—	10,748
Associated companies	57,163	—	—	57,163
Other assets	577,208	1,166,321	2,109,250	3,852,779
Total assets	4,314,562	1,277,823	2,109,250	7,701,635
Segment liabilities				
Creditors and accruals	(618,705)	(217,006)	(824)	(836,535)
Other liabilities	(3,931)	—	(2,439,806)	(2,443,737)
Total liabilities	(622,636)	(217,006)	(2,440,630)	(3,280,272)

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Primary reporting – business segment (Continued)

The segment assets and liabilities at 31st December 2007 are as follows:

US$'000	Container transport and logistics	Property investment and development	Unallocated	Group
Segment assets				
Property, plant and equipment	3,301,117	49,727	—	3,350,844
Jointly controlled entities	4,136	5,778	—	9,914
Associated companies	49,982	—	—	49,982
Other assets	635,438	875,796	2,291,670	3,802,904
Total assets	3,990,673	931,301	2,291,670	7,213,644
Segment liabilities				
Creditors and accruals	(650,828)	(100,779)	(736)	(752,343)
Other liabilities	(11,505)	—	(2,258,491)	(2,269,996)
Total liabilities	(662,333)	(100,779)	(2,259,227)	(3,022,339)

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Secondary reporting – geographical segment

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

US$'000	Revenue	Operating profit/(loss)	Capital expenditure
Year ended 31st December 2008			
Asia	4,349,101	(12,716)	93,144
North America	1,182,093	(11,376)	20,284
Europe	894,646	—	864
Australia	119,300	—	65
Unallocated *	—	412,359	536,211
	6,545,140	388,267	650,568
Year ended 31st December 2007			
Asia	3,923,146	(3,465)	33,995
North America	856,235	9,091	18,793
Europe	774,691	—	1,236
Australia	96,958	—	32
Unallocated *	—	681,811	694,447
	5,651,030	687,437	748,503
Discontinued operation	53,387	9,864	4,400
Elimination	(5,773)	—	—
	5,698,644	697,301	752,903

5. Revenue and segment information (Continued)

(b) Segment reporting (Continued)

Secondary reporting – geographical segment (Continued)

US$'000	2008	2007
Total assets		
Asia	**1,290,462**	912,548
North America	**311,168**	325,454
Europe	**57,848**	38,288
Australia	**1,188**	1,862
Unallocated *	**6,040,969**	5,935,492
	7,701,635	7,213,644

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

6. Operating costs

Operating costs comprise cargo, vessel and voyage, equipment and repositioning cost, totalling US$5,640.2 million (2007: US$4,627.7 million) and property management and development expenses of US$28.7 million (2007: US$18.1 million).

7. Other operating income

US$'000	2008	2007
Income from available-for-sale financial assets		
– Profit on disposal	—	4,473
– Dividend income	17	18
Interest income from banks	48,060	107,033
Interest income from held-to-maturity investments	1,327	—
Portfolio investment income		
– Fair value gain (realised and unrealised)	—	24,675
– Interest income	2,234	2,493
– Dividend income	1,077	747
Gain on foreign exchange forward contracts	—	662
Gain on interest rate swap contracts	5,916	3,642
Profit on disposal of property, plant and equipment	2,267	8,914
Exchange gain	—	11,214
Others	3,046	—
	63,944	163,871

The investment income from listed investments for the year amounts to US$4.6 million (2007: US$3.2 million).

8. Other operating expenses

US$'000	2008	2007
Business and administrative	475,943	469,505
Corporate	11,951	12,117
Portfolio investment loss		
– Fair value loss (realised and unrealised)	18,510	—
Loss on foreign exchange forward contracts	15,877	—
Loss on currency option contracts	1,473	—
Exchange loss	3,157	—
	526,911	481,622

9. Employee benefit expense

US$'000	2008	2007
Wages and salaries	**398,511**	395,691
Pension and retirement benefits		
– Defined contribution plans (note 25)	**18,790**	16,281
– Defined benefit plans (note 25)	**2,601**	5,536
	419,902	417,508
Representing :		
Continuing operations	**419,902**	413,098
Discontinued operation	**—**	4,410
	419,902	417,508

Employee benefit expenses of US$109.3 million (2007: US$100.1 million) are included in operating costs in the consolidated profit and loss account.

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below :

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2008					
Mr. C C Tung	107	561	724	129	1,521
Mr. Tsann Rong Chang	—	64	—	—	64
Mr. Roger King	—	54	—	5	59
Mr. Kenneth G Cambie	—	396	134	27	557
Mr. Philip Chow	—	504	734	124	1,362
Mr. Alan Tung	—	260	125	39	424
Mr. Simon Murray	19	—	—	—	19
Dr. Victor K Fung	32	—	—	—	32
Prof. Richard Wong	26	—	—	—	26

The discretionary bonuses paid in 2008 relate to performance for year 2007.

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

(a) Directors' emoluments (Continued)

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2007						
Mr. C C Tung	106	539	1,924	—	118	2,687
Mr. Tsann Rong Chang	—	64	—	—	—	64
Mr. Roger King	—	54	—	—	5	59
Mr. Nicholas D Sims	67	130	1,949	70	65	2,281
Mr. Kenneth G Cambie	—	160	—	—	8	168
Mr. Philip Chow	—	483	715	—	119	1,317
Mr. Alan Tung	—	249	119	—	37	405
Mr. Simon Murray	19	—	—	—	—	19
Dr. Victor K Fung	32	—	—	—	—	32
Prof. Richard Wong	26	—	—	—	—	26

The discretionary bonuses paid in 2007 relate to performance for year 2006.

None of the Directors has waived the right to receive their emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2007: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: two) individuals are as follows:

US$'000	2008	2007
Basic salaries, housing allowances, other allowances and benefits in kind	**1,017**	709
Discretionary bonuses	**1,386**	873
Pension costs - defined contribution plans	**240**	158
	2,643	1,740

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

(b) Five highest paid individuals (Continued)

The emoluments of the five individuals fell within the following bands :

Emolument bands (US$)		Number of individuals 2008	2007
705,101 ~ 769,200	(HK$5,500,001 ~ HK$6,000,000)	**1**	—
769,201 ~ 833,300	(HK$6,000,001 ~ HK$6,500,000)	—	1
897,401 ~ 961,500	(HK$7,000,001 ~ HK$7,500,000)	**1**	1
961,501 ~ 1,025,600	(HK$7,500,001 ~ HK$8,000,000)	**1**	—
1,282,001 ~ 1,346,100	(HK$10,000,001 ~ HK$10,500,000)	—	1
1,346,201 ~ 1,410,300	(HK$10,500,001 ~ HK$11,000,000)	**1**	—
1,474,301 ~ 1,538,400	(HK$11,500,001 ~ HK$12,000,000)	**1**	—
2,243,601 ~ 2,307,700	(HK$17,500,001 ~ HK$18,000,000)	—	1
2,628,201 ~ 2,692,300	(HK$20,500,001 ~ HK$21,000,000)	—	1
		5	5

(c) Key management compensation

US$'000	2008	2007
Salaries and other short-term employee benefits	**8,501**	11,218
Pension costs - defined contribution plans	**788**	777
	9,289	11,995

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April / May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. Operating profit

US$'000	2008 Continuing operations	2007 Continuing operations	2007 Discontinued operation
Operating profit is arrived at after crediting :			
Operating lease rental income			
Land and buildings	**28,224**	24,227	—
and after charging:			
Depreciation			
Owned assets	**118,593**	122,489	1,867
Leased assets	**63,305**	49,632	—
Operating lease rental expense			
Vessels and equipment	**573,618**	505,047	—
Land and buildings	**28,222**	22,756	3,099
Rental outgoings in respect of			
an investment property	**14,573**	13,670	—
Amortisation of intangible assets	**6,705**	4,371	—
Amortisation of leasehold land			
and land use rights	**758**	1,729	—
Auditors' remuneration			
Audit	**2,937**	2,915	—
Non-audit	**1,768**	1,564	2,666

Operating lease rental expenses of US$572.5 million and US$29.3 million (2007: US$503.4 million and US$24.4 million) respectively are included in operating costs and other operating expenses in the consolidated profit and loss account.

12. Finance costs

US$'000	2008	2007
Interest expense		
Bank loans, overdrafts and other loans		
Wholly repayable within five years	**27,136**	27,376
Not wholly repayable within five years	**4,797**	12,808
Loans from minority interests		
Wholly repayable within five years	**262**	493
Not wholly repayable within five years	**5,987**	3,837
Finance lease obligations		
Wholly payable within five years	**12,799**	8,908
Not wholly payable within five years	**42,440**	55,953
	93,421	109,375
Amount capitalised under assets	**(6,150)**	(14,577)
Net interest expense	**87,271**	94,798
Dividend on preference shares	**3,613**	4,280
	90,884	99,078

The borrowing cost of the loans to finance the vessels under construction (note 17) and properties under development and for sale (note 28) represents an average capitalisation rate of approximately 2.2% (2007 : 5.2%).

13. Taxation

US$'000	2008	2007
Current taxation		
Hong Kong profits tax	**(123)**	1,262
Overseas taxation	**27,118**	41,332
	26,995	42,594
Deferred taxation		
Overseas taxation	**1,765**	(4,319)
	28,760	38,275

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 8% to 52% (2007: 7% to 52%) and the rate applicable for Hong Kong profits tax is 16.5% (2007: 17.5%).

The associated companies in the People's Republic of China enjoy preferential tax treatment.

13. Taxation (Continued)

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US$'000	2008	2007
Profit before taxation	304,289	592,024
Share of profits less losses of jointly controlled entities	(3,209)	(4,756)
Share of (profits)/losses of associated companies	(3,697)	1,091
	297,383	588,359
Tax calculated at applicable tax rates	75,255	126,467
Income not subject to tax	(78,332)	(134,589)
Expenses not deductible for tax purposes	22,444	48,714
Tax losses not recognised	8,583	1,782
Temporary differences not recognised	1,100	631
Utilisation of previously unrecognised tax losses	(1,235)	(3,654)
Utilisation of previously unrecognised temporary differences	(363)	(1,982)
Recognition of previously unrecognised temporary differences	(56)	777
Change in tax rates	(18)	(1,090)
Withholding tax	789	1,070
Other items	593	149
	28,760	38,275

14. Earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to equity holders divided by the number of ordinary shares in issue during the year.

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

	2008	2007
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's profit from continuing operations attributable to equity holders (US$'000)	**272,337**	552,326
Earnings per share from continuing operations (US cents)	**43.5**	88.3
Profit from discontinued operation attributable to equity holders (US$'000)	—	1,994,653
Earnings per share from discontinued operation (US cents)	—	318.7

15. Dividends

US$'000	2008	2007
Interim paid of US6.5 cents (2007: US9.5 cents) per ordinary share	**40,734**	59,455
Special paid of nil (2007: US80 cents) per ordinary share	—	500,676
Proposed final of US4.5 cents (2007: US13.5 cents) per ordinary share	**28,160**	84,482
	68,894	644,613

The Board of Directors proposes a final dividend in respect of 2008 of US4.5 cents (2007: US13.5 cents) per ordinary share. The proposed dividend will be accounted for as an appropriation of retained profit in the year ending 31st December 2009.

16. Discontinued operation

An analysis of the results and cash flows of the Disposal Group is as follows :

US$'000		2007
Group		
(i)	**Results**	
	Revenue	53,387
	Operating costs	(38,707)
	Gross profit	14,680
	Other operating income	188
	Other operating expenses	(5,004)
	Operating profit	9,864
	Finance costs	(748)
	Profit before taxation	9,116
	Taxation	(4,577)
	Profit after taxation	4,539
	Gain on disposal of subsidiaries, net of tax (note 40(c))	1,990,114
	Profit from discontinued operation	1,994,653
	Gain on disposal of subsidiaries is stated after deducting estimated capital gain tax of US$76.4 million.	
(ii)	**Cash flows**	
	Operating cash flows	7,171
	Investing cash flows	(4,212)
	Financing cash flows	(2,578)
	Total cash flows	381

17. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Vehicles, furnitures, computer and other equipment	Total
Group								
Cost or valuation								
At 31st December 2007	2,097,344	769,822	974,483	161,670	7,107	87,966	260,889	**4,359,281**
Currency translation adjustments	—	—	—	27	(50)	4,592	(708)	**3,861**
Additions	18,261	292,834	211,009	5,663	—	57,673	45,536	**630,976**
Reclassification	197,965	(197,965)	—	—	—	—	—	**—**
Disposals	(9,334)	—	(55,452)	(4,871)	—	(302)	(10,137)	**(80,096)**
At 31st December 2008	2,304,236	864,691	1,130,040	162,489	7,057	149,929	295,580	**4,914,022**
Accumulated depreciation								
At 31st December 2007	492,664	—	245,928	106,782	1,965	13,176	147,922	**1,008,437**
Currency translation adjustments	—	—	—	12	(16)	688	(543)	**141**
Charge for the year	74,729	—	63,930	6,206	118	4,373	32,542	**181,898**
Disposals	(9,334)	—	(37,308)	(2,381)	—	(302)	(8,074)	**(57,399)**
At 31st December 2008	558,059	—	272,550	110,619	2,067	17,935	171,847	**1,133,077**
Net book amount								
At 31st December 2008	1,746,177	864,691	857,490	51,870	4,990	131,994	123,733	**3,780,945**
At 31st December 2007	1,604,680	769,822	728,555	54,888	5,142	74,790	112,967	**3,350,844**
Net book amount of leased assets								
At 31st December 2008	1,128,116	134,880	350,542	3,282	—	—	1,334	**1,618,154**
At 31st December 2007	968,212	196,559	276,270	6,315	—	—	8,865	**1,456,221**

17. Property, plant and equipment (Continued)

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Vehicles, furnitures, computer and other equipment	Total
Group								
Cost or valuation								
At 31st December 2006	1,746,875	700,568	840,411	153,196	7,172	35,051	242,413	**3,725,686**
Currency translation adjustments	—	—	—	27	(65)	2,496	2,885	**5,343**
Additions	1,298	438,423	240,023	12,071	—	18,933	23,052	**733,800**
Transfer from properties under development and for sale	—	—	—	—	—	32,415	—	**32,415**
Reclassification	369,169	(369,169)	—	—	—	—	—	**—**
Disposals	(19,998)	—	(105,951)	(3,624)	—	(929)	(7,461)	**(137,963)**
At 31st December 2007	2,097,344	769,822	974,483	161,670	7,107	87,966	260,889	**4,359,281**
Accumulated depreciation								
At 31st December 2006	440,632	—	269,712	102,478	1,819	10,619	123,422	**948,682**
Currency translation adjustments	—	—	—	9	28	537	1,798	**2,372**
Charge for the year	68,288	—	63,844	7,210	118	2,855	29,806	**172,121**
Disposals	(16,256)	—	(87,628)	(2,915)	—	(835)	(7,104)	**(114,738)**
At 31st December 2007	492,664	—	245,928	106,782	1,965	13,176	147,922	**1,008,437**
Net book amount								
At 31st December 2007	1,604,680	769,822	728,555	54,888	5,142	74,790	112,967	**3,350,844**
At 31st December 2006	1,306,243	700,568	570,699	50,718	5,353	24,432	118,991	**2,777,004**
Net book amount of leased assets								
At 31st December 2007	968,212	196,559	276,270	6,315	—	—	8,865	**1,456,221**
At 31st December 2006	631,541	553,544	99,980	13,601	—	—	3,093	**1,301,759**

17. Property, plant and equipment (Continued)

(a) Container vessels include three (2007: three) vessels which were previously operated under finance lease terms and direct ownership was acquired by the Group in May 1990. These vessels are carried at Directors' valuation, representing the then purchase consideration which was determined by reference to professional valuations on a cum-charter open market basis of US$87.0 million. Subsequent revaluations of these vessels are not required to be made in accordance with paragraph 80A of Hong Kong Accounting Standard 16 "Property, plant and equipment". Had these vessels been carried at cost, the net book amount of the container vessels would have been reduced by US$0.6 million (2007: US$1.0 million).

(b) Apart from the container vessels mentioned under (a) above, all other property, plant and equipment are carried at cost.

(c) The aggregate net book amount of assets pledged as securities for loans amounts to US$890.6 million (2007: US$874.0 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.

(d) Interest costs of US$3.7 million (2007: US$10.3 million) during the year were capitalised as part of vessels and buildings under construction.

(e) Depreciation charge of US$154.3 million (2007: US$148.6 million) for the year has been expensed in operating cost and US$27.6 million (2007: US$23.5 million) in other operating expenses.

(f) The buildings outside Hong Kong are held under medium-term leasehold land except US$41.3 million (2007: US$29.3 million) are held under long-term leasehold land. US$44.4 million (2007: US$49.1 million) of the buildings are under construction.

18. Investment property

US$'000	2008	2007
Group		
Balance at beginning of year	**200,000**	200,000
Fair value loss	**(25,000)**	—
Balance at end of year	**175,000**	200,000

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, two of which are wholly owned by the Group. The freehold interest in the third parcel, representing approximately 10% of the site, is owned 50% by the Group and under a long-term lease to the Group expiring in the year 2066. The property is stated at Directors' valuation of US$175.0 million (2007: US$200.0 million), by reference to a professional valuation made by an independent valuer in December 2008 on an open market basis.

The investment property is pledged for bank borrowings in 2007 and 2008.

19. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

US$'000	2008	2007
Group		
Leasehold land outside Hong Kong	**14,201**	8,710
Balance at beginning of year	**8,710**	5,416
Currency translation adjustments	**375**	408
Transfer from properties under development and for sale	**—**	3,286
Additions	**5,485**	—
Amortisation	**(369)**	(400)
Balance at end of year	**14,201**	8,710

Amortisation of US$0.4 million (2007: US$0.4 million) is included in "other operating expenses" in the consolidated profit and loss account.

The lease premiums outside Hong Kong are held under medium-term lease, except US$0.4 million (2007: US$0.3 million) are held under long-term lease.

20. Subsidiaries

US$'000	2008	2007
Company		
Unlisted shares, at cost less provision	**169,482**	169,482
Non-current		
Amount due from a subsidiary	**1,143,186**	—
Amount due to a subsidiary	**417,878**	—
Current		
Amounts due from subsidiaries	**932,346**	1,979,483
Amounts due to subsidiaries	**519,199**	1,235,043

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment, except for amount payable of US$417.9 million (2007 : nil) which is not repayable within one year.

Particulars of the principal subsidiaries at 31st December 2008 are shown on pages 166 to 181.

21. Jointly controlled entities

US$'000	2008	2007
Group		
Balance at beginning of year	**13,617**	25,484
Share of results		
– Profit before taxation	**3,534**	5,710
– Taxation	**(325)**	(954)
	16,826	30,240
Currency translation adjustments	**823**	581
Transfer to investment in a subsidiary	**(276)**	—
Dividends received	**(2,477)**	(17,204)
Balance at end of year	**14,896**	13,617
Share of net assets	**14,896**	13,617
Amounts payable	**(4,148)**	(3,703)
	10,748	9,914

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

21. Jointly controlled entities (Continued)

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

US$'000	2008	2007
Non-current assets	280	494
Current assets	44,531	41,760
Current liabilities	(29,915)	(28,637)
	14,896	13,617
Income	5,973	11,488
Expenses	(2,764)	(6,732)
Capital commitment	—	42

Particulars of the principal jointly controlled entities at 31st December 2008 are shown on page 182.

22. Associated companies

US$'000	2008	2007
Group		
Share of net assets		
Balance at beginning of year	49,982	41,820
Share of results		
– Profit/(loss) for the year	3,697	(1,091)
	53,679	40,729
Currency translation adjustments	3,484	3,084
Additions	—	6,169
Balance at end of year	57,163	49,982

22. Associated companies (Continued)

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

US$'000	2008	2007
Non-current assets	**104,521**	80,377
Current assets	**9,280**	8,311
Non-current liabilities	**(42,869)**	(23,519)
Current liabilities	**(13,769)**	(15,187)
	57,163	49,982
Income	**18,302**	8,542
Expenses	**(14,605)**	(9,633)

Particulars of the associated companies at 31st December 2008 are shown on page 182.

23. Intangible assets

US$'000	Computer software development costs
Group	
At 1st January 2007	
Cost	73,914
Accumulated amortisation	(44,551)
Net book amount	29,363
Year ended 31st December 2007	
Opening net book amount	29,363
Currency translation adjustments	1
Additions	14,703
Amortisation	(4,371)
Closing net book amount	39,696
At 31st December 2007	
Cost	88,617
Accumulated amortisation	(48,921)
Net book amount	39,696
Year ended 31st December 2008	
Opening net book amount	39,696
Additions	14,107
Amortisation	(6,705)
Closing net book amount	47,098
At 31st December 2008	
Cost	102,724
Accumulated amortisation	(55,626)
Net book amount	47,098

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

Amortisation of US$6.7 million (2007: US$4.4 million) is included in "other operating expenses" in the consolidated profit and loss account.

24. Deferred taxation assets/(liabilities)

US$'000	2008	2007
Group		
Deferred taxation assets	**1,008**	895
Deferred taxation liabilities	**(37,689)**	(33,475)
	(36,681)	(32,580)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	2008	2007
Deferred taxation assets to be recovered after more than twelve months	**186**	231
Deferred taxation liabilities to be settled after more than twelve months	**(37,689)**	(33,475)

24. Deferred taxation assets/(liabilities) (Continued)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. Movements on the deferred taxation account are as follows:

US$'000	Revenue expenditure	Tax losses	Pensions	Total
Deferred taxation assets				
At 31st December 2006	5,755	185	1,582	7,522
Currency translation adjustments	23	—	—	23
Credited to consolidated profit and loss account	8,129	690	1,540	10,359
At 31st December 2007	13,907	875	3,122	17,904
Currency translation adjustments	5	118	—	123
Credited/(charged) to consolidated profit and loss account	(4,930)	1,130	(3,122)	(6,922)
At 31st December 2008	8,982	2,123	—	11,105

24. Deferred taxation assets/(liabilities) (Continued)

US$'000	Depreciation allowances	Revaluation	Pensions	Revenue expenditure	Total
Deferred taxation liabilities					
At 31st December 2006	7,692	32,259	514	—	40,465
Currency translation adjustments	(32)	—	—	—	(32)
Charged to reserve	—	—	—	4,011	4,011
Charged/(credited) to consolidated profit and loss account	3,694	(48)	510	1,884	6,040
At 31st December 2007	11,354	32,211	1,024	5,895	50,484
Currency translation adjustments	72	—	—	338	410
Charged to reserve	—	—	—	2,049	2,049
Charged/(credited) to consolidated profit and loss account	3,249	(9,701)	155	1,140	(5,157)
At 31st December 2008	14,675	22,510	1,179	9,422	47,786

Deferred taxation assets of US$16.7 million (2007: US$25.0 million) arising from unused tax losses of US$75.8 million (2007: US$117.1 million) have not been recognised in the consolidated accounts. Unused tax losses of US$60.0 million (2007: US$111.1 million) have no expiry date and the balance will expire at various dates up to and including 2010.

Deferred taxation liabilities of US$30.4 million (2007: US$27.8 million) on temporary differences associated with investments in subsidiaries of US$226.7 million (2007: US$199.0 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies.

25. Pension and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$21.4 million (2007: US$21.8 million).

25. Pension and retirement benefits (Continued)

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 83% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions. The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	2008	2007
Group		
Contributions to the schemes	**18,808**	16,334
Forfeitures utilised	**(18)**	(53)
	18,790	16,281

Contributions totalling US$2.6 million (2007: US$2.3 million) were payable to the schemes at the balance sheet date.

Defined benefit schemes

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	Note	2008	2007
Group			
Schemes assets		**21,868**	4,233
Schemes liabilities		**(3,931)**	(3,354)
Net Schemes assets	(a)	**17,937**	879
Post-retirement medical plans	(b)	**—**	(8,151)
		17,937	(7,272)
Representing:			
Pension and retirement assets		**21,868**	4,233
Pension and retirement liabilities		**(3,931)**	(11,505)
		17,937	(7,272)

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

The charges recognised in the consolidated profit and loss account are as follows:

US$'000	Note	2008	2007
Schemes	(a)	**2,635**	3,791
Post-retirement medical plans	(b)	**(34)**	1,745
		2,601	5,536

During the year, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

(a) Net Schemes assets

The principal defined benefit schemes are operated in the United Kingdom and Japan, which were valued by Watson Wyatt Limited and Japan Pension Navigator Co., Ltd. respectively. The defined benefit schemes (the "Schemes") cover approximately 2% of the Group's employees and are funded. The assets of the funded schemes are held in trust funds separate from the Group. Contributions to these schemes are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net Schemes assets recognised in the consolidated balance sheet are determined as follows:

US$'000	2008	2007
Fair value of plan assets	**197,498**	265,213
Present value of funded obligations	**(182,312)**	(267,271)
	15,186	(2,058)
Unrecognised actuarial losses	**2,751**	2,937
Net Schemes assets	**17,937**	879

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(a) Net Schemes assets (Continued)

Movements in the fair value of the plan assets of the Schemes during the year are as follows:

US$'000	2008	2007
Balance at beginning of year	**265,213**	256,581
Expected return on plan assets	**14,038**	15,751
Actuarial (losses)/gains	**(17,529)**	1,549
Currency translation adjustments	**(67,183)**	5,051
Contributions from the Group	**21,704**	3,943
Contributions from plan members	**530**	254
Benefits paid	**(13,699)**	(17,916)
Settlements/curtailments	**(5,576)**	—
Balance at end of year	**197,498**	265,213

Movements in the present value of obligations of the Schemes during the year are as follows:

US$'000	2008	2007
Balance at beginning of year	**267,271**	282,224
Current service cost	**3,067**	3,674
Interest cost	**10,628**	14,159
Actuarial gains	**(10,229)**	(20,320)
Currency translation adjustments	**(65,310)**	5,196
Contributions from the plan members	**530**	254
Benefits paid	**(13,699)**	(17,916)
Settlements/curtailments	**(7,675)**	—
Transfer out of liabilities	**(2,271)**	—
Balance at end of year	**182,312**	267,271

25. **Pension and retirement benefits** (Continued)

Defined benefit schemes (Continued)

(a) **Net Schemes assets** (Continued)

The charges of the Schemes recognised in the consolidated profit and loss account are as follows:

US$'000	2008	2007
Current service cost	**3,067**	3,674
Interest cost	**10,628**	14,159
Expected return on plan assets	**(14,038)**	(15,751)
Amortisation of past service cost	**—**	197
(Gain)/loss on curtailments	**(2,099)**	1,413
Net actuarial loss	**5,077**	99
Net expense recognised for the year	**2,635**	3,791

Charges of US$2.6 million (2007: US$3.8 million) were included in other operating expenses in the consolidated profit and loss account.

The main actuarial assumptions made for the Schemes were as follows:

	2008	2007
Discount rate	**2 to 6%**	2 to 6%
Expected return on plan assets	**1 to 6%**	1 to 8%
Expected future salary increases	**4%**	3 to 5%
Expected future pension increases	**3%**	3 to 6%
Actual return on plan assets (US$'000)	**2,959**	17,088

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(a) Net Schemes assets (Continued)

Plan assets of the Schemes comprise the following :

US$'000	2008		2007	
Equity	**53,953**	**27%**	116,477	44%
Debt	**131,768**	**67%**	135,613	51%
Others	**11,777**	**6%**	13,123	5%
	197,498	**100%**	265,213	100%

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity reflect long-term real rates of return experienced in the respective markets.

(b) Post-retirement medical plans

The Group operated two post-retirement medical plans in the USA, which were valued by Wm Yee Actuarial Consulting.

The amount recognised in the consolidated balance sheet is determined as follows:

US$'000	2008	2007
Fair value of plan assets	**—**	285
Present value of obligations	**—**	(8,211)
	—	(7,926)
Unrecognised actuarial gains	**—**	(225)
Net liabilities of post-retirement medical plans	**—**	(8,151)

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(b) Post-retirement medical plans (Continued)

Movements in the fair value of the plan assets of the post-retirement medical plans during the year are as follows:

US$'000	2008	2007
Balance at beginning of year	**285**	302
Expected return on plan assets	**—**	22
Actuarial losses	**(69)**	(2)
Contributions from the Group	**—**	43
Benefits paid	**—**	(80)
Settlements/curtailments	**(216)**	—
Balance at end of year	**—**	285

Movements in the present value of obligations of the post-retirement medical plans during the year are as follows:

US$'000	2008	2007
Balance at beginning of year	**8,211**	7,656
Current service cost	**—**	363
Interest cost	**—**	450
Actuarial gains	**—**	(178)
Benefits paid	**—**	(80)
Settlements/curtailments	**(94)**	—
Transfer out of liabilities	**(8,117)**	—
Balance at end of year	**—**	8,211

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(b) Post-retirement medical plans (Continued)

The (credits)/charges of the post-retirement medical plans recognised in the consolidated profit and loss account are as follows:

US$'000	2008	2007
Current service cost	—	363
Interest cost	—	450
Expected return on plan assets	—	(22)
Amortisation of past service cost	—	205
Curtailments	**122**	802
Net actuarial gain	**(156)**	(53)
Net (income)/expense recognised for the year	**(34)**	1,745

These (credits)/charges are included in "other operating expenses" in the consolidated profit and loss account.

The main actuarial assumptions made for the post-retirement medical plans are as follows:

	2008	2007
Discount rate	**N/A**	6.0%
Healthcare trend rate	**N/A**	8.0%

25. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(c) The experience adjustments of 2006 to 2008 are as follows:

US$'000	2008	2007	2006
Fair value of plan assets	**197,498**	265,498	256,883
Present value of defined benefit obligations	**(182,312)**	(275,482)	(289,880)
Plan surplus/(deficit)	**15,186**	(9,984)	(32,997)
Experience adjustment on plan assets	**14,601**	(934)	(918)
Percentage of plan assets (%)	**7.4%**	-0.4%	-0.3%
Experience adjustment on plan obligations	**(904)**	3,222	5,429
Percentage of plan obligations (%)	**-0.5%**	1.2%	1.9%

26. Restricted bank balances

US$'000	2008	2007
Group		
Non-current	**92,759**	63,822
Current	**28,108**	10,145
Total restricted bank balances	**120,867**	73,967

The restricted bank balances of US$120.9 million (2007: US$74.0 million) are funds pledged as securities for banking facilities, redeemable preference shares redemption (note 36) and performance under leasing arrangements or required to be utilised for specific purposes.

The effective interest rate on restricted bank balances is 3.8% (2007: 7.4%); these balances have an average maturity of 1.3 years (2007: 2.7 years).

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

26. Restricted bank balances (Continued)

The credit quality of restricted bank balances by reference to Standard & Poor's and Moody's credit ratings is as follows :

US$'000	2008	2007
Group		
AAA	—	678
AA	**74,356**	15,908
A	**2**	56,550
BBB	**46,509**	831
	120,867	73,967

US$'000	2008	2007
Company		
Non-current	—	121
Current	**199**	—
Total restricted bank balances	**199**	121

27. Other non-current assets

US$'000	Note	2008	2007
Group			
Available-for-sale financial assets	(a)	**59,646**	25,420
Held-to-maturity investments	(b)	**36,632**	—
Loan to an investee company	(c)	**79,000**	79,000
Other deposit		**11,825**	11,825
Others		**8,324**	8,092
		195,427	124,337

27. Other non-current assets (Continued)

(a) Available-for-sale financial assets

US$'000	2008	2007
Group		
Balance at beginning of year	**25,420**	22,409
Currency translation adjustments	**(183)**	(1)
Additions	**123**	163
Disposals	**(36)**	(6,414)
Change in fair value transferred to equity	**34,322**	9,263
Balance at end of year	**59,646**	25,420

Available-for-sale financial assets include the following:

US$'000	2008	2007
Listed equity securities		
Hong Kong	**5,428**	7,782
Overseas	**7**	7
Market value of listed equity securities	**5,435**	7,789
Unlisted equity securities	**52,595**	16,255
Unlisted debt securities	**1**	1
Others	**1,615**	1,375
	59,646	25,420

27. Other non-current assets (Continued)

(a) Available-for-sale financial assets (Continued)

The carrying amounts of the Group's available-for-sale financial assets are denominated in the following currencies :

US$'000	2008	2007
Renminbi	**52,508**	16,175
Hong Kong dollar	**6,287**	8,248
Other currencies	**851**	997
	59,646	25,420

(b) Held-to-maturity investments

US$'000	2008	2007
Group		
Listed debt securities		
Hong Kong	**14,177**	—
Overseas	**22,455**	—
	36,632	—
Market value	**32,330**	—

Movement in held-to-maturity investments are as follows :

US$'000	2008	2007
Balance at beginning of year	**—**	—
Transfer from portfolio investments	**26,522**	—
Additions	**10,015**	—
Amortisation	**95**	—
Balance at end of year	**36,632**	—

27. Other non-current assets (Continued)

(b) Held-to-maturity investments (Continued)

The carrying amounts of held-to-maturity investments are mainly denominated in US dollar.

The credit quality of held-to-maturity investments by reference to Standard & Poor's and Moody's credit ratings is as follows:

US$'000	2008	2007
A	**28,890**	—
BBB	**7,742**	—
	36,632	—

During the year, the Group reclassified certain financial assets which do not meet the definition of loans and receivables and are no longer held for the purpose of selling them in the near term out of the portfolio investments into the held-to-maturity investments. The Group believes that the deterioration of the world's financial markets that occurred during the third quarter of 2008 represents a rare circumstance that allows such a reclassification. No such reclassification was permitted for the year ended 31st December 2007.

The fair values of reclassified financial assets as of the date of reclassification amounted to US$26.5 million.

In respect of the reclassified financial assets, the Group has recognised fair value loss of US$0.9 million before reclassification. Interest income of US$0.8 million and US$1.0 million are recognised during the year before and after reclassification respectively.

If the Group had not reclassified financial assets during the current year, fair value losses recognised for the year in the consolidated profit and loss account would have amounted to US$4.3 million.

Effective interest rates on financial assets reclassified into held-to-maturity investments as at their respective dates of reclassification range from 4.1% to 8.7%.

Presented below are the estimated amounts of undiscounted cash flows the Group expected to recover from these reclassified financial assets as at the date of reclassification:

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Debt securities	1,374	1,374	8,052	40,275

(c) Loan to an investee company

The loan is interest free, unsecured and has no specific terms of repayment.

28. Properties under development and for sale

US$'000	2008	2007
Group		
Properties under development for sale	**826,889**	375,306
Completed properties held for sale	**—**	9,997
	826,889	385,303
Representing:		
Leasehold land and land use rights	**488,668**	125,064
Development costs	**338,221**	260,239
	826,889	385,303

Interest costs of US$2.5 million (2007: US$4.3 million) during the year were capitalised as part of properties under development and for sale.

The properties under development are held under medium-term lease outside Hong Kong, except US$177.8 million (2007: US$95.0 million) are held under long-term lease outside Hong Kong.

A bank borrowing is secured on properties under development with the carrying amount of US$114.3 million (2007: US$95.0 million).

29. Inventories

US$'000	2008	2007
Group		
Bunker	**83,997**	93,077
Consumable stores	**5,908**	7,876
	89,905	100,953

The cost of inventories recognised as expense and included in operating cost amounts to US$1,211.8 million (2007: US$791.5 million).

30. Debtors and prepayments

US$'000	2008	2007
Group		
Trade receivables		
– Fully performing	**187,757**	234,684
– Past due but not impaired	**97,374**	115,409
– Impaired and provided for	**4,072**	5,474
	289,203	355,567
Less: provision for impairment	**(4,072)**	(5,474)
Trade receivables - net	**285,131**	350,093
Other debtors	**50,594**	85,006
Prepayments of purchase of property	**—**	165,021
Other prepayments	**72,349**	51,698
Utility and other deposits	**9,208**	6,224
Tax recoverable	**22,955**	36,560
	440,237	694,602

30. Debtors and prepayments (Continued)

The credit quality of trade receivables by reference to Standard & Poor's and Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows :

US$'000	2008	2007
Group		
Counterparties with external credit rating		
A	**10,477**	15,379
BB	**3,016**	3,252
BBB	**4,508**	29
	18,001	18,660
Counterparties without external credit rating		
Group 1	**26,465**	28,098
Group 2	**236,943**	294,478
Group 3	**3,722**	8,857
	267,130	331,433
	285,131	350,093

Note:

Group 1 – new customers (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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.

30. Debtors and prepayments (Continued)

The majority of past due but not impaired trade receivables are less than three months. 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	2008	2007
Below one month	**255,626**	318,834
Two to three months	**24,693**	28,099
Four to six months	**4,812**	3,160
	285,131	350,093

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

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

Movements on the provision for impairment of trade receivables are as follows:

US$'000	2008	2007
Group		
Balance at beginning of year	**5,474**	4,939
Provision	**1,629**	2,265
Write off	**(375)**	(1,354)
Unused amounts reversed	**(2,656)**	(376)
Balance at end of year	**4,072**	5,474

The provision for impairment has been included in 'other operating expenses' in the consolidated profit and loss account.

31. Portfolio investments

US$'000	2008	2007
Group		
Listed equity securities		
Hong Kong	**16,219**	28,417
Overseas	**2,302**	4,196
Market value of listed equity securities	**18,521**	32,613
Unit trust	**4,295**	6,111
Listed debt securities		
Hong Kong	**2,958**	10,762
Overseas	**27,966**	43,622
Money market instruments	**303**	194,612
	54,043	287,720

The carrying amounts of the Group's portfolio investments are mainly denominated in US dollar.

The credit quality of listed debt securities and money market instruments by reference to Standard & Poor's and Moody's credit ratings is as follows:

US$'000	2008	2007
Group		
AAA	**431**	413
AA	**2,702**	217,963
A	**27,343**	17,701
BBB	**219**	12,164
Non ranking	**532**	755
	31,227	248,996

32. Derivative financial instruments

US$'000	2008	2007
Group		
Assets/(liabilities)		
Foreign exchange forward contracts	**(12,464)**	4,172
Currency option contracts	**(1,473)**	—
Interest rate swap contracts	**6,126**	2,927

The credit quality of derivative financial instruments by reference to the Standard & Poor's and Moody's credit rating is as follows :

US$'000	2008	2007
AA	**1,980**	6,781
A	**4,146**	318
	6,126	7,099

(a) Foreign exchange forward contracts

The notional principal amounts of the outstanding foreign exchange forward contracts at 31st December 2008 were US$63.8 million (2007: US$53.9 million).

(b) Currency option contracts

The notional amounts of the outstanding currency option contracts at 31st December 2008 were US$17.5 million (2007: nil).

(c) Interest rate swap contracts

The notional amounts of the outstanding interest rate swap contracts at 31st December 2008 were US$139.7 million (2007: US$189.2 million).

32. Derivative financial instruments (Continued)

US$'000	2008	2007
Company		
Foreign exchange forward contracts	**(1,102)**	—

33. Cash and bank balances

US$'000	2008	2007
Group		
Non-current		
Bank deposit	**55,200**	—
Current		
Short-term bank deposits		
– Maturing more than three months from the date of placement	**26,195**	19,919
– Maturing within three months from the date of placement	**849,813**	1,276,605
	876,008	1,296,524
Cash at bank and in hand	**928,902**	578,865
	1,804,910	1,875,389
Total cash and bank balances	**1,860,110**	1,875,389

The effective interest rate on bank deposits is 1.1% (2007: 4.7%); these deposits have an average maturity of 68 days (2007: 22 days).

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

33. Cash and bank balances (Continued)

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's and Moody's credit ratings is as follows:

US$'000	2008	2007
Group		
AAA	**8,845**	75,629
AA	**1,419,655**	1,617,313
A	**340,550**	139,720
BBB	**45,181**	8,215
BB	**37,406**	25,207
Others	**8,473**	9,305
	1,860,110	1,875,389

US$'000	2008	2007
Company		
Short-term bank deposits		
– Maturing within three months from the date of placement	**—**	1,237
Cash at bank and in hand	**1,449**	1,089
Total cash and bank balances	**1,449**	2,326

34. Share capital

US$'000	2008	2007
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

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2007 and 2008	625,793	62,579

35. Reserves

Group

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
Balance at 31st December 2006	172,457	88,547	4,696	9,948	12,711	(21,097)	2,397,365	2,664,627
Currency translation adjustments								
– Group	–	–	–	–	–	31,681	–	31,681
– Jointly controlled entities	–	–	–	–	–	581	–	581
– Associated companies	–	–	–	–	–	3,084	–	3,084
– Deferred taxation	–	–	–	–	–	(4,011)	–	(4,011)
Change in fair value	–	–	–	–	9,263	–	–	9,263
Asset revaluation reserve realised	–	–	–	–	(2,911)	–	–	(2,911)
Profit for the year	–	–	–	–	–	–	2,546,979	2,546,979
2006 final dividend	–	–	–	–	–	–	(75,049)	(75,049)
2006 special dividend	–	–	–	–	–	–	(500,324)	(500,324)
2007 interim dividend	–	–	–	–	–	–	(59,455)	(59,455)
2007 special dividend	–	–	–	–	–	–	(500,676)	(500,676)
Balance at 31st December 2007	172,457	88,547	4,696	9,948	19,063	10,238	3,808,840	4,113,789
Currency translation adjustments								
– Group	–	–	–	–	–	27,193	–	27,193
– Jointly controlled entities	–	–	–	–	–	583	–	583
– Associated companies	–	–	–	–	–	3,484	–	3,484
– Deferred taxation	–	–	–	–	–	(2,049)	–	(2,049)
Change in fair value	–	–	–	–	34,322	–	–	34,322
Profit for the year	–	–	–	–	–	–	272,337	272,337
2007 final dividend	–	–	–	–	–	–	(84,433)	(84,433)
2008 interim dividend	–	–	–	–	–	–	(40,734)	(40,734)
Balance at 31st December 2008	172,457	88,547	4,696	9,948	53,385	39,449	3,956,010	4,324,492

35. Reserves (Continued)

Company

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2006	172,457	88,547	4,696	130,624	396,324
Profit for the year	—	—	—	1,592,500	1,592,500
2006 final dividend	—	—	—	(75,049)	(75,049)
2006 special dividend	—	—	—	(500,324)	(500,324)
2007 interim dividend	—	—	—	(59,455)	(59,455)
2007 special dividend	—	—	—	(500,676)	(500,676)
Balance at 31st December 2007	172,457	88,547	4,696	587,620	853,320
Profit for the year	—	—	—	517,205	517,205
2007 final dividend	—	—	—	(84,433)	(84,433)
2008 interim dividend	—	—	—	(40,734)	(40,734)
Balance at 31st December 2008	172,457	88,547	4,696	979,658	1,245,358

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$517.2 million (2007: US$1,592.5 million).

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$1,068.2 million (2007: US$676.2 million) as at 31st December 2008, before the proposed final dividends of US$28.2 million (2007: US$84.5 million) (note 15).

36. Borrowings

US$'000	2008	2007
Group		
Non-current		
Bank loans		
– Secured	**455,585**	390,252
– Unsecured	**63,000**	—
Other loans, secured	**—**	6
Loans from minority interests, secured	**154,394**	64,156
Redeemable preference shares and premium (note)	**35,057**	45,689
Finance lease obligations	**1,510,215**	1,364,333
	2,218,251	1,864,436
Current		
Bank overdrafts, unsecured	**262**	181
Bank loans		
– Secured	**65,949**	127,854
– Unsecured	**4,389**	135,668
Other loans, secured	**6**	430
Loans from minority interests		
– Secured	**4,963**	4,963
– Unsecured	**—**	6,041
Redeemable preference shares and premium (note)	**10,632**	10,145
Finance lease obligations	**67,694**	56,466
	153,895	341,748
Total borrowings	**2,372,146**	2,206,184

36. Borrowings (Continued)

The maturity of borrowings is as follows :

US$'000	Bank loans	Bank overdrafts	Other loans	Loans from minority interests	Redeemable preference shares and premium	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2008							
2009	70,338	262	6	4,963	10,632	67,694	91,045
2010	220,438	—	—	4,963	11,142	47,707	72,863
2011	168,733	—	—	4,963	11,677	91,342	115,485
2012	45,150	—	—	4,963	12,223	246,408	267,835
2013	40,953	—	—	4,963	15	134,985	152,600
2014 onwards	43,311	—	—	134,542	—	989,773	1,149,586
	588,923	262	6	159,357	45,689	1,577,909	1,849,414
Wholly repayable within five years	490,597	262	6	—	45,689	375,324	
Not wholly repayable within five years	98,326	—	—	159,357	—	1,202,585	
	588,923	262	6	159,357	45,689	1,577,909	
As at 31st December 2007							
2008	263,522	181	430	11,004	10,145	56,466	123,117
2009	65,949	—	6	4,963	10,632	67,753	132,467
2010	113,542	—	—	4,963	11,142	49,236	110,942
2011	81,345	—	—	4,963	11,677	92,950	151,582
2012	45,154	—	—	4,963	12,223	248,092	298,245
2013 onwards	84,262	—	—	44,304	15	906,302	1,276,798
	653,774	181	436	75,160	55,834	1,420,799	2,093,151
Wholly repayable within five years	436,310	181	436	6,041	—	287,973	
Not wholly repayable within five years	217,464	—	—	69,119	55,834	1,132,826	
	653,774	181	436	75,160	55,834	1,420,799	

36. Borrowings (Continued)

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

	2008				2007			
	US$	£	Rmb	Others	US$	£	Rmb	Others
Bank loans	1.7%	—	5.6%	—	5.2%	—	6.5%	—
Other loans	2.4%	—	—	—	6.7%	—	—	—
Loans from minority interests	0.5%	—	—	—	4.8%	—	6.1%	—
Redeemable preference shares and premium	7.1%	—	—	—	7.1%	—	—	—
Finance lease obligations	0.7%	2.5%	—	5.6%	4.9%	6.3%	—	5.4%

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

	Carrying amounts		Fair values	
US$'000	2008	2007	2008	2007
Bank loans	518,585	390,252	506,772	388,937
Other loans	—	6	—	6
Loans from minority interests	154,394	64,156	154,394	64,156
Redeemable preference shares and premium	35,057	45,689	39,173	47,400
Finance lease obligations	1,510,215	1,364,333	1,510,152	1,364,423
	2,218,251	1,864,436	2,210,491	1,864,922

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.2% (2007: 5.5%).

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

36. Borrowings (Continued)

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

US$'000	2008	2007
US dollar	**2,251,492**	2,004,377
Pound sterling	**40,135**	60,029
Renminbi	**80,473**	141,709
Other currencies	**46**	69
	2,372,146	2,206,184

The fixed interest rate borrowings of the Group as at 31st December 2008 amounted to US$128.7 million (2007: US$157.9 million). The remaining borrowings of US$2,243.4 million (2007: US$2,048.3 million) were subject to floating interest rates.

Note:

In June 2002, the Group entered into, inter alia, a Shareholders Agreement, as subsequently amended, with, inter alios, two unrelated third parties (together the "Preference Shareholders") in relation to a subsidiary. Under the Shareholders Agreement, the Preference Shareholders acquired from the Group 90 cumulative preference shares (the "Preference Shares") of €150 each in this subsidiary and contributed an aggregate of US$100.0 million less the nominal value of the Preference Shares as share premium (the "Premium"). The Preference Shareholders are entitled to receive annual dividends of 7.08% per annum on the aggregate amount of the nominal value of the Preference Shares and Premium outstanding from time to time. To the extent permitted by local law, the Preference Shareholders may propose a repayment of the Premium annually, provided that such repayment does not exceed a maximum percentage specified in the Shareholders Agreement.

37. Creditors and accruals

US$'000	2008	2007
Group		
Trade payables	**159,436**	169,536
Other creditors	**43,728**	71,464
Accrued expenses	**586,744**	470,621
Deferred revenue	**46,627**	40,722
	836,535	752,343

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

US$'000	2008	2007
Below one month	**103,227**	150,254
Two to three months	**47,894**	17,015
Four to six months	**7,873**	1,791
Over six months	**442**	476
	159,436	169,536

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

US$'000	2008	2007
US dollar	**52,303**	66,231
Canadian dollar	**12,278**	18,586
Euro	**12,605**	16,676
Japanese Yen	**25,374**	17,358
Hong Kong dollar	**20,979**	21,449
Renminbi	**21,284**	19,976
Other currencies	**14,613**	9,260
	159,436	169,536

38. Commitments

Group

(a) Capital commitments

US$'000	2008	2007
Contracted but not provided for	**1,004,763**	1,342,902
Authorised but not contracted for	**69,458**	229,197
	1,074,221	1,572,099

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2008			
2009	320,040	29,833	349,873
2010	177,960	23,019	200,979
2011	122,425	14,526	136,951
2012	79,297	4,984	84,281
2013	76,891	2,804	79,695
2014 onwards	534,245	2,731	536,976
	1,310,858	77,897	1,388,755
As at 31st December 2007			
2008	368,164	22,882	391,046
2009	210,635	14,285	224,920
2010	113,683	9,193	122,876
2011	87,095	5,080	92,175
2012	73,824	3,575	77,399
2013 onwards	605,310	4,834	610,144
	1,458,711	59,849	1,518,560

38. Commitments (Continued)

Group (Continued)

(c) Operating lease rental receivable

The future aggregate minimum lease rental income on land and buildings under non-cancellable operating leases are receivable in the following years:

US$'000	2008	2007
2008	—	20,978
2009	**20,372**	21,807
2010	**18,814**	18,729
2011	**16,719**	16,768
2012	**16,286**	17,131
2013	**15,228**	16,056
2014 onwards	**42,051**	42,421
	129,470	153,890

39. Financial guarantees

Group

As at 31st December 2007, the Group had given a corporate guarantee of approximately US$43.1 million in respect of bank loan facilities extended to an investee company. The amount utilised by the investee company as at 31st December 2007 was US$26.5 million. The corporate guarantee was released by the bank during the year ended 31st December 2008.

Company

(a) The Company has given corporate guarantees of approximately US$2,830.0 million (2007: US$2,390.7 million) for its subsidiaries. As at 31st December 2008, the amounts utilised by the subsidiaries were US$2,150.1 million (2007: US$2,027.7 million).

As at 31st December 2007, the Company had given a corporate guarantee of approximately US$43.1 million in respect of bank loan facilities extended to an investee company. The amount utilised by the investee company as at 31st December 2007 was US$26.5 million. The corporate guarantee was released by the bank during the year ended 31st December 2008.

(b) The Company has given corporate guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$401.0 million (2007: US$507.4 million).

(c) The Company has given corporate guarantees of approximately US$434.5 million (2007: US$434.5 million) to its subsidiaries in respect of the instalments of shipbuilding contracts.

The Directors consider that the subsidiaries are financially resourceful in settling the obligations.

40. Notes to consolidated cash flow statement

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

US$'000	2008	2007
Operating profit	**388,267**	687,437
Interest income from banks	**(48,060)**	(107,033)
Interest income from portfolio and held-to-maturity investments	**(3,561)**	(2,493)
Dividend income from portfolio investments	**(1,077)**	(747)
Depreciation	**181,898**	172,121
Fair value loss from an investment property	**25,000**	—
Profit on disposal of property, plant and equipment	**(2,267)**	(8,914)
Income from available-for-sale financial assets	**(17)**	(18)
Profit on disposal of available-for-sale financial assets	**—**	(4,473)
Amortisation of intangible assets	**6,705**	4,371
Amortisation of leasehold land and land use rights	**758**	1,729
Net loss/(gain) on derivative financial instruments	**11,434**	(4,304)
Change in net pension assets/liabilities	**2,548**	1,035
Operating profit before working capital changes	**561,628**	738,711
Increase in properties under development and for sale	**(73,486)**	(16,936)
Decrease/(increase) in inventories	**11,048**	(43,348)
Decrease/(increase) in debtors and prepayments	**55,097**	(291,327)
(Decrease)/increase in creditors and accruals	**(94,422)**	176,043
Settlement of derivative financial instruments	**3,476**	—
Cash generated from operations	**463,341**	563,143

40. Notes to consolidated cash flow statement (Continued)

(b) Major non-cash transactions

During the year, the major non-cash transactions included the inception of finance leases of US$232.9 million (2007: US$220.8 million).

(c) Disposal of subsidiaries

US$'000	2007
Net assets disposed	
Property, plant and equipment	246,427
Other non-current assets	14,860
Debtors and prepayments	74,749
Amounts receivable from group companies	9,895
Cash and bank balances	62,699
Borrowings	(97,599)
Other non-current liabilities	(22,927)
Creditors and accruals	(45,044)
Amounts payable to group companies	(2,207)
Current taxation	(9,074)
	231,779
Gain on disposal, net of tax	1,990,114
Taxation	76,373
Cash consideration, net	2,298,266

40. Notes to consolidated cash flow statement (Continued)

(d) Analysis of cash and cash equivalents

US$'000	2008	2007
Bank balances and deposits maturing within three months from the date of placement	**1,778,715**	1,855,470
Bank overdrafts	**(262)**	(181)
	1,778,453	1,855,289

41. Approval of accounts

The accounts were approved by the Board of Directors on 19th March 2009.

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries					
Cargo System Warehouse and Transport Ltd.	100	3,000 ordinary shares of HK$100 each HK$300,000	Investment holding and container transportation	Hong Kong	Hong Kong
Consolidated Leasing & Terminals, Inc.	100	1 common stock of no par value US$100	Investment holding, equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 ordinary shares of US$10 each US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 2 Inc.	100	10,000 ordinary shares of US$10 each US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Dongguan Orient Container Co. Ltd.	100	Registered capital HK$29,000,000	Container depot	China *	China
DongJin Real Estate Development (TianJin) Co. Ltd.	100	Registered capital US$376,400,000	Property development	China *	China
Far Gain Investment Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	Hong Kong
Glory Top Investment Ltd.	100	10,000 ordinary shares of HK$1 each HK$10,000	Portfolio investment	Hong Kong	Hong Kong
Goodlink Shipping Ltd.	100	500 ordinary shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares of HK$1 each HK$100,000	Container transport	Hong Kong	Hong Kong
Hillingdon Steamship and Navigation Company Ltd.	100	200 ordinary shares of US$100 each US$20,000	Investment holding	Bermuda	Worldwide
Joyocean Navigation Ltd.	100	500 ordinary shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide
Kenwake Ltd.	100	1,600,000 ordinary shares of £1 each	Investment holding	United Kingdom	United Kingdom
	100	520,000 5% cumulative preference shares of £1 each £2,120,000			
Kunshan Guangting Property Co. Ltd.	100	Registered capital US$39,000,000	Property development	China *	China
Kunshan Orient Overseas Kunan Property Co. Ltd.	100	Registered capital US$36,500,000	Property development	China ♀	China
Laronda Company Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Long Beach Container Terminal, Inc.	100	5,000 common stock of no par value US$500,000	Terminal operating	USA	USA

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Longtex Investment Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	China
Maritime Delivery Services Inc.	100	1,000 common stock of US$10 each US$10,000	Trucking service	USA	USA
Millerian Company Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Newcontainer No. 1 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 2 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 3 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 4 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 5 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 6 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 15 (Luxembourg) Shipping S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Newcontainer No. 7 Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 31 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 32 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 36 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 37 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 38 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 39 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 40 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 41 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 42 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 43 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 45 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 48 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 49 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 50 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 51 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 52 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 53 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 55 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Noella Investments Spolka z ograniczona odpowiedzialnoscia	100	100 ordinary shares of PLN500 each PLN50,000	Investment holding	Poland	Poland
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Agencies) Ltd.	100	200 ordinary shares of US$100 each US$20,000	Investment holding	Bermuda	Worldwide
OOCL (Asia Pacific) Ltd.	100	2 ordinary shares of HK$1 each HK$2	Liner territorial office	Hong Kong	Asia Pacific
OOCL (Assets) Holdings Inc.	100	500 ordinary shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 ordinary shares of US$1 each US$50,000	Investment holding	Liberia †	USA
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares of A$1 each A$200,000	Liner agency	Australia	Australia
OOCL Benelux NV	100	226,271 ordinary shares of no par value €609,799	Liner agency	Belgium	Belgium
OOCL (Canada) Inc.	100	10,000 common stock of no par value C$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	China
OOCL (Denmark) A/S	100	1,000 ordinary shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Deutschland) GmbH	100	Registered capital €130,000	Liner agency	Germany	Germany
OOCL (Europe) Ltd.	100	5,000,000 ordinary shares of £1 each £5,000,000	Investment holding and liner territorial office	United Kingdom	Europe
OOCL (Finland) Ltd. Oy	100	150 ordinary shares of €16.82 each €2,522.82	Liner agency	Finland	Finland
OOCL (France) SA	100	60,000 ordinary shares of €15.24 each €914,694.10	Liner agency	France	France
OOCL (HK) Ltd.	100	500 ordinary shares of HK$100 each HK$50,000	Liner agency	Hong Kong	Hong Kong
OOCL (India) Private Ltd.	100	1,000 equity shares of Rupees100 each Rupees100,000	Liner agency	India	India
OOCL (Infotech) Holdings Ltd.	100	2 ordinary shares of US$1 each US$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Ireland) Ltd.	100	100 ordinary shares of €1.25 each €125	Liner agency	Ireland	Ireland
OOCL (Italy) S.r.l.	100	1 quota of €10,000 each €10,000	Liner agency	Italy	Italy

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Japan) Ltd.	100	160,000 ordinary shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd.	100	16,000 common stock of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd.	100	10,000 ordinary shares of US$1 each US$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Macau) Ltd.	100	50 quotas of MOP1,000 each MOP50,000	Liner agency	Macau	Macau
OOCL (Philippines) Inc.	100	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Portugal), Lda	100 100	1 quota of €500 each 1 quota of €24,500 each €25,000	Liner agency	Portugal	Portugal
OOCL (Russia) Ltd.	100	1 participatory share of Rub10,000 each Rub10,000	Liner agency and forwarding	Russia	Russia

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Singapore) Pte Ltd.	100	100,000 ordinary shares of S$1 each S$100,000	Liner agency	Singapore	Singapore
OOCL (Sweden) AB	100	100,000 ordinary shares of SEK1 each SEK100,000	Liner agency	Sweden	Sweden
OOCL (Switzerland) AG	100	200,000 ordinary shares of CHF1 each CHF200,000	Liner agency	Switzerland	Switzerland
OOCL (Taiwan) Co. Ltd.	100	10,000,000 ordinary shares of NT$10 each NT$100,000,000	Liner agency	Taiwan	Taiwan
OOCL (Terminals) Investment Ltd.	100	500 ordinary shares of US$1 each US$500	Investment holding	British Virgin Islands	Worldwide
OOCL (UK) Ltd.	100	3,100,000 ordinary shares of £10 each £31,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 common stock of US$1 each US$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	51	Legal capital US$500,000	Liner agency	Vietnam	Vietnam
OOCL China Domestics Ltd.	100	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China ±	China
OOCL Logistics (Asia Pacific) Ltd.	100	200 ordinary shares of US$100 each US$20,000	Investment holding, transportation and logistics	Bermuda	Asia Pacific

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics (Canada) Ltd.	100	1,000 common stock of C$1 each C$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada
OOCL Logistics (China) Ltd.	100	Registered capital US$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd.	100	2 ordinary shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd.	100	50,000 ordinary shares of HK$10 each HK$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd.	100	35,000 equity shares of Rupees100 each Rupees 3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd.	100	200 ordinary shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd.	100	30,000 common stock of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics (Singapore) Pte Ltd.	100	2 ordinary shares of S$1 each S$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (Taiwan) Ltd.	100	4,250,000 ordinary shares of NT$10 each NT$42,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics (USA) Inc.	100	100 common stock of no par value US$200	Logistics, cargo consolidation, forwarding and investment holding	USA	Worldwide
OOCL Logistics Warehousing and Transportation (Dalian) Co. Ltd.	100	Registered capital US$200,000	Warehousing	China *	China
OOCL Logistics Warehousing and Transportation (Shanghai) Co. Ltd.	100	Registered capital US$1,000,000	Warehousing	China *	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co. Ltd.	100	Registered capital US$4,700,000	Warehousing, transportation and logistics services	China *	China
OOCL Shipping BV	100	30 ordinary shares of €150 each	Ship management and chartering	Netherlands	Worldwide
	—	90 cumulative preference shares of €150 each €18,000			
OOCL Ships (Marshall Islands) Ltd.	100	500 ordinary shares of no par value US$5,000	Ship chartering	Marshall Islands	Worldwide
# OOCL Transport & Logistics Holdings Ltd.	100	169,477,152 ordinary shares of US$1 each US$169,477,152	Investment holding	Bermuda	Worldwide
# OOIL (Investments) Inc.	100	500 ordinary shares of no par value US$5,000	Investment holding	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Orient Container No. 1 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No. 3 (Marshall Islands) Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Marshall Islands	Worldwide
Orient Container No. 4 Shipping Inc.	100	100 ordinary shares of no par value US$100	Ship owning	Liberia †	Worldwide
Orient Overseas (Shanghai) Investment Co. Ltd.	100	Registered capital US$44,250,000	Investment holding	China *	China
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corp.	100	10 common stock of no par value US$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co. Ltd.	100	Registered capital US$2,800,000	Liner agency	China *	China
Orient Overseas Container Line (Europe) Ltd.	100	66,000,000 ordinary shares of £1 each £66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Luxembourg) S.A.	—	5,370 class A shares of US$5 each	Investment holding	Luxembourg	Luxembourg
	100	30,430 class B shares of US$5 each US$179,000			

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	250,000 ordinary shares of RM1 each RM250,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 ordinary shares of €1 each €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Container transport and ship management	Cayman Islands	Worldwide
Orient Overseas Container Line Inc.	100	500 ordinary shares of no par value US$25,000,000	Investment holding	Liberia †	Worldwide
Orient Overseas Container Line Ltd.	100	10,000 ordinary shares of HK$100 each HK$1,000,000	Container transport	Hong Kong	Worldwide
# Orient Overseas Developments Ltd.	100	10,000 ordinary shares of HK$10 each HK$100,000	Investment holding	Hong Kong	Hong Kong
Orient Overseas Property (Shanghai) Co. Ltd.	100	Registered capital US$72,100,000	Property development	China *	China
Senning Property Ltd.	100	1,000 ordinary shares of US$1 each US$1,000	Investment holding	British Virgin Islands	China
Senway Enterprises Ltd.	100	10,000 ordinary shares of HK$1 each HK$10,000	Investment holding	Hong Kong	Hong Kong

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Shanghai OOCL Container Transportation Co. Ltd.	60	Registered capital US$9,350,000	Container depot	China §	China
Shanghai Orient Overseas Huangpu Real Estate Co. Ltd.	100	Registered capital US$30,000,000	Property development	China ♀	China
Shanghai Orient Overseas Kaixuan Real Estate Co. Ltd.	95	Registered capital US$240,000,000	Property development	China §	China
Shanghai Orient Overseas Yongye Real Estate Co. Ltd.	88	Registered capital US$88,000,000	Property development	China §	China
Shanghai Waigaoqiao Xuhui Club Co. Ltd.	100	Registered capital RMB275,950,000	Property development	China *	China
Soberry Investments Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
Surbiton Ltd.	100	500 ordinary shares of no par value US$5,000	Portfolio investment	Liberia †	Worldwide
Treasure King Shipping Ltd.	100	500 ordinary shares of no par value US$5,000	Ship chartering	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Wall Street Plaza, Inc.	100	40 class A common stock of US$1 each	Investment holding	USA	USA
	100	160 class B common stock of US$1 each			
	100	20,000 12% series A non-cumulative non-voting preferred stock of US$1,000 each			
	100	18,000 11% series B non-cumulative non-voting preferred stock of US$1,000 each			
	100	19,500 12% series C non-cumulative non-voting preferred stock of US$1,000 each			
	100	19,000 12% series D non-cumulative non-voting preferred stock of US$1,000 each			
		US$76,500,200			
Wayton (Luxembourg) S.à r.l.	85	75 ordinary shares of US$250 each US$18,750	Ship owning	Luxembourg	Worldwide
Wealth Capital Corporation	100	500 ordinary shares of no par value US$5,000	Investment holding	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Particulars of issued share capital / registered capital	Principal activities	Country of incorporation	Area of operations
Associated companies					
Ningbo Yuan Dong Terminal Co. Ltd.	20	Registered capital RMB624,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co. Ltd.	20	Registered capital US$160,000,000	Terminal operating	China §	China
Jointly controlled entities					
OOCL (UAE) LLC	49	300 ordinary shares of AED1,000 each AED300,000	Liner agency	Dubai	Dubai
Qingdao Orient International Container Storage & Transportation Co. Ltd.	59	Registered capital RMB69,900,000	Container depot	China §	China
Shanghai Orient Overseas Xujiahui Real Estate Co. Ltd.	47.5	Registered capital US$10,000,000	Property development	China §	China

Direct subsidiaries of the Company.
† Companies incorporated in Liberia but redomiciled to the Marshall Islands.
* Wholly foreign-owned enterprise.
§ Sino-foreign equity joint venture enterprise.
± Domestic joint venture enterprise.
♀ Foreign investment enterprise.

Major Customers and Suppliers

Approximately 10.9% and 25.4% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.5% and 4.3% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

10-Year Financial Summary

US$'000	1999	2000	2001	2002	2003	2004	2005	2006	2007	**2008**
Consolidated Profit and Loss Data										
Revenue	2,139,071	2,395,160	2,378,950	2,457,952	3,241,113	4,140,328	4,345,647	4,609,751	5,651,030	**6,545,140**
Operating profit	122,729	166,399	107,391	90,846	359,384	729,008	693,563	621,364	687,437	**388,267**
Finance costs	(41,421)	(48,246)	(45,614)	(30,634)	(18,740)	(43,787)	(55,744)	(71,721)	(99,078)	**(90,884)**
Profit before taxation	80,341	131,464	71,089	62,902	353,306	696,337	644,685	553,218	592,024	**304,289**
Profit for the year from continuing operations	67,623	112,477	61,809	51,948	329,161	670,598	615,198	528,335	553,749	**275,529**
Profit for the year from discontinued operation	—	—	—	—	—	—	36,093	52,805	1,994,653	**—**
Profit for the year	67,623	112,477	61,809	51,948	329,161	670,598	651,291	581,140	2,548,402	**275,529**
Profit attributable to ordinary shareholders	67,221	111,863	61,287	51,738	329,044	670,449	650,854	580,603	2,546,979	**272,337**
Per Ordinary Share										
Earnings (US cents)										
from continuing operations	10.7	17.9	9.8	8.3	53.9	108.5	98.2	84.4	88.3	**43.5**
from discontinued operation	—	—	—	—	—	—	5.8	8.4	318.7	**—**
Dividends (US cents)	2.48	3.31	2.06	2.06	13.76	27.27	27.00	103.00	103.00	**11.00**
Weighted average number of										
ordinary shares in issue ('000)	625,742	625,742	625,742	625,742	610,486	618,024	625,793	625,793	625,793	**625,793**

Notes:

(1) The accounting policies on employee benefits and income taxes were changed in 2002 and the figures prior to 2000 have not been restated to reflect this change.

(2) The net asset value, dividends and earnings per ordinary share of previous years have been restated for the bonus issue.

(3) The results of discontinued operation prior to 2005 have not been restated or reclassified.

US$'000	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Consolidated Balance Sheet Data										
Property, plant and equipment	1,006,412	1,286,197	1,365,378	1,342,438	1,579,798	2,132,066	2,593,946	2,777,004	3,350,844	**3,780,945**
Liquid assets	455,954	458,025	402,424	412,446	680,806	1,105,011	1,286,579	1,167,924	2,244,865	**2,077,087**
Assets held for sale	—	—	—	—	—	—	—	406,232	—	**—**
Liabilities directly associated with assets classified as held for sale	—	—	—	—	—	—	—	(178,992)	—	**—**
Other net current assets/(liabilities)	(327,047)	(346,574)	(343,659)	(341,356)	(422,020)	(227,924)	(165,629)	56,348	75,034	**342,756**
Gross assets	1,862,864	2,155,254	2,150,284	2,189,340	2,754,910	4,014,602	4,814,916	5,600,003	7,213,644	**7,701,635**
Long-term debt	560,457	753,761	760,386	682,759	840,677	1,427,690	1,650,044	1,870,890	1,864,436	**2,218,251**
Total long and short-term debt	733,036	952,053	936,459	895,608	1,098,162	1,581,499	1,838,592	2,068,798	2,206,184	**2,372,146**
Net (liquid assets)/debt	277,082	494,028	534,035	483,162	417,356	476,488	552,013	900,874	(38,681)	**295,059**
Shareholders' funds	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330	2,727,206	4,176,368	**4,387,071**
Ordinary shareholders' funds	708,453	796,747	812,924	860,443	1,110,754	1,809,409	2,284,330	2,727,206	4,176,368	**4,387,071**
Other Financial Information										
Depreciation	69,544	84,118	88,227	101,948	114,740	144,860	157,302	178,761	173,988	**181,898**
Capital expenditure	46,276	378,458	232,353	89,873	437,801	806,491	635,494	633,128	752,903	**650,568**
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	1.03	1.19	1.15	1.04	0.99	0.87	0.80	0.76	0.53	**0.54**
Net debt to equity ratio	0.39	0.62	0.66	0.56	0.38	0.26	0.24	0.33	N/A	**0.07**
Return on average ordinary shareholders' funds (%)	9.9	14.9	7.6	6.2	33.4	45.9	31.8	23.2	73.8	**6.4**
Accounts payable as a % of turnover	18.9	16.3	15.0	15.6	15.0	13.4	13.9	12.2	13.3	**12.8**
Accounts receivable as a % of turnover	11.7	10.2	7.3	7.9	7.6	8.7	9.6	8.3	12.3	**6.7**
Net asset value per ordinary share (US$)	1.14	1.27	1.30	1.37	1.95	2.89	3.65	4.36	6.67	**7.01**

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2008.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL America	5,344	Owned	Asia-Black Sea	1995	24.6	Hong Kong
OOCL Australia	4,583	Owned	Intra-Asia	2006	24.2	Hong Kong
OOCL Belgium	2,808	Owned	Trans-Atlantic	1998	21.0	Hong Kong
OOCL Britain (Note)	5,344	Owned	N/A	1996	24.6	Hong Kong
OOCL California (Note)	5,344	Owned	N/A	1995	24.6	Hong Kong
OOCL Chicago	5,714	Owned	Asia-USEC	2000	24.6	Hong Kong
OOCL China (Note)	5,344	Owned	N/A	1996	24.6	Hong Kong
OOCL Fair	3,161	Owned	Intra-Asia	1987	21.0	Hong Kong
OOCL Fidelity	3,161	Owned	Intra-Asia	1987	21.0	Hong Kong
OOCL Fortune	3,161	Owned	Intra-Asia	1987	21.0	Hong Kong
OOCL Hong Kong	5,344	Owned	Asia-USEC	1995	24.6	Hong Kong
OOCL Japan	5,344	Owned	Trans-Pacific	1996	24.6	Hong Kong
OOCL Rotterdam	8,063	Owned	Trans-Pacific	2004	25.2	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-USEC	2000	24.6	Hong Kong
OOCL Singapore	5,390	Owned	Asia-USEC	1997	24.6	Hong Kong
OOCL Zhoushan	4,583	Owned	Intra-Asia	2006	24.2	Hong Kong
OOCL Asia	8,063	Finance Lease	Trans-Pacific	2006	25.2	Hong Kong
OOCL Atlanta	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Busan	4,578	Finance Lease	Trans-Atlantic	2008	24.5	Hong Kong
OOCL Europe	8,063	Finance Lease	Trans-Pacific	2006	25.2	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Houston	4,578	Finance Lease	Asia-Australia	2007	24.5	Hong Kong
OOCL Kobe	4,578	Finance Lease	S.Asia-USEC	2007	24.5	Hong Kong
OOCL Long Beach	8,063	Finance Lease	Trans-Pacific	2003	25.2	Hong Kong
OOCL Ningbo	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Panama	4,578	Finance Lease	Asia-Australia	2008	24.5	Hong Kong
OOCL Qingdao	8,063	Finance Lease	Trans-Pacific	2004	25.2	Hong Kong
OOCL Shenzhen	8,063	Finance Lease	Trans-Pacific	2003	25.2	Hong Kong
OOCL Southampton	8,063	Finance Lease	Trans-Pacific	2007	25.2	Hong Kong
OOCL Texas	4,578	Finance Lease	Intra-Asia	2008	24.5	Hong Kong
OOCL Tianjin	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Tokyo	8,063	Finance Lease	Asia-Europe	2007	25.2	Hong Kong
OOCL Yokohama	4,578	Finance Lease	Asia-Australia	2007	24.5	Hong Kong
OOCL Montreal	4,402	Operating Lease	Trans-Atlantic	2003	23.0	Hong Kong
OOCL Netherlands	5,390	Operating Lease	Trans-Pacific	1997	24.6	Hong Kong
AS Savonia	1,679	Chartered	Intra-Asia	2008	19.5	Marshall Islands
Bunga Seroja Dua (Note)	7,943	Chartered	Asia-Europe	2007	25.6	Malaysia
Bunga Seroja Satu (Note)	7,943	Chartered	Asia-Europe	2006	25.6	Malaysia
Cape Fawley	1,408	Chartered	Intra-Asia	2008	19.5	Marshall Islands

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
Cardonia	2,824	Chartered	Intra-Asia	2008	24.0	Liberia
Katsuragi	3,797	Chartered	Asia-USEC	2007	22.0	Panama
King Brian	1,710	Chartered	Intra-Asia	2008	19.8	Liberia
Kitano	3,295	Chartered	Asia-Europe	2007	22.0	Japan
Lantau Bridge	1,049	Chartered	Intra-Asia	2008	18.0	Antigua
MCP Kopenhagen	629	Chartered	Intra-Asia	2008	15.0	The Netherlands
Meta	2,732	Chartered	Asia-Europe	2007	22.5	Liberia
NYK Kai	3,295	Chartered	Asia-USEC	2007	22.0	Panama
OEL Singapore	1,028	Chartered	Intra-Asia	2007	19.3	Singapore
OOCL Ability	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Acclaim	1,560	Chartered	Intra-Asia	1997	18.5	Panama
OOCL Achievement	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
OOCL Advance	1,216	Chartered	Intra-Asia	2003	22.0	Marshall Islands
OOCL Ambition	1,560	Chartered	Intra-Asia	1997	18.5	Hong Kong
OOCL Antwerp	5,888	Chartered	Intra-Asia	2006	25.0	Panama
OOCL Bangkok	2,732	Chartered	Intra-Asia	2007	22.5	Liberia
OOCL Bremen	2,741	Chartered	Asia-USEC	2007	22.0	Liberia
OOCL Dubai	5,888	Chartered	Asia-Europe	2006	25.0	Hong Kong
OOCL Finland	1,008	Chartered	Intra-Europe	2006	18.0	United Kingdom
OOCL France	5,560	Chartered	Trans-Pacific	2001	24.9	Liberia
OOCL Germany	5,560	Chartered	Trans-Pacific	2000	24.9	Liberia
OOCL Italy	5,888	Chartered	Trans-Pacific	2007	25.0	Hong Kong
OOCL Kaohsiung	5,888	Chartered	Intra-Asia	2006	25.0	Hong Kong
OOCL Keelung	2,732	Chartered	Intra-Asia	2007	22.5	Germany
OOCL Korea	5,560	Chartered	Asia-USEC	2001	24.9	Germany
OOCL Kuala Lumpur	5,888	Chartered	Trans-Pacific	2007	25.0	Hong Kong
OOCL Los Angeles	5,560	Chartered	Trans-Pacific	2000	24.9	Germany
OOCL Malaysia	5,560	Chartered	Asia-USEC	2000	24.9	Liberia
OOCL Manila	1,679	Chartered	Intra-Asia	2008	21.0	Cyprus
OOCL Melbourne	2,762	Chartered	Asia-Australia	2003	22.0	Hong Kong
OOCL Moscow	1,216	Chartered	Intra-Europe	2007	22.2	Marshall Islands
OOCL Mumbai	2,732	Chartered	Intra-Asia	2007	22.5	Liberia
OOCL Narva	868	Chartered	Intra-Europe	2004	18.0	Germany
OOCL Neva	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL Nevskiy	868	Chartered	Intra-Europe	2001	18.0	Luxembourg
OOCL New York	5,560	Chartered	Trans-Pacific	1999	24.9	Germany
OOCL Oakland	5,888	Chartered	Asia-USEC	2007	25.0	Panama
OOCL Osaka	2,762	Chartered	Intra-Asia	2003	22.0	Panama
OOCL Seattle	5,888	Chartered	Trans-Pacific	2007	25.0	Panama
OOCL Shanghai	5,560	Chartered	Trans-Pacific	1999	24.9	Liberia
OOCL St Petersburg	1,008	Chartered	Intra-Europe	2005	18.0	The Netherlands
OOCL Sydney	2,762	Chartered	Intra-Asia	2003	22.0	Singapore

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL Taichung	1,560	Chartered	Intra-Asia	2008	18.5	Panama
OOCL Thailand	5,560	Chartered	Asia-USEC	2002	24.9	Liberia
OOCL Vancouver	5,888	Chartered	Intra-Asia	2006	25.0	Panama
OOCL Xiamen	2,762	Chartered	Intra-Asia	2003	22.0	Panama
San Clemente	1,512	Chartered	Intra-Asia	2005	19.0	Liberia
Spica	1,098	Chartered	Intra-Asia	2008	19.5	Marshall Islands
Valentina	1,875	Chartered	Trans-Atlantic	2007	21.0	Marshall Islands
Wan Hai 231	1,660	Chartered	Intra-Asia	2008	21.0	Taiwan
OOCL Faith	3,161	Bareboat Chartered	Asia-Europe	1996	21.0	Hong Kong
OOCL Freedom	3,161	Bareboat Chartered	Asia-Australia	1996	21.0	Hong Kong
OOCL Friendship	3,218	Bareboat Chartered	Asia-Australia	1996	21.0	Hong Kong
TOTAL 92 VESSELS	**389,128**					

Note : As at 31st December 2008, *OOCL California* and *OOCL China* and *OOCL Britain* were chartered out to MISC and *Bunga Seroja Satu* and *Bunga Seroja Dua* were chartered in from MISC under a swapping program.

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 428,336 units (689,863 TEU) as of 31st December 2008. Approximately 74.9% of the container fleet in TEU capacity was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2008 the Group owned, purchased on finance lease terms or leased under operating lease terms 22,775 trailer chassis.

Terminal Information

LONG BEACH CONTAINER TERMINAL, INC.

Location: Long Beach, California, USA.

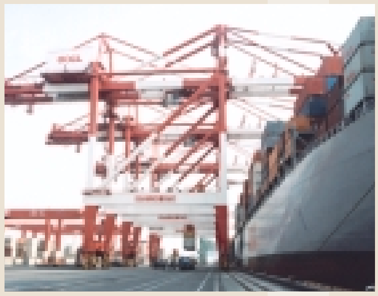
Status of Terminal: A 104 acre, three berth container terminal facility operated under a long-term preferential use agreement from the Port of Long Beach, which expires in 2011.

Equipment/Facilities: Three container-vessel berths; seven post-Panamax quayside container gantry cranes; twelve rubber-tired gantry cranes; 81 yard tractors; nine top handlers; eight side picks; 12 utility forklifts; 61 yard chassis; various pick-up trucks and other vehicles and handling equipment.

Building Facilities: 13,000 sq ft main office building; 3,200 sq ft marine operations building; 9,600 sq ft repair shop.

Principal Customers: OOCL, NYK, Hapag Lloyd.

KAOHSIUNG CONTAINER TERMINAL



Location: Pier 66 Kaohsiung Harbour, Kaohsiung, Taiwan.

Status of Terminal: One of the original container facilities in the Kaohsiung Harbour. The terminal was deepened in 2002 to have deep-water berths of 14.5 meters and the entire facility has been modernised since then. More enhancements have been scheduled.

Equipment/Facilities: Two container-vessel berths (680 meters long) on a total of approximately 57 acres operating on 24-hour 7-day basis for vessel and gate activities; six post-Panamax quay cranes including four with 19 rows and twin-20 ft lifting capacity; 14 rail-mounted gantry cranes (RMGs); four empty stackers and various shipside handling equipment. Eight new RMGs have been ordered in 2008 for delivery in 2009.

Building Facilities (approximate area): 2,350 sqm new office building, 7,000 sqm container freight station, 1,500 sqm maintenance building.

Principal Customers: ANL, APL, COSCO, China Shipping, Evergreen Marine Corp, Hapag-Lloyd, Hyundai Marine, Malaysia International Shipping Co, NYK, OOCL, Yang Ming.

Property Information

Property Development

a) Completed and Sold Projects

Project Name	Use	Location	Address	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Orient Garden	Residential	Shang Tang Lu, Hangzhou	No. 239 Shang Tang Lu, Hangzhou	50	1999	39,884
Fontainebleau	Residential	Xing Guo Lu, Shanghai	No. 288 Xing Guo Lu, Shanghai	100	1999	2,614
Joffre Gardens	Residential	Nan Chang Lu, Shanghai	No. 555 Nan Chang Lu, Shanghai	47.5	2000	72,502
The Courtyards	Residential	Zhenning Lu, Shanghai	No. 55 Zhenning Lu, Shanghai	47.5	2001	65,789
Century Metropolis	Residential	Ziyang Lu, Shanghai		47.5		
		– Phase 1A	No. 168 Hong Qiao Lu, Shanghai		2001	63,279
		– Phase 1B	No. 168 Hong Qiao Lu, Shanghai		2003	83,298
		– Phase 2A	No. 128 Hong Qiao Lu, Shanghai		2003	27,227
		– Phase 2B	No. 168 Hong Qiao Lu, Shanghai		2005	59,664

b) Completed Projects

Project Name	Use	Location	Address	Group's Interest %	Year of Completion	Gross Floor Area (in square metre)
Double-Tree by Hilton Huaqiao/ Kunshan	Hotel	Kunshan, Jiangsu	Zhao Feng Lu, Hua Qiao Town, Kunshan	100	2008	40,407

c) Projects Under Construction / Development

Project Name	Use	Location	Address	Group's Interest %	To Be Completed In	Gross Floor Area (in square metre)
Changle Lu	Residential / Hotel	Changle Lu, Shanghai	Lot No. 12 Lu Wan District, Shanghai	88	2010 - 2013	145,500
Kunshan	Residential	Kunshan, Jiangsu – Phase 1 – Other Phases	Zhao Feng Lu, Hua Qiao Town, Kunshan Jiangsu Province	100	 2011 After 2011	 60,500 642,500
Heng Shan Lu	Hotel	Heng Shan Lu, Shanghai	No. 85 Heng Shan Lu, Shanghai	100	2012	15,000
Changning Lu	Office / Retail	Changning Lu, Shanghai – Phase 1 – Other Phases	Plot 32/8, 88 Street, Changning Lu, Changning District, Shanghai	95	 2012 After 2012	 50,000 192,800
Nanmatou	Residential	Nanmatou Jiedao, Shanghai	Plot 15/1 & 86/1, No. 8 Nanmatou Jiedao Pudong New District, Shanghai	100	2011	102,800
International Trade Centre	Serviced apartment / Office / Retail	Xiaobailou area, Hexi District Tianjin	Intersection of Nan Jin Road and Ma Chang Road	100	2012	190,350

Corporate Information

Executive Directors
Mr. TUNG Chee Chen *(Chairman)*
Mr. Kenneth Gilbert CAMBIE
Mr. CHOW Philip Yiu Wah
Mr. TUNG Lieh Sing Alan

Non-Executive Director
Mr. KING Roger

Independent Non-Executive Directors
Mr. Simon MURRAY
Dr. FUNG Kwok King Victor
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward
Mr. CHANG Tsann Rong Ernest

Company Secretary
Ms. LEE Chee Fun Lammy

Authorised Representatives
Mr. Kenneth Gilbert CAMBIE
Ms. LEE Chee Fun Lammy

Principal Office
33rd Floor
Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Registered Office
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Registrar
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

Branch Registrar
Computershare Hong Kong Investor Services Limited
Rooms 1806-1807, 18th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Listing Exchange
The Stock Exchange of Hong Kong Limited
Stock Code : 0316

Website
http://www.ooilgroup.com

Major Bankers
HSBC Holdings plc
HSH Nordbank
The Royal Bank of Scotland
Bank of Scotland
DBS Bank Ltd
Fortis Bank
ING Bank NV
Deutsche Schiffsbank AG
DnB NOR Bank ASA
The Bank of Nova Scotia
National Australia Bank

Solicitors
Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

and at

2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

Ince & Co
Rooms 3801-6, 38th Floor
ICBC Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

Slaughter and May
47th Floor, Jardine House
One Connaught Place
Central
Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building, Central
Hong Kong

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Art Director: Man Leung,
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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