

CORPORATE GOVERNANCE REPORT



The corporate governance framework of COSCO Pacific Limited (the “Company”) aims to ensure that the highest standards of corporate conduct are in place within the Company and places great importance on corporate governance processes and systems so as to achieve the corporate objectives, ensure greater transparency and protect shareholders’ interests. The board of directors of the Company (the “Board”) keeps abreast of the Company’s practices and policies in a timely, transparent, informative and accountable manner. The Board strongly believes that good corporate governance forms the core of a well-managed organisation.

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices. In 2011, the Company continued to earn market recognition from different stakeholders for its high level of corporate transparency and good corporate governance. The Company was awarded “Foreign Company In-House Team of the Year” by *Asian Legal Business*, a well recognised professional magazine, for the second consecutive year. The Company also received other recognition in 2011, including “Best Investor Relations in Transport Sector” and “Best Overall Investor Relations by a Hong Kong Company”

awarded by *IR* magazine, “The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations” given by *The Asset* magazine, “Best Investor Relations Company” in the 2nd Asian Excellence Recognition Awards and “Corporate Governance Asia Recognition Award” for the fifth consecutive year from *Corporate Governance Asia* magazine, “Hong Kong Outstanding Enterprise” awarded by *Economist Digest* magazine for the seventh consecutive year and “The Most Potential Company Award” given by renowned Hong Kong financial magazines *Capital* and *Capital Weekly*. Meanwhile, the 2010 annual report of the Company earned a “Citation for Corporate Governance Disclosure” from the Hong Kong Management Association. Besides, “COSCO Pacific’s take-over of the wholly owned terminal operation of Pier 2 at Port of Piraeus in Greece” was selected as model case of China overseas investment at the China Overseas Investment Summit jointly organised by China Central Television’s finance channel and the Hong Kong Chinese Chamber of Commerce.

Corporate governance practices

The Company adopted the code provisions set out in the then Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices in January 2005. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from 2002.

The Company's corporate governance practices are in compliance with the Corporate Governance Code. The Company also takes reference from the Organisation for Economic Co-operation and Development ("OECD") principles for a set of ethics in maintaining high corporate accountability and transparency.

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. The Company is pleased to confirm that for the year ended 31st December 2011, it has complied with the code provisions of the Corporate Governance Code, except the deviation of the code provision E.1.2 which provides that the Chairman of the Board shall attend the annual general meeting of the company. Due to business commitment, Mr. XU Lirong, former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16th May 2011. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

On 1st April 2012, the Corporate Governance Code was amended and renamed as the Corporate Governance Code and Corporate Governance Report (the "New Corporate Governance Code"). To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company has adopted various code provisions in the New Corporate Governance Code prior to their becoming effective on 1st April 2012. The following are code provisions in the New Corporate Governance Code and the recommended best practices in the Corporate Governance Code which the Company adopted during the year ended 31st December 2011:

Code provision A.1.8

The code provision A.1.8 of the New Corporate Governance Code provides that a listed company should arrange appropriate insurance coverage for directors. The Company has made appropriate arrangement for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

Code provisions A.5.1 to A.5.5

The code provisions A.5.1 to A.5.5 of the New Corporate Governance Code provides that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section of "Nomination Committee" below.

Recommended best practice C.1.6

The recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company had, on 26th April 2011 and 26th October 2011, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results as a regular compliance practice.

In order to promote transparency, the Company would conduct a review, from time to time, of the extent to which the Company would comply with the recommended best practices in the New Corporate Governance Code.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the Corporate Governance Code.

Board of directors

Board composition

The Board is responsible for the leadership and control of the Company and its subsidiaries (collectively, "the Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. Every Board member is required to keep abreast of his/her duties and responsibilities in the Company in the conduct, business and development of the Company and should act in good faith, exercise due diligence and act in the best interests of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board currently consists of fourteen members. Among them, six are executive directors, four are non-executive directors and four are independent non-executive directors. The directors are Mr. LI Yunpeng² (Chairman), Dr. WANG Xingru¹ (Vice Chairman and Managing Director), Mr. WAN Min², Mr. HE Jiale¹, Mr. FENG Bo¹, Mr. FENG Jinhua¹, Mr. WANG Haimin², Mr. WANG Wei², Dr. WONG Tin Yau, Kelvin¹, Mr. YIN Weiyu¹, Dr. LI Kwok Po, David³, Mr. CHOW Kwong Fai, Edward³, Mr. Timothy George FRESHWATER³ and Dr. FAN HSU Lai Tai, Rita³.

Biographical details of the directors are set out in the section of "Directors and Senior Management Profiles" in this annual report and the Company's website at www.coscopac.com.hk.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director



Separation of Chairman and Managing Director

To ensure the Board functions with independence, accountability and responsibility, the posts of Chairman and Managing Director are separated and each of them plays a distinctive role. The Chairman, Mr. LI Yunpeng, who is a non-executive director, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Vice Chairman and Managing Director, Dr. WANG Xingru, who is an executive director, supported by other Board members and the senior management, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and co-ordinating overall business operations. In addition, he guides and motivates the senior management towards achieving the Group's objectives.

Non-executive Directors (including Independent Non-executive Directors)

The Company has four non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The four non-executive directors have contributed innovative views to the Board's decision-making process based on their rich experience in container shipping business and corporate management. Their expertise helps to facilitate the process of formulating the Group's strategy. The four independent non-executive directors have well recognised experience in areas such as accounting, legal, banking and/or commercial fields. Their insightful advice, mix of skills and extensive business experience are major contributions to the future development of the Company and act as a check-and-balance for the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they facilitate the Board to maintain a high standard of financial, regulatory and other mandatory reporting and provide adequate check-and-balance to safeguard the interests of shareholders in general and the Company as a whole.

Each of the non-executive directors and independent non-executive directors, has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of around three years. Their terms of appointment shall be subject to the rotational retirement provision of the Bye-laws

of the Company and shall terminate on the earlier of either (i) the date of expiry of the said term of service, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any applicable laws.

The Board has received from each independent non-executive director a written annual confirmation of his/her independence and is satisfied with their independence up to the date of this report in accordance with the Listing Rules.

In 2011, the Nomination Committee of the Company has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board meetings

The Board held a total of four regular Board meetings during the financial year ended 31st December 2011 at quarterly intervals. Two additional Board meetings were also held as required. The average attendance rate was 91.83%. Amongst these, four meetings were held to approve the 2010 final results, 2011 interim results and 2011 first and third quarterly results of the Company; one meeting was held to consider new investment opportunities and review the strategy and business directions, as well as financial and operational performances of the Group, and the remaining one was held to approve the change of Vice Chairman of the Board and Managing Director of the Company. As the members of the Board are either in Hong Kong or in the mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular Board meeting, the Board is provided with adequate information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performances of the Group, in addition to the minutes of the Board meetings and Board committee meetings of preceding meetings. At least 14 days' notice of a regular Board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the

agenda for a regular meeting. Board papers are dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When directors are unable to attend a meeting, they are advised of the matters to be discussed and are given an opportunity to make their views known to the Chairman prior to the meeting. Senior management who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

The Chairman or the Vice Chairman of the Company conducts the proceedings of the Board at all Board meetings. They ensure that sufficient time is allocated for discussion and

consideration of each item on the agenda and that equal opportunities are given to the directors to speak and express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. Draft minutes of each Board meeting are sent to all directors for comments within a reasonable time after the Board meeting is held. All directors have access to the General Counsel & Company Secretary, who is responsible for ensuring that the Board procedures are complied with and for advising the Board on compliance matters.

Set out below are the details of all directors' attendance at the Board meetings during the financial year ended 31st December 2011 which illustrate the attention given by the Board in overseeing the Company's affairs:

Attendance of individual members at Board meetings

Name of Directors	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Directors		
Mr. XU Lirong ² Note (Chairman)	4/6	66.67
Dr. WANG Xingru ¹ (Vice Chairman and Managing Director) (appointed on 11th July 2011)	3/3	100
Mr. WAN Min ² (appointed on 9th August 2011)	1/2	50
Mr. HE Jiale ¹	6/6	100
Mr. WANG Zenghua ¹ Note	5/6	83.33
Mr. FENG Jinhua ¹	6/6	100
Mr. WANG Haimin ²	6/6	100
Mr. GAO Ping ² Note	6/6	100
Dr. WONG Tin Yau, Kelvin ¹	6/6	100
Mr. YIN Weiyu ¹	6/6	100
Dr. LI Kwok Po, David ³	6/6	100
Mr. CHOW Kwong Fai, Edward ³	5/6	83.33
Mr. Timothy George FRESHWATER ³	4/6	66.67
Dr. FAN HSU Lai Tai, Rita ³	6/6	100
Ex-directors		
Mr. XU Minjie ¹ (resigned on 11th July 2011)	4/4	100
Dr. SUN Jiakang ² (resigned on 9th August 2011)	4/4	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Subsequent to the financial year ended 31st December 2011, Mr. XU Lirong resigned as Chairman of the Board and non-executive director, Mr. WANG Zenghua resigned as executive director and Mr. GAO Ping resigned as non-executive director of the Company with effect from 24th February 2012. Mr. LI Yunpeng was appointed as Chairman of the Board and non-executive director, Mr. FENG Bo was appointed as executive director and Mr. WANG Wei was appointed as non-executive director of the Company with effect from 24th February 2012.



Appointment, re-election and removal of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee, chaired by an independent non-executive director, comprising a majority of independent non-executive directors, has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancy of the Board and making recommendations to the shareholders regarding any directors proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2011 are set out under the section of "Nomination Committee" below.

At each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

Procedures to enable Directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2011.

Responsibilities of Directors

The Company has in place a clear corporate governance process to ensure that all directors fully appreciate their roles and responsibilities.

The General Counsel & Company Secretary, who is responsible directly to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programme for directors. All newly appointed directors will undergo an all-encompassing programme which includes management presentations on the Group's businesses and strategic plans and objectives and receive a comprehensive orientation package on appointment which includes policies on disclosure of interest in securities,

prohibitions on dealing in the Company's securities and restrictions on disclosure of price sensitive information and disclosure obligations of a listed company under the Listing Rules. They are also updated when there are changes in relevant laws and regulations from time to time and on a regular basis.

Directors may request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from the management.

Directors/senior management's securities transactions

All directors are obliged to observe the requirements as stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. In addition, the Board also established written guidelines on no less exacting terms than the Model Code for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company. A committee comprising the Chairman, the Vice Chairman and Managing Director and a Deputy Managing Director was set up to deal with such transactions.

Specific confirmation has been obtained from directors and senior management to confirm their compliance with the Model Code and the aforementioned guidelines respectively in 2011. No incident of non-compliance was noted by the Company in 2011.

General Counsel & Company Secretary

The General Counsel & Company Secretary is responsible directly to the Board. All directors have access to the General Counsel & Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to the directors' obligations as regards disclosure of interests in securities and disclosure requirements in respect of notifiable transactions, connected transactions and price-sensitive information. The General Counsel & Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the Listing Rules, applicable laws, regulations and the Bye-laws of the Company.

The General Counsel & Company Secretary is the authorised representative of the Company and the primary channel of communication between the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long term shareholders' value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding the directors' continuing legal, regulatory and compliance obligations. In relation to connected transactions and disclosure requirements, regular seminars are conducted by the General Counsel & Company Secretary for management and senior executives within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance and for directors' consideration.

Delegation by the Board

Management functions

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. The Board is responsible for steering the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and assuming primary responsibility for establishing a good corporate governance culture. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for implementing these strategies and plans. To ensure effective discharge of the Board's responsibilities, the management submits reports on the Company's operations to the Board on a regular basis. The Board reviews and approves the Company's annual budget and business plans, which serves as an important benchmark in assessing and monitoring the performance of the management. Directors have access to the management and are welcome to request for explanations, briefings or discussions on the Company's operations or business issues.

Board committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of seven Board committees, details of which are set out below.

Each committee consists of directors, members of senior management and management and has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website at www.coscopac.com.hk. The terms of reference will be revised when appropriate. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have scheduled to meet regularly every year and will report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained and minutes of meetings are circulated to the Board for information.

1. Executive Committee

The Executive Committee consists of all executive directors of the Company who are from time to time in Hong Kong. The purpose of establishing this committee is to facilitate daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may be practically difficult and inconvenient to convene a full Board meeting or arrange all directors to sign a written resolution on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

During the year ended 31st December 2011, the Executive Committee held a total of 24 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in detail by minutes. A committee member will present a summary report on the businesses transacted at the committee meetings to the Board at Board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.



2. Audit Committee

The Audit Committee, chaired by an independent non-executive director with appropriate professional qualifications, consists of four members, all of whom are independent non-executive directors of the Company. All committee members are professionals in their own working fields, including the accounting, legal, banking and/or commercial areas.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal and external auditors, and to the management and staff. Its terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

In addition to providing advice and recommendations to the Board, the Audit Committee also oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are held normally four times a year on a quarterly basis, with additional meetings arranged, as and when required. During the year ended 31st December 2011, a total of five meetings were held and the average attendance rate was 95%.

The key matters deliberated on by the Audit Committee in 2011 include the following:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussed with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the internal audit reports
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management
- reviewed an operational report relating to the Company's investment at Piraeus Port in Greece

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Mr. CHOW Kwong Fai, Edward ¹ (Chairman)	5/5	100
Dr. LI Kwok Po, David ¹	4/5	80
Mr. Timothy George FRESHWATER ¹	5/5	100
Dr. FAN HSU Lai Tai, Rita ¹	5/5	100

¹ Independent Non-executive Director

3. Remuneration Committee

The Remuneration Committee, led by its Chairman who is an independent non-executive director, comprises five members, the majority of whom are independent non-executive directors of the Company.

The Remuneration Committee formulates the Group's remuneration policy for directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the directors' fee and annual salary of directors. If necessary, the Remuneration Committee will engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating the remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as salaries paid by comparable companies, time commitment,

job responsibilities, performance of the individual and performance of the Company. The Remuneration Committee will also review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Remuneration Committee in 2011:

- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board on the remuneration and service agreement of the Vice Chairman and Managing Director
- made recommendations to the Board on the remuneration of non-executive directors

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita ¹ (Chairman)	4/4	100
Dr. LI Kwok Po, David ¹	4/4	100
Mr. CHOW Kwong Fai, Edward ¹	4/4	100
Dr. WANG Xingru ² (appointed on 11th July 2011)	1/1	100
Mr. ZHU Lizhi	4/4	100
Ex-member		
Mr. XU Minjie ² (resigned on 11th July 2011)	2/3	66.67

¹ Independent Non-executive Director

² Executive Director, Vice Chairman and Managing Director



Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the pay levels for attracting, retaining and motivating employees. No director, or any of his associates, is involved in determining his own remuneration. The remuneration policy for non-executive directors ensures that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company. The policy for the employees (including the executive directors and senior management) assures that the remuneration offered is appropriate for the duties and in line with market practice. The aggregate amount of directors' fees is subject to approval by shareholders at the annual general meeting.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. Cash bonus is tied to the performance of individual employee. As a long-term incentive plan and with the aim of motivating employees in the continual pursuit of the Company's goals and objectives, the Company has granted share options to the employees (including directors of the Company and its subsidiaries) of the Group under the share option schemes of the Company, based on their performance and contribution.

4. Nomination Committee

The Nomination Committee, led by its Chairman who is an independent non-executive director, comprises four members, the majority of whom are independent non-executive directors of the Company.

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination and resignation of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During 2011, the work performed by the Nomination Committee included the following:

- made recommendations to the Board on matters relating to the resignation, appointment and re-election of directors
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of terms of appointment of non-executive directors and independent non-executive directors

All new appointment of directors and nomination of directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company. In considering the new appointment or nomination of directors proposed for re-election, the Nomination Committee will assess the candidate or incumbent on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

In early 2012, the Nomination Committee nominated and the Board recommended Mr. YIN Weiyu, Dr. LI Kwok Po, David and Mr. Timothy George FRESHWATER, being directors longest in office since their last re-election, to retire by rotation and Dr. WANG Xingru and Mr. WAN Min, who were appointed as directors with effect from 11th July and 9th August 2011 respectively, and Mr. LI Yunpeng, Mr. FENG Bo and Mr. WANG Wei, who were appointed as directors with effect from 24th February 2012, to retire at the forthcoming annual general meeting. Except Dr. LI Kwok Po, David who decided not to offer himself for re-election, all the other retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

In addition, Mr. Adrian David LI Man Kiu is nominated by the Nomination Committee and recommended by the Board for election by shareholders of the Company as a director at the forthcoming annual general meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Members		
Dr. LI Kwok Po, David ¹ (Chairman)	4/4	100
Mr. CHOW Kwong Fai, Edward ¹	4/4	100
Dr. FAN HSU Lai Tai, Rita ¹	4/4	100
Dr. WANG Xingru ² (appointed on 11th July 2011)	1/1	100
Ex-member		
Mr. XU Minjie ² (resigned on 11th July 2011)	3/3	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

5. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises ten members (including executive directors, members of senior management and management). It considers, evaluates, reviews and recommends to the Board the proposed major investments, acquisitions and disposals, conducts post-investment evaluation of the investment projects, reviews and considers the overall strategic direction and business development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Members		
Dr. WANG Xingru ¹ (Chairman) (appointed on 11th July 2011)	2/2	100
Mr. YIN Weiyu ²	4/4	100
Mr. CHAN Hang, Ken	3/4	75
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	4/4	100
Mr. ZHANG Jie	4/4	100
Mr. XU Jian	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-member		
Mr. XU Minjie ¹ (Chairman) (resigned on 11th July 2011)	2/2	100

1 Executive Director, Vice Chairman and Managing Director

2 Executive Director



6. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises six members (including an executive director, members of senior management and management). It reviews the corporate governance practices and disclosure systems of the Company and introduces relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company.

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin ¹ (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. ZHANG Jie	4/4	100
Mr. FAN Chih Kang, Ken	3/4	75
Ms. LIU Mei Wan, May	4/4	100

¹ Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises eight members (including an executive director, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens the Group's system of risk management.

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Mr. YIN Weiyu ¹ (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	3/4	75
Mr. ZHANG Jie	4/4	100
Mr. SHI Jingmin	1/4	25
Mr. XU Jian	3/4	75
Mr. FAN Chih Kang, Ken	4/4	100

¹ Executive Director

Note: Subsequent to the financial year ended 31st December 2011, Mr. SHI Jingmin resigned and Mr. LI Jie was appointed as a member of the Risk Management Committee with effect from 6th February 2012.

Accountability and audit

Financial reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 110 which acknowledges the reporting responsibilities of the Group's auditor.

Annual report and financial statements

The directors acknowledge their responsibilities for preparing the financial statements for each financial year which give a true and fair view of the results and the state of affairs of the Group.

Accounting policies

The directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting records

The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position and results of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance, Listing Rules and applicable accounting standards.

Safeguarding assets

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal control

The Group has in place an internal control system that has been set up within the areas of the Group's control environment, risk areas, control and monitoring activities, and information and communication. The internal control system makes reference to the COSO framework developed by the Committee of Sponsoring Organisations of the Treadway Commission and also the Guide on Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants.

Control environment

The maintenance of a high standard of control environment has been and remains a top priority of the Group. Therefore, the Group is dedicated to its enhancement and improvement on a continuous basis.

Recognising the importance of various values, including management's integrity, ethics, operating philosophy and commitment to organisational competence (quality of personnel), the Board has set out a direction for the internal control system in order to ensure achievement of the Group's objectives and identify discrepancies so that corrective actions could be taken in an efficient manner.

The management is primarily responsible for the design, implementation, and maintenance of the Group's internal control system with a view to providing sound and effective controls to safeguard shareholders' investment and the Company's assets. The internal control system covers all major and material controls, including financial, operational and compliance as well as risk management controls.

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated the Risk Management Committee to assist the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee monitored and reviewed the results of internal control and risk management assessment for the year for report and discussion on a regular basis. Moreover, the Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year by reviewing the underlying mechanism and functioning of the Group's internal control system and discussing their opinion with the Board as to the system effectiveness. In 2011, the Audit Committee has reviewed the risk register and internal control and risk management assessment questionnaire submitted by the Risk Management Committee, annual report, interim report, results announcements and internal audit plans and reports. During the year of 2011, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure and has set up a procedure manual to regulate business processes and activities. Besides establishing an effective internal control system, the Group also values and requires the integrity of the account and finance personnel, as well as their qualification. Continuous training resources and its budgets have been adequately considered.



Risk assessment

The Group is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and container manufacturing and related businesses. The activities of the Group are exposed to a variety of risks which are categorised as financial risk, operational risk and compliance risk factors as shown below:

Major financial risk factors

Benefitting from the global economic recovery and the effect of quantitative easing in monetary policy, market interest rates in 2011 were well below historical averages. However, owing to the uncertainties in the global economy, the Group maintained a prudent financial policy. In order to cope with the budgeted development and operational needs of our container leasing and terminal businesses, the Group has striven to maintain a certain leverage in order to fund the Group's capital expenditures in accordance with the budgeted business plans and market demand. Changes in market interest rates can significantly affect the financial performance of the Group.

The Group's objectives in managing capital are to safeguard the Group's ability to operate efficiently in order to create values and returns for shareholders and to maintain an optimal capital structure to reduce cost of capital.

Following the Group's expansion in the global market, our operating environment is increasingly complex and geographically diversified while the taxation environment is also an area of concern. As the business of the Group is predominantly carried out in the mainland China, the United States, Europe and Hong Kong, the Group is subject to risks which change as the systems of taxation change in these regions.

The Group conducts business and operations internationally and is thus exposed to foreign exchange risk arising from various currency exposures. For the container leasing business, the primary currency involved is the US dollar while for the terminal business, the primary currencies involved are the Renminbi and the Euro.

Major operational risk factors

The volume, current purchasing price and per diem rates for the container leasing business fluctuate in response to changes in the supply and demand for leased containers. These fluctuations affect the performance of the Group.

The future recoverable amounts of the containers will be affected by economic downturn and market fluctuations. Such unfavorable market factors will increase the asset impairment risk of containers.

In the case of the economic downturn, the accounts receivable position may deteriorate, resulting in another operational risk factor encountered by the Group, namely credit risk on accounts receivable and recoverability risks.

The terminal business and container leasing business involve both manual and machine operations, which may be accompanied by risks involving workplace safety, including physical harm, damage to reputation, legal liabilities and business interruption.

Major compliance risk factors

As the Group has been investing in the mainland China and overseas, these new investments may be exposed to various foreign legal and regulatory regimes for which different levels of transparency and compliance are involved. Where necessary, the Group has requested for independent professional advice on compliance matters from legal firms of the relevant foreign jurisdictions in order to further protect its interests. Regulatory changes are normally designed to promote transparency and raise the profile of compliance. Therefore, having substantially satisfied diverse legal and regulatory requirements in a multitude of jurisdictions inevitably exposes the Group to compliance risk.

The Group is continuously expanding its business partnership network for the terminal business. Therefore, the number of terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has resulted in an increase in connected transactions with (1) China COSCO Holdings Company Limited, an intermediate holding company of the Company, (2) COSCO Group, (3) the Maersk Group, (4) the DP World Group and (5) various port authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

By the very nature of the Group's business activities, transactions with these connected persons are inevitable. However, since the Company cannot fully ascertain the corporate structure of all companies (especially those companies outside the Group), the identification of connected persons and the updating of an exhaustive list of connected persons is extremely difficult and the volume of such transactions may expose the Group to compliance risk in relation to the identification, authorisation, recording and disclosure of such transactions.

The Group is increasingly involved in new projects of significant size, which often constitute discloseable transactions or subject to approval by shareholders under the Listing Rules. The need for timely and strict compliance with the relevant regulatory requirements exposes the Group to compliance risk.

To identify and analyse the relevant risks in achieving the Company's objectives, the internal control system is designed to provide reasonable, but not absolute, assurance against material mis-statements and to manage rather than completely eliminate the risk of system failure in this regard. In addition to safeguarding the assets of the Company, the system design also pays regard to the basis for determining control activities (fundamentally including financial, operational and compliance controls) and to ensure a high level of operational efficiency; to ensure the reliability of financial reporting; and to ascertain the compliance of laws, regulations and any other defined procedures.

For the purpose of better risk management, the Company assesses the likelihood and potential impact of each particular risk. It emphasises on changing operational behaviour and regards the internal control system as an early warning mechanism which would trigger a quick response. Monitoring and control procedures are derived therefrom.

The Group's risk assessment procedures involve consideration of the entire organisation. Attention was paid to all kinds of major relationships and the correlation thereof, including situations of fraud, going concern and internal and external reporting, and whether the accounting tasks were performed in accordance with the generally accepted accounting principles, among others. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such failure.

Control activities and monitoring

A sound system of internal controls requires a defined organisational and policy framework. The framework of the Company's internal control activities includes the following:

1. To allow delegation of authority and proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and controls responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.
2. To assist the Board in execution of its duties, the Board is supported by seven Board Committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the scope of the power delegated by the Board.
3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks that include but are not limited to legal, credit, concentration, operational, environmental, behavioral and systematic risk that may have an impact on the Group.
4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Variances against actual performances and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans in a timely and prudent manner.



5. The Group places great importance on the internal audit functions. The internal audit's roles include assisting the management and the Audit Committee to ensure the Group maintains an effective system of internal control and a high standard of governance by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of work of internal audit includes:

- Ascertaining the extent to which the Group's assets are accounted for and safeguarded to avoid any losses;
- Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Group;
- Ascertaining the compliance with established policies, procedures and statutory rules and regulations;
- Monitoring and evaluating the effectiveness of risk management system;
- Monitoring the efficiency of operation, the appropriateness and efficiency with which resources are employed;
- Evaluating the reliability and integrity of financial and operating information reporting systems;
- Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of the corrective measures; and
- Conducting ad hoc projects and investigative work as required by the management and/or the Audit Committee.

Additional attention is paid to control activities which are considered as of higher risk, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The Internal Auditor, as head of the internal audit function, has free access to the Audit Committee without the requirement to consult the management and his reports go directly to the Vice Chairman and Managing Director and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of internal audit to the Audit Committee. This reporting structure allows the Internal Auditor to stay independent and effective.

As in previous years, the internal audit function adopted a risk-based auditing approach which is based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering such factors as recognised risks and focuses on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31st December 2011. Internal audits were carried out on all significant business units in the Group, a total of 23 audit assignments were conducted for the above period. All internal audit reports are submitted to the Audit Committee for review and approval. The Internal Auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the Internal Auditor and also the corrective measures taken by the management.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group so as to establish audit scopes and frequencies. All internal audit work scheduled for the year 2011 has been completed. All areas of concern reported by the Internal Auditor were monitored by the management until appropriate corrective measures are taken or implemented.

6. The Board established the Audit Committee in August 1998. The Audit Committee assists the Board by providing independent reviews and supervision of financial reporting, and satisfying themselves as to the effectiveness of the Group's internal controls and the adequacy of the external and internal audits.
7. Financial Controller, General Counsel & Company Secretary, other senior management and the Internal Auditor conduct reviews of the effectiveness of the Company's system of internal control, including financial, operational and compliance controls and risk management function and the Audit Committee reviews the findings and opinion of the Internal Auditor and the management on the effectiveness of the Company's system of internal control twice a year and reports annually to the Board on such reviews.

8. In consideration of identified major risk factors involving financial risk, operational risk and compliance risk, the management manages and monitors exposures to such risks to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall risk management programme focuses on unpredictability arising from the financial markets, the industry and regulatory bodies and imposes various internal control risk measures to minimise the adverse impact on the Group's financial performance.

Major financial risk measures

- To reduce the interest rate risk exposure, the Group uses diversified debt profiles (including different combinations of bank borrowings and notes, different maturity profiles and different combinations of fixed and floating interest rates debt) based upon market conditions and the Group's internal requirements, and uses hedging instruments only when there is an operational need. The effectiveness of the hedging relationship is assessed continuously and regularly with reference to the Group's risk management objective and strategy.
- To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available 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 committed credit lines available.
- Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. The Group may adjust the amount of dividend paid out, return capital to shareholders, issue new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when the need arises.
- To ensure tax risk is understood and properly controlled, the management reviews and assesses the global tax impact on the Group annually and conducts an annual Group tax planning exercise after seeking advice from different external consultants.
- The Group currently does not have a written foreign currency hedging policy. However, the Group monitors and controls foreign exchange risk by conducting borrowings in currencies that match as far as possible the functional

currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business are conducted mainly in US dollars, which match well the US dollar revenue and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities and associates of the terminal business, all material borrowings are denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.

- Since the Group is concerned to safeguard cash and capital, it mainly co-operates with banks of high reputation and seldom engages in high risk businesses. The Group places tight control measures over the management of accounts, addresses the operational need to create, operate or close a bank account and every detail of the approval and procedures to be strictly followed. Moreover, subsidiaries prepare and report relevant information for management discussion on a weekly, monthly and quarterly basis. Furthermore, self inspection and evaluation is conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform has been established in the mainland China to enhance the timely monitoring of capital use by subsidiaries.

Major operational risk measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and their response to changes in the business environment, market conditions and operational issues. For the container leasing business, management holds weekly meetings with operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategy on market changes and to minimise adverse impacts on the Group's financial performance as a consequence of price fluctuations.
- The value of containers is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers will be accounted for if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers helps facilitate a better understanding of the latest market trends and of possible changes so as to assist in reviewing the impact on the Group of impairment losses. Such risk management measures are useful in making appropriate preparations to reduce the risk of future asset impairment.



- For available-for-sale financial assets, the management monitors and reports to the Board on price performance and re-affirms the strategic objective of these strategic investments.
- The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers. Despite not requiring collateral on trade receivables, the Group has insured the recoverability for a majority of its third party trade receivables balance to mitigate exposure to credit risk. Moreover, the workflow and procedures have been improved to strengthen the management of credit risk.
- For the container leasing business, the credit committee of each operating unit establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored. The system will suspend the provision of services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, systems which are related to the container leasing and terminal businesses are operated by trained professionals, frequently checked and upgraded when necessary. All data is backed up in a timely manner. For security purposes, a disaster recovery plan is in place.
- The Group has experienced rapid growth in recent years, which has led our business to develop in different locations in the mainland China and overseas countries that have varying local safety standards. Regardless of the locations and nature of the businesses, the Group makes a continuous effort to build the highest safety standard within its organisations so that managers and staff put safety as the top priority, and promote the Group's safety standard in all locations.

Major compliance risk measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will report such updated information to the

Board and disseminate the information within the Group as appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and overseas lawyers to provide professional advice on specialised and geographically diverse legal issues.

- A non-exhaustive list of connected persons (since the Company cannot obtain the corporate structure of all companies (especially those companies outside the Group), the list may not cover all the connected persons of the Company) is prepared and updated on a regular basis. In order to assess and report effectively of any potential connected transactions, responsible departments are required to obtain, report and update the shareholding structure of new customers and existing business partners. The Company will closely monitor the transaction amounts on a monthly basis. Furthermore, management meetings are held regularly on a quarterly basis to review the nature and amount of all connected transactions. A summary of continuing connected transactions is submitted to the Audit Committee on a quarterly basis. Contract negotiations and conclusions in relation to connected transactions are cautiously authorised by the appropriate level of management to ensure adherence to the Group's pricing policy. Public disclosures are continuously compared against the evolving disclosure requirements to ensure compliance with respective rules and regulations.
- The code provisions set out in the Corporate Governance Code have been adopted by the Company.

Handling and dissemination of information

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.
2. The Company provides employee manuals to each employee which indicate that employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for the mutual understanding between the Company and employees.

3. The Company attaches great priority to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders to enable them to form their own judgments as well as providing feedback to the Company. The Company also understands that the integrity of the information provided is essential in building market confidence.
4. With respect to procedures and internal controls for handling and dissemination of price-sensitive information, the Company,
 - is well aware of its obligations under the Listing Rules and the overriding principle that information which is considered price-sensitive should be announced promptly when it is the subject of a decision;
 - conducts its affairs with close regard to the “Guide on Disclosure of Price-sensitive Information” issued by the Stock Exchange;
 - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Stock Exchange;
 - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or insider information, and has communicated it to all staff; and
 - has established and implemented procedures for responding to external enquiries about the Company’s affairs. Only directors and delegated management of the Company can act as the Company’s spokespersons and respond to enquiries on designated areas.

The Board considers that the system of internal controls in place during the year was effective for the current business scope and operations of the Group. No significant areas of concern which might affect shareholders’ interests were identified.

Auditor’s remuneration

For the year ended 31st December 2011, the auditor’s remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditor to the Company were as follows:

Nature of Service	2011	2010
	US\$	US\$
Audit service	817,000	669,000
Audit related service	217,000	201,000
Non-audit services:		
– Tax related services	152,000	295,000
– Circular related services	–	205,000
– Financial advisory services	–	54,000

Investor Relations

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company’s development and attend to any queries

promptly. An intensive communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors are available to answer questions regarding the Group’s operational and financial performances.



Communication with shareholders

The Company believes regular and timely communication with shareholders forms part of the Company's effort to help our shareholders understand our business better. It has established its Shareholders' Communication Policy.

The Company has committed to a fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communication, the Company provides extensive information in its annual reports, interim reports, results announcements and press releases and also disseminates information relating to the Group and its business electronically through its website. Shareholders and investors are welcome to make enquiries through our investor relations department whose contact details are available on the Company's website.

The Company views the Annual General Meeting ("AGM") as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management

make an effort to attend. External auditors are also available at the AGM to address shareholders' queries on the financial statements. The Chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee are normally available at AGMs to take any relevant questions. All shareholders will be given at least 20 business days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at such meetings is encouraged and welcome. The General Counsel & Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the general meetings.

Shareholders' holding not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the General Counsel & Company Secretary to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Shareholdings and shareholders information

Share capital (as at 31st December 2011)

Authorised share capital	HK\$400,000,000 divided into 4,000,000,000 shares of a par value of HK\$0.1 each
Issued and fully paid-up capital	HK\$271,178,357.3 comprising 2,711,783,573 shares of HK\$0.1 each

Types of shareholders (as at 31st December 2011)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,158,303,338	42.71
Other corporate shareholders	1,545,846,007	57.01
Individual shareholders	7,634,228	0.28
Total	2,711,783,573	100.00

Location of shareholders (as at 31st December 2011)

Location of shareholders ¹	No. of shareholders	No. of shares held
Hong Kong	542	2,711,773,573 ²
Macau	1	2,000
The United States	1	4,000
The People's Republic of China	1	4,000
Total	545	2,711,783,573

Note

1 The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.

2 These shares include 1,747,034,065 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other corporate information

Memorandum of association and Bye-laws

At the AGM of the Company held on 16th May 2011, amendments to the Company's Bye-laws were approved by the Company's shareholders, pursuant to which:

- (a) the Company shall be allowed to use the website of the Company or the website of the Stock Exchange and other electronic means to send or make available notices or documents to the shareholders, to the extent permitted under the applicable laws;
- (b) notice to the shareholders shall be sent in the case of AGM or any special general meeting at which the passing of a special resolution is to be considered at least 21 clear days or such longer period as prescribed by the Stock Exchange before the meeting and in the case of all other general meetings at least 14 clear days or such longer period as prescribed by the Stock Exchange; and

- (c) at each AGM one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years, and directors who have been appointed by the Board to fill a casual vacancy or as an addition to the Board and re-elected at an AGM shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation at the same AGM.

The Company's latest consolidated version of memorandum of association and Bye-laws are publicised on the Company's website.

Key corporate dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2011 Interim Dividend	21st September 2011
2011 Final Results Announcement	27th March 2012
2012 First Quarter Results Announcement	25th April 2012
Closure of Register of Members (a) for attending the 2012 Annual General Meeting (b) for receiving the 2011 Final Dividend	15th May 2012 to 17th May 2012 23rd May 2012 to 28th May 2012
Annual General Meeting	17th May 2012
Payment of 2011 Final Dividend	20th July 2012
2012 Interim Results Announcement	August 2012
2012 Third Quarter Results Announcement	October 2012

