2012

Annual Report

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$6.0 billion, has principal business activities in container transport and logistics services. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 290 offices in 60 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 and logistics companies, and is one of Hong Kong's most recognised global brands. OOCL is one of the leading international carriers serving China, providing a 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.

OOCL was one of the first Asian shipping companies to embrace containerisation. The company's Far East-US West Coast regular liner service was fully containerised in November 1969. The first container sailing saw just 13 TEU transported from Hong Kong to Long Beach, California, stopping at several ports of call on the way and taking 49 days to complete the round trip. The company's first box ships were all converted from its conventional liners, with the vision of the company's founder, Mr CY Tung. Today our modern fleet included vessels of more than 13,000 TEU, carrying cargo on hundreds of trade routes around the world, and forming a vital link in the global supply chain.

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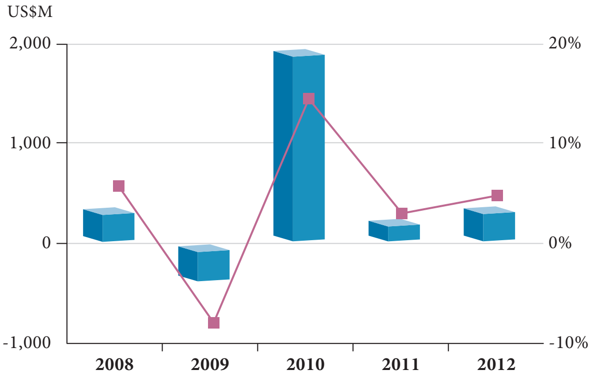
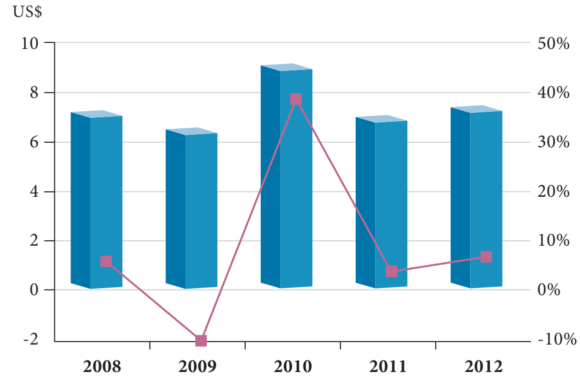
Financial Highlights

US$ million	2012	2011	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	**6,459**	6,012	7%
Operating profit	**329**	175	88%
Revaluation of Wall Street Plaza	**0.5**	5	(90%)
Finance costs	**(33)**	(26)	27%
Profit from continuing operations	**297**	139	114%
Profit for the year	**297**	182	63%
Consolidated Balance Sheet			
Liquid assets	**2,340**	2,413	(3%)
Property, plant and equipment	**4,665**	4,205	11%
Total assets	**8,265**	7,733	7%
Borrowings	**2,882**	2,672	8%
Total liabilities	**3,750**	3,476	8%
Ordinary shareholders' equity	**4,509**	4,251	6%
Consolidated Net Cash Flow			
Operating activities	**425**	246	73%
Investing activities	**(875)**	1,942	N/M
Financing activities	**138**	(1,492)	N/M
Net (decrease)/increase in cash and cash equivalents	**(312)**	695	N/M
Key Ratios			
Operating profit margin	**5%**	3%	2%
Gross debt to equity	**0.64**	0.63	1%
Net debt to equity	**0.12**	0.06	6%
Return on average ordinary shareholders' equity	**7%**	4%	3%
Earnings per ordinary share (US cents)	**47.3**	29.0	63%
Net asset value per ordinary share (US dollar)	**7.2**	6.8	6%



Profit for the year (L.H.S.)
Operating profit margin (R.H.S.)



Net Asset Value per Ordinary Share (L.H.S.)
Return on Average Ordinary Shareholders' Equity (R.H.S.)

JANUARY

A steel cutting ceremony was held on 3rd January 2012 for the first of OOCL's 13,200-TEU newbuild, in a line of 10 ordered from the Samsung Shipyard. The vessels will be the largest in the OOCL fleet.

FEBRUARY

With our long history of support in education, OOCL sponsored the "*Books for Asia program*" organised by the Asia Foundation, distributing thousands of new books to students in need from 9 developing countries across Asia.

Members of the G6 Alliance announced their groundbreaking cooperation in the Asia-Europe trade to begin on the first week of March.

OOCL announced a new China-Bangkok Service to further extend its service network between China, Thailand, and Vietnam.

MARCH

OOCL announced the grand opening of OOCL Logistics Warehouse (Shanghai) Ltd. at the Lingang Logistics Park in Shanghai on 7th March 2012.

OOCL was presented with the "Green Award" by the Marine Department of the Hong Kong SAR Government and Hong Kong Shipowners Association in recognising our consistent efforts and dedication to taking a green approach in our business.

With the mission to promote maritime education and supporting the role that Chinese seafarers play in the world's maritime transportation and logistics industry, OOCL announced the grand opening of the OOCL Maritime Academy and the International Seaman Training Centre in Zhoushan, Zhejiang Province, China.

OOIL and its subsidiaries announced a profit attributable to shareholders for 2011 of US$181.6 million, despite the deterioration in trading conditions over the course of 2011.

Significant Events – 2012

APRIL

OOCL and the Port of Long Beach signed an agreement for a 40 year lease of the Middle Harbor container terminal to OOCL on 3rd April 2012.

OOCL was proud to be honoured with two awards from the Canadian International Freight Forwarders Association in the categories of "*e-Business*" and "*Region Carrier of the Year*".

OOCL Brisbane, *OOCL Hamburg*, *OOCL Rotterdam*, and *OOCL Tokyo* were presented with the "*Hong Kong Voluntary Observing Ship Awards*" by the Hong Kong Observatory to recognise the vessel's important contributions to providing marine climatological data needed to help identify prevailing weather conditions for preparing forecasts and warnings to the maritime community.

OOCL was recognised as a "*Top Carrier 2012*" by US agriculture and forest product exporters and importers from all over the world in the US Agriculture Transportation Coalition Annual Survey.

MAY

The grand opening of OOCL (Mexico) SA was held in Jardines en la Montana (Garden of the Mountain), Mexico City on 11th May 2012.

A commemorative Golden Pile event was held by OOCL and the Port of Long Beach to celebrate the kick off of the Middle Harbor Redevelopment Project in Long Beach on 14th May 2012.

JUNE

OOCL successfully received certification on the accuracy and transparency of its environmental data disclosure in an audit conducted by the American Bureau of Shipping (ABS) Consulting, using the internationally recognised and accepted Clean Cargo Working Group verification standard.

The first annual Sustainability Report was launched, signifying an important milestone in the Group's sustainable development agenda and demonstrating its long-term commitment to corporate sustainability, transparency and accountability.

JULY

Mr. Andy Tung, previously the Chief Operating Officer of OOCL, succeeded Mr. Philip Chow as the new Chief Executive Officer of the company effective 1st July 2012.

AUGUST

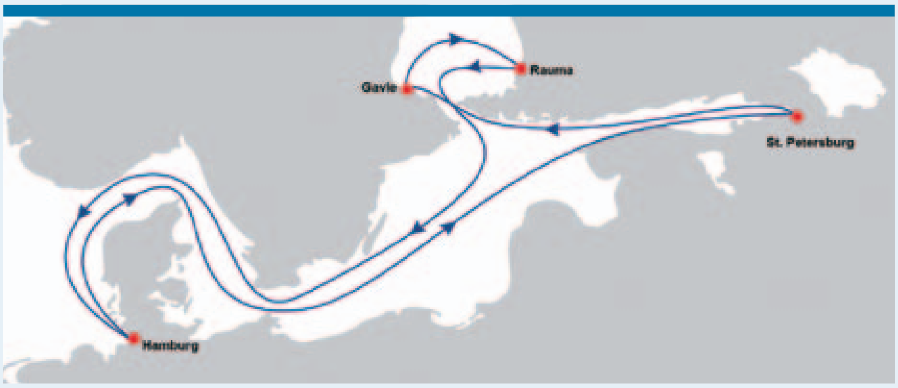
OOIL and its subsidiaries announced a profit attributable to equity holders of US$116.8 million for the six-month period ended 30th June 2012.

SEPTEMBER

OOCL Logistics entered into a business partnership with one of the world's leading manufacturers of high-tech materials, Bayer MaterialScience China, to provide them with supply chain logistics management services which include improving their operational efficiency.

OOCL introduced a new service to the Intra-Asia network, the KTX5, as part of the KTX Suite. The KTX5 provides a comprehensive supplement to its service network in the KTX Suite by covering Taiwan, Hong Kong, Xiamen and Japan.

OOCL introduced a new service to the Intra-Europe network, the Scan Baltic Express 3 (SBX3), as part of the SBX suite. The SBX3 complements the Baltic network by offering a comprehensive coverage between Belgium, the Netherlands, Poland, Russia, Lithuania, Finland and Sweden.



OCTOBER

OOCL won the "*Container Line of the Year*" award in the Gujarat-Far East trade lane, the first time that OOCL has won such an award from the Daily Shipping Times in India.

NOVEMBER

OOCL was honoured in receiving the "*Liner Trade Award for Australia – North East Asia*" and "*Environmental Transport Award*" at the Lloyd's List *Australia Shipping and Maritime Industry Awards* ceremony. OOCL also came highly commended in the category of "*Liner Trade for Australia – Europe.*"

The G6 Alliance announced their commitment to the Scandinavian market by offering a dedicated shuttle service from Germany to Gothenburg in Sweden.

DECEMBER

OOCL Kaohsiung Container Terminal achieved a monumental increase in throughput of 1.3 million TEU in 2012, a record growth rate of 24.7%.

Chairman's Letter

"OOIL is pleased to report a profit despite the very difficult operating environment."

Tung Chee Chen
Chairman and CEO

While 2012 was a profitable year for the Group, the container transportation market continued to be challenging as the industry struggled to absorb substantial new-build vessel capacity while facing ongoing weak demand growth. Freight rates were particularly low at the start of the year but did recover over the first half and into the second half of 2012. During that period the industry was able to absorb the new capacity being delivered, but by the fourth quarter, the further deterioration in the Eurozone economies and the muted growth in the United States saw a deterioration in both freight rates and load factors as excess capacity chased inadequate demand, resulting in a disappointing end to the year.

Nevertheless, I am pleased to report that Orient Overseas (International) Limited and its subsidiaries (the "Group") has been profitable for the year, recording a profit attributable to shareholders for 2012 of US$296.4 million, compared to a profit of US$181.6 million in 2011.

The 2012 full year profit includes the profit of US$43.7 million in relation to our investment in Hui Xian Holdings, and losses and charges relating to the disposal of two older 5,500 TEU vessels of US$4.1 million, both of which were booked in the first half of the year.

Earnings per ordinary share in 2012 were US47.3 cents, whereas earnings per ordinary share in 2011 were US29.0 cents.

Having considered the likely operating environment and financial market conditions over the medium term, the Board of Directors recommends the payment of a final ordinary dividend of US7.18 cents (HK$0.56) per share to shareholders for 2012. Combined with the 2012 interim dividend, this represents a total ordinary dividend payout of 25% of the profit attributable to shareholders for 2012.

After a strong first half performance and a pleasing third-quarter, OOCL's operating profitability was impacted by the downwards pressure on freight rates during the last quarter of the year. Competitive pressure was most intense on the Asia-Europe trade as carriers sought to maintain volumes despite a reduction in trade levels.

There was some partial offset to this pressure with bunker fuel prices coming down from the very high levels experienced in the first half of the year and remaining stable through and past the year end.

The year ahead looks as though it will be as difficult as 2012. More than other industries, container shipping is affected by global economic conditions impacting trade volumes and we expect a further protracted period of low economic growth to continue after the past four years of economic downturn. While economic conditions in the United States are improving, the pace of economic recovery remains slow and consumer demand continues to be muted. Prolonged deflation in Europe has caused a decline in imports from Asia, and with Eurozone economies continuing to struggle, there is a possibility of further contraction before recovery occurs.

Recently higher employment levels in the US manufacturing sector suggests that there may be a trend of "re-shoring" of production in the United States. Combined with the increasing domestic consumer market in China, this may see Chinese manufacturers focusing further on their own domestic markets, resulting in a slowdown China's export growth rates.

With a further increase in new build vessel capacity delivering in 2013, competition and resultant pressure on freight rates will continue to be intense. The industry's ability to further absorb additional capacity are being tested and there are risks to service levels given the reduced number of loops being run on the major trade lanes.

The financial performance of the industry as a whole has been poor over the last two years as a result of intense competition and rate cuts. In addition to the difficult trading conditions due to weak underlying demand growth, the industry was also affected by the misguided practice of some operators to immediately achieve high utilisation levels for newly-delivered vessels, essentially buying volume by driving down market rates.

Overall, the industry must exercise greater discipline in its strategic, commercial and operational practices to restore industry-wide profitability in 2013. That this is achievable was demonstrated last year, with freight rates improving substantially despite the difficult supply conditions as carriers individually found the right balance of deployed capacity to meet demand, and at the same time achieving revenue growth while controlling operating costs. While we are starting to see some limited rationalisation within the industry, the broader industry needs to stabilise and earn a consistent and appropriate return to shareholders despite periods of slower demand growth and of excess capacity. In addition to realising the cost efficiencies that come as the industry re-fleets with larger, more fuel efficient vessels, revenue per unit needs to improve to produce appropriate operating margins.

The key elements in OOCL's ability to generate and preserve its business value over the longer term are in managing capital allocation, capacity management, scale of operation through alliance membership, cost control, customer services through our integrated operating system, and sound financial management.

Flexibility in our operating model to be able to adjust capacity to actual demand levels remains a key focus for OOCL in 2013 as we absorb our new 13,200 TEU vessels. These vessels, delivering in 2013 and 2014, will further enhance OOCL's competitive cost base as well as helping us to reduce emissions consistent with our focus on and promotion of environmental protection.

We continue strive to achieve above average growth, gaining volume not through pricing but through superior customer focus and service. This means maintaining an appropriate network, transit times, and provision of information and responsiveness to grow our preferred long-term customer base. The company continues to focus on improving vessel deployment flexibility, working within the G6 and the Grand Alliance, and adjusting deployment to meet demand to ensure customer needs are met without under-utilising capacity.

The Group's focus on information technology based products and services for customers, and the enhanced services provided through both OOCL Liner and OOCL Logistics remain key to our future success.

Our logistics business continues to build and strengthen and is an important area element in continuing to attract and hold customers through high quality service levels. The business has gained the experience and credentials within the industry to be a true 3PL provider, understanding the dynamics of our customers. Its focus on domestic logistics as the platform for accelerated organic growth is proving successful and its improving profitability is providing an increasingly meaningful contribution to the performance of our Group.

Our ongoing investment in Information Technology continues to gives us a state of the art information system for the business management and provision of services to customers. Our investment in IT gives us a significant competitive advantage by supporting employees with the right skills and capabilities to make data-driven decisions to provide superior service to customers. Our IT Division also continues to develop various business models such as CargoSmart which showed good growth in 2012 and is developing as another pillar of the Group's performance.

The OOIL group remains financially strong and operationally robust. We have the strength to survive through the downturns while continuing to grow the business and prosper through the downturns. OOCL is well placed for the future with its alliance memberships and its continued investment for growth. The Group is well capitalised and has sufficient liquidity and access to funding to meet its future needs. Our outstanding staff continue to be a key element of our superior performance and success, and through their continued efforts, together with our strong financial position, we are confident of our ability to continuing growing and meeting our goals.

C C Tung
Chairman
Hong Kong, 6th March 2013

Operations Review

"Flexibility in our operating model to be able to adjust capacity to actual demand levels remains a key focus for OOCL in 2013."

CONTAINER TRANSPORT AND LOGISTICS

Container liner operators have not recovered from the heavy losses in 2009 during the global financial crisis. Even with a strong recovery in 2010, weak rate levels in 2011 push carriers to more financial losses. From the impact of new build vessel deliveries and high bunker prices, the first quarter of 2012 proved to be a big challenge for the industry. By the second quarter, carriers resolved to better match capacity with the lower demand levels. Subsequently freight rates started to improve across a number of trade lanes to more sustainable levels.

Average freight rates reached the high point in August but idled vessel capacity built up due to the continuing deliveries of new builds began to see their re-deployment in the trade. Later, freight rates began to fall in the Asia-Europe trade in October.

For most of the year, many carriers in general tried to reduce the impact from the injection of capacity brought on by the new builds. Extra ships were put into service loops and leveraged on slow steaming, which also helped carriers reduce fuel consumption and thus lowering environmental emissions. Idled capacity increased 35% throughout the year to 809,000 TEU at the end of 2012. In addition, ships of relatively young age were taken to the scrap yards. In 2012, 352,000 TEU of ships at an average of 24 years old were scraped, which is only second in record to 2009 when 381,000 TEU of ships were scraped at an average age of 27 years.

There was more carrier cooperation in the form of consortia and alliances in 2012 to match the network size and scope of the mega carriers. The Grand Alliance, of which OOCL is a member, and the New World Alliance, together formed the G6 Alliance to serve the Asia-Europe trade which improved market coverage, provided more sailing frequency, and deployed efficient vessels. The G6 Alliance enabled the partners to reduce the number of service loops while increasing the size of vessels deployed, and thus reduce operating costs. The members of the G6 Alliance will be expanding their cooperation to the Asia-to-North America East Coast trade in 2013.

In the Australasia trade, MISC withdrew ships from the AAA consortium in the first quarter and finally terminated their participation in the liner service. OOCL and the other remaining AAA consortium partners took over the ship slots which were previously provided by MISC in order to maintain the service structure. By stepping into the void created by MISC's withdrawal, OOCL has further established its position as one of the major carrier in the South East Asia to Australia trade.

The global supply chain industry was interrupted in 2011 from the Tsunami in Japan and extended heavy flooding in Thailand. 2012 also experienced the super Hurricane Sandy which hit the US east coast in late October and caused the container terminals in New York to close down for eight days. It took the terminals two months to clear the backlog and the same length of time for ships to recover from schedule challenges.

OOCL's liftings increased 3.7% year-on-year. Global trade demand growth slowed in the second half, mainly due to depressed imports to North Europe and the Mediterranean which affected our Asia-Europe and Trans-Atlantic trades. Trade growth in Trans-Pacific from Asia was a modest 2%, and imports to Australasia from North Asia was flat. Forecast on trade growth in 2013 will be low but recovery is expected in some trades.

	Growth in 2012		
OOCL Liner	TEU	Rev	Rev/TEU
Q1	5.4%	(0.9%)	(6.0%)
Q2	6.7%	10.6%	3.7%
Q3	3.4%	10.9%	7.2%
Q4	(0.7%)	5.6%	6.4%
Total	3.7%	6.7%	2.9%

Operations Review

	LIFTING ('000 TEU)			REVENUE (US$ million)		
Trade	**2012**	2011	Var	**2012**	2011	Var
Trans-Pacific	**1,253**	1,230	1.9%	**1,989**	1,896	4.9%
Asia-Europe	**885**	863	2.5%	**1,158**	1,064	8.8%
Trans-Atlantic	**408**	392	4.1%	**660**	667	(1.0%)
Intra-Asia/Australasia	**2,671**	2,548	4.8%	**2,092**	1,902	10.0%
Total	**5,217**	5,033	3.7%	**5,899**	5,529	6.7%

Trans-Pacific – The depressed rate level in early 2012 set the poor base line for the eastbound contract negotiation. Many contracts were concluded at revenue levels that did not cover full costs. Rate level for the spot market improved from the second quarter, but average revenue remained relatively low as for a large portion of business was already locked in long-term contracts. Slow growth of the US exports drove the westbound leg toward very low and unprofitable rate levels.

Asia-Europe – The Grand Alliance and the New World Alliance formed the G6 Alliance and implemented joint services from March which covered trade lanes between Asia and North Europe, Mediterranean and Black Sea which provided better market coverage. Furthermore OOCL was able to reduce capacity to match the reduced market demand for North Europe. The overall capacity in this trade route was around the same level as compared to 2011 with higher capacity deployment in the new Black Sea service and the increased involvement in the India-Europe service. After a succession of revenue improvements, the westbound rate level increased by US$800/TEU by May when compared to the beginning of the year, but slowly eroded in the following few months and accelerated towards the fell last quarter.

Trans-Atlantic – Capacity was reduced by the suspension of the AES peak season loop in the second half of the year, then a reduction in slot purchase for the US Gulf and Mexico service. The unusual low water level in the St. Lawrence River also put constrain on loadable capacity for the Canadian Gateway service. The westbound trade still managed to achieve lifting growth of 7.5%. Our eastbound lifting growth was only 1% which was better than the market which contracted by 5%.

Intra-Asia and Australasia – The Intra-Asia market was impacted by the cascading of vessels from other deep sea trades when they received new and larger vessels. The industrial capacity utilisation rate deteriorated which put rates under pressure. Following the successful rate restoration in the Asia-Europe trade, rates for Middle East and the Indian Sub-Continent also briefly improved during the middle of the year. The short sea trade slowed down during the fourth quarter when the territorial dispute between Japan and China impacted on this important trade lane. The overcapacity built up during 2011 in the Australasia sector was not matched with trade volume growth from North East Asia. OOCL's capacity in this trade lane was able to increase by taking over the departed MISC's AAA consortium slots and our expansion in the New Zealand trade.

SHIP OPERATIONS

As at 31st December 2012, the OOCL fleet composition was as follows:

Fleet	No. of Vessels	TEU Capacity
Owned/Long Term Chartered/ Operating Lease	50	303,340
Short Term Chartered	48	148,906
Operating Capacity	98	452,246

In 2012, no new build vessels were delivered, and no new vessel orders were placed. During the year, OOCL exercised option to purchase one 12-year old 5,560 TEU vessel previously operated under long-term charter, and sold out two 16-year old 5,344 TEU vessels and then time-chartered them back for a 3-year period.

As of the end of 2012, OOCL fleet consists of 44 owned vessels with an average age of 6.1 years and an average size of 6,128 TEU. OOCL has one of the most efficient and modern fleets in the container industry.

Bunker Saving

In view of the rising fuel price during 2012, we focused intensely on bunker and engine lubricant oil saving programs. These programs included initiatives to adopt technology, optimal routing, continuously optimised speeds, minimum ballast, optimal trim, and ensuring close communication between ship and shore colleagues regarding berthing arrangements as well as terminal productivity. The key contributor to the success of these programs has been the excellent teamwork via seamless coordination between our crew, regions, service centres and corporate departments.

Environmental Protection

With an environmental-friendly fleet of ships, we are in full compliance with the international, national and local emission control regulations. In 2012, we achieved an average sulphur emission content of 2.6%, a figure that was well below the International Maritime Organization (IMO) prescribed standard of 3.5%. The use of cleaner fuel with lower sulphur content had been applied in the Sulphur Emission Control Areas (SECA) including the North Sea, English Channel, Baltic Sea, and 200 nautical miles within the US coastline. All the new vessels delivered since 2011 have been designed with AMP (Alternative Maritime Power) systems onboard for onshore electric power connections to help improve the environment in our communities.

In addition to regulatory compliance, we have been participating in various voluntary programs including the Green Flag Program at the Port of Long Beach, Vessel Speed Reduction Program at the Port of Los Angeles, At-Berth Clean (ABC) Fuels Program at the Port of Seattle, and the Fair Winds Charter and Port Facilities & Light Dues Incentive Scheme in Hong Kong.

Being a responsible corporate citizen, we have expanded our environment initiatives on shore to cover a more comprehensive set of office consumables since 1st January 2011.

MARINE TERMINALS

OOCL continued to operate the Long Beach Container Terminal in California and the Kaohsiung Container Terminal in Taiwan, with a total throughput of 2.0 million TEU in 2012. We also have a 20% interest and management participation in the Tianjin Port Alliance International Container Terminal Co., Ltd. and the Ningbo Yuandong Terminal Ltd., with a combined throughput of 4.1 million TEU.

Middle Harbor Redevelopment Project

OOCL has a 40-year lease agreement with the Port of Long Beach (POLB) for the Middle Harbor Redevelopment Project

in Long Beach. This project will combine two ageing shipping terminals into one modern and highly automated terminal to improve cargo-handling efficiency and environmental friendly operation.

This 9-year project when completed will allow berth space for three 13,000 TEU vessels handling, double the existing capacity and upgrade water and wharfs access coupled with direct rail access to intermodal cargo movement to the US inland points.

LOGISTICS

Along with the progressive growth of the logistics business, the revenue of the Logistics Division increased 13% in 2012 – where 22% of the growth was from international logistics and 8% from domestic logistics.

During 2012, we have been gradually extending our service network to the 2nd and 3rd tier cities in China as well as expanding our activities in the fast-developing countries in Asia and Europe.

Working together with our customers, we expanded our supply chain service into the quality control area as an integral part of vendor management for customers sourcing from Asia. Through our IT and management capabilities, we have also increased the sophistication of our service offerings, including providing 4PL solutions to the customers.

We will continue to develop the logistics business on four fronts: International Supply Chain Management, Domestic Logistics, OceanPlus, and Cold Chain Logistics. In support of the growth, we will invest resources in building our service network and capabilities to develop OOCL Logistics into one of the leading global logistics service providers in the industry.

INVESTMENT PROPERTY

Wall Street Plaza has been valued upwards by US$5 million as at 30th June 2012 to reflect an assessed market value of US$165 million. Based on an independent valuation as at 31st December 2012, the assessed market value of the property remains at US$165 million. The accumulated value gain for the year has been net off with a capital expenditure of US$4.5 million incurred in the second half of 2012. As a result, the net valuation gain for the entire year is US$0.5 million.

As at 31st December 2011, Wall Street Plaza was valued at US$160 million with a revaluation gain of US$5 million in 2011.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 9.8% and 25.1% 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 4.7% 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.

"Overall, the industry must exercise greater discipline in its strategic, commercial and operational practices to restore industry-wide profitability in 2013."

Corporate Responsibility

The Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does. Headed by a senior management Steering Committee and a Global Security, Safety and Environment Care Officer, the Group embraces the core values of Corporate Social Responsibility at all levels.

The Group places the utmost importance on environmental care and community support. Despite the current difficult economic environment, we must continue to address the long-term threat of climate change. We strive to play our part in tackling this global problem through membership of organisations such as the Business Environment Council, the Clean Cargo Working Group and the World Wildlife Fund. Throughout the year, the Group has won awards and accolades for its environmental performance, and OOIL Group employees around the world have been actively supporting their local communities through various environmental initiatives.

Environmental Care

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 care measures and believe that by taking a proactive role in caring for the environment, we can help minimise our carbon footprint, improve air quality and make the world a better place to live for ourselves and future generations.

We actively participate in many green programs and have received numerous awards and recognition for our achievements and quality practices, including:

The Safety, Quality and Environmental (SQE) Management System Certificate – OOCL was the first container shipping line in the world to have achieved the SQE certification which consolidates the ISM-Code, ISO 9001 and ISO 14001 requirements.

Vessel Speed Reduction Programs – Each year, OOCL has been fully compliant to reducing vessel speed when entering within both 20 and 40 nautical miles of the Port of Long Beach and Port of Los Angeles harbors. Our efforts have effectively contributed to improving the air quality by reducing emissions such as smog-forming nitrogen oxides (NOx), diesel particulate matter and greenhouse gases. Port officials estimate that if all vessels comply with the program, the amount of NOx produced by container ships would be reduced by nearly 550 tons a year.

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

Environmental Transport Award – In winning the Lloyd's List Australia Environmental Transport Award, we were recognised for our initiatives in environmentally enhanced operating procedures such as management and monitoring systems to measure targets in environmental goals or for general environmental initiatives either in the community or with other industry stakeholders.

Green Award 2012 – OOCL was presented with the 'Green Award' by the Marine Department of the Hong Kong SAR Government and Hong Kong Shipowners Association in recognising our consistent effort and dedication to taking a green approach in our business. This is the third consecutive year that OOCL has received this recognition and is a testimony that OOCL has consistently achieved tangible results in reducing emissions and protecting the environment. The Green Award is an important recognition and encouragement to the industry for taking responsibility in its effects on the environment.

Green Employer Awards – OOCL and OOCL Logistics was awarded Green Employers for the year 2011-2012 by the Hong Kong Inland Revenue Department of the Hong Kong SAR Government to recognise our employee's support of the government's e-services and contribution to environmental protection by e-filing their tax returns.

Hang Seng Corporate Sustainability Index – The Group is a founding constituent of, as well as listed in the Hang Seng Corporate Sustainability Index since its establishment in 2010. Only the top 30 companies are listed in the Index and they are recognised to have received the highest scores among all others on aspects including environmental care, social impact, and corporate governance. Since the Index's inception, we remain a proud member to have been rated by the RepuTex Annual Review with an "A+" for our overall corporate sustainability performance.

Hong Kong Voluntary Observing Ship Gold Awards – On 8th June 2012, OOCL was presented with four Hong Kong Voluntary Observing Ship Gold Awards by the Hong Kong Observatory (HKO) to recognise our vessel's important contributions to providing marine climatological data needed to help identify prevailing weather conditions for preparing forecasts and warnings to the maritime community. As a Hong Kong-based company, joining the Hong Kong Voluntary Observing Ships program is a part of OOCL's commitment to contributing back to the community.

At-Berth Clean Fuels (ABC) Vessel Incentive Program – OOCL has been an active participant in this voluntary green initiative offered by the Port of Seattle when it was first introduced in 2009. Through this program, shipping and cruise lines are encouraged to use low-sulphur fuel (less than 0.5% sulphur content) when at berth. Since the inception of the program, nearly 500 metric tons of sulphur dioxide (SOx) has been reduced in the local environment. The switch to lower sulphur fuel is estimated to reduce sulphur dioxide emissions and diesel particulate matter by more than 80 percent.

Qualship 21 – Offered by the US Coast Guard, this program recognises high-quality ships for their excellent safety and anti-pollution standards and encourages quality operations. Most of OOCL's vessels calling the US have already been Qualship 21 certified since 2004.

EcoAction Program for Shipping – In 2012, OOCL joined the Metro Port of Vancouver's EcoAction Program for Shipping, a green initiative encouraging vessels that use low sulphur fuel or employ good environmental practices.

Environmental Data Verification – In May 2012, OOCL successfully received certification on the accuracy and transparency of our environmental data disclosure which reflects our commitment to a high standard of data integrity and information management. The audit was conducted by The American Bureau of Shipping (ABS) Consulting, a US based consultancy firm, using the internationally recognised and accepted Clean Cargo Working Group (CCWG) verification standard to check for a vessel's carbon dioxide (CO_2) and SOx emissions.

Corporate Responsibility

In December 2012, the Det Norske Veritas (DNV) also successfully verified all of our environmental data from our vessels by using the Clean Shipping Index (CSI) verification standard.

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

OOCL Vessels – The best way to reduce harmful emissions in the shipping industry is to reduce the consumption of fuel. Since 2001, OOCL has implemented a fuel saving program including weather routing systems, slow steaming (addition of extra vessels on service loops and travelling at slower speeds), minimising ballast water to help achieve a lighter vessel load, and achieving better trim of ship draughts by good stowage, thereby burning less fuel. By taking these measures, we have reduced our CO_2 emissions by more than 30% since 2004. In addition to reducing our emissions, we are able to help our customers achieve a lower carbon footprint in their supply chains.

Since 2000, all our vessels have been installed with environment-friendly NOx-controlled propulsive engines while advanced slide fuel injection valves are also adopted to help reduce NOx emissions by 30%.

In the European Union (EU), we are fully compliant to the SOx Emissions Control Area's (SECA) requirement of using 1.0% sulphur content fuel as required by the EU and International Maritime Organization (IMO), and 0.1% sulphur content for designated EU ports. OOCL operated vessels also consume fuel with sulphur content of 1% or lower in the North American ECA when regulation took effect on 1st August 2012. In addition, when sailing within 24 nautical miles of the California Baseline and at berth, our vessels comply with the 0.5% (for marine diesel oil) or 1.0% (for marine gasoline oil) sulphur content requirements to improve the environment in the community.

Moreover, OOCL is one of the leading carriers that voluntarily signed on to the Fair Winds Charter which encourages all vessels to use fuel of 0.5% sulphur content or less when berthed in Hong Kong. This two-year charter, which started on 1st January 2011, also urges the Hong Kong SAR Government and government authorities in the Pearl River Delta to introduce regulation on the use of low sulphur fuel in order to create a level playing field for all compliers.

OOCL vessels also ensure that the sulphur content of our fuel is well below the IMO prescribed standard of 3.5% when sailing in the high seas. In 2012, OOCL achieved an average sulphur content of 2.6%.

All of OOCL's new buildings currently under construction are installed with Alternative Maritime Power (AMP) Systems, also known as "Cold Ironing", which allows the vessel to use shore-supplied electricity instead of burning fuel when at berth.

OOIL Offices – Our focus is to create and maintain a "paperless office" environment by eliminating the use of faxes and unnecessary paper documents. As a business which has traditionally relied on paper documentation with customers, such as bills of lading and invoices, we have successfully taken innovative measures to effectively reduce our paper consumption since 2006.

We have implemented a "reduce, re-use and recycle" campaign in all our offices around the world, encouraging employees to switch off computers after work, powering off copiers and lights after use, and to install energy-saving office equipment, such as energy-efficient light bulbs. We also have mandatory training for all staff in safety, security and environmental issues, and organise OOCL Green Week every July in offices around the world.

OOCL Terminals – OOCL's container terminal in Long Beach (LBCT LLC) uses "Regen" units for rubber-tired gantry (RTG) cranes in the Port of Long Beach. The systems, which capture, store and supply electrical energy during the crane's operation, can help cut fuel consumption by 25%, and reduce diesel emissions by more than half.

In 2005, our Kaohsiung Terminal in Taiwan (KAOCT) had converted its entire container yard to a 'green' enterprise by replacing its straddle carriers operation with electric rail-mounted gantry cranes (RMGs) to improve energy and operational efficiencies. Currently, there are a total of 18 electrically powered RMGs in the terminal on a fixed-rail system and these gantry cranes are emission-free, quiet, and provide a much safer working environment at the port. The equipment not only helped improve energy efficiency but also terminal efficiency as KAOCT's shipside productivity was increased by 13.3% from 2005 to 2012. In August 2012, we replaced the last two sets of 16-row gantry cranes with 22-row ones to enhance the container handling performance by 7%. Since then, this has enabled KAOCT to effectively handle more vessels at berth. The higher productivity level helped shorten vessel berthing time for bunker savings thus reducing emissions.

Moreover, KAOCT also minimised the use of Side-Pickers and utilise the electric-powered rail mounted gantry cranes to handle empty containers at the terminal to improve energy efficiency. In 2012, over 200 set of the lighting systems in the terminal office were replaced by energy efficient LED technology, which achieved a 59% saving of lighting electricity. When compared to 2007, the terminal reduced diesel consumption by about 39% last year.

Sustainable Procurement Policy – The Group is dedicated to promoting sustainable practices into our supply chain. Our Corporate Sustainable Procurement Policy has been implemented in every aspect of our business and at every stage of the supply chain.

OOCL Carbon Calculator – The OOCL Carbon Calculator is designed to assist OOCL customers in measuring the CO_2 emissions in their supply chain. The scope of the calculator spans across vessels, trucks, feeders, barge and rail with over 70,000 port pairs recorded. OOCL spearheaded the project in 2010, partnering with the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University. The Calculator has been checked and verified for its methodology, accuracy and carbon footprint calculations by The American Bureau of Shipping (ABS) Consulting.

OOCL Containers – Today, OOCL only uses CFC-free refrigerants for all of our refrigerated (reefer) containers. OOCL's newest reefer containers have the lowest power consumption in the industry, and we install ThermoKing "EcoPower" gensets for better energy efficiency. All our containers have been applied with tin-free paint and we are starting to introduce the use of eco-friendly bamboo floors instead of the traditional hardwood ones.

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

Security

In a world where global cargo security threats always increase the complexities of the international trade community, OOCL is strongly committed to the security of our operations against possible compromise and to the maintenance of the highest level of compliance in security related areas. From our offices to ports, warehouses, shore facilities and onboard our vessels, we work with the responsible authorities to ensure that every measure is in place to maintain the highest commercial and operational security standards possible at all times, while all employees are educated and regularly updated through security training.

The Group's Corporate Security Policy and internal guidelines comply with the US Customs-Trade Partnership Against Terrorism (C-TPAT) initiative, EU Authorized Economic Operator (AEO) Program, and we actively work with various governments and authorities around the world to counter any act that would impinge upon maritime or cargo security. Under our policy, we have internal security checks to all of its holdings and our security profile has been validated by the US Customs and Border Protection agency through physical checks of the offices and facilities of the Group 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 preventive 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 world-class quality and secure information to customers and partners, our Global Data Centre has also achieved and maintained BS7799 certification.

OOCL has been certified as a "Partners in Protection" (PIP) carrier by the Canada Border Services Agency (CBSA) Partners in Protection. It is a voluntary program established by the CBSA to enhance border security, combat organised crime and terrorism, detect and prevent contraband smuggling, and increase awareness of issues to secure the flow of legitimate goods and travelers across the US-Canadian border.

OOCL applies anti-piracy measures before our vessels transit through High Risk Areas (HRA). One of the key measures is to maintain a 24-hour, 360-degree anti-piracy visual and radar watch and to deploy additional watch-keepers at the bridge and on deck while transiting the HRA to watch out for suspected pirate vessels. Physical measures are also utilised onboard, such as barbed wires, spikes, and night vision binoculars. Close communication is always maintained between ships and our Fleet Management Department (FMD) office. FMD's 24-hour emergency hotline is always on standby mode in the case of any emergency.

Community and Education

As a responsible corporate citizen the Group recognises that the societies in which its employees live and work contribute greatly to the company's overall success. Care for these communities in which it operates is therefore a major corporate focus. The Group concentrates its community efforts on charity programs designed to provide well-rounded youth education, charity relief to the needy, and cultural entertainment to the whole community.

Corporate Responsibility

OOCL employees across the world are encouraged to give something back to the communities in which they live through charitable activities such as fundraising and volunteering by dedicating their time and efforts to help others in need. OOCL assists in transporting medical diagnostic equipment and supplies from the US to China to care for those children who need urgent treatments. In 2012, the Group donated US$117,000.

In addition to financial donations, the Group also contributes in kind. We offer transportation and logistics support to send relief to the affected areas. Assistance in the form of free transportation is often given to a number of charitable projects. In terms of sponsorship, our employees form volunteer teams to support various charitable organisations through community service, fundraising and donations. Some of the areas where the charity donations were made by the Group and its employees include: social services, orphanages, elderly homes, schools, children's hospitals, cancer research, multiple sclerosis, and diabetes research. In keeping with the Group's long tradition in supporting education, the Group, in partnership with The Tung Foundation, committed more than US$433,000 in 2012 to scholarships through The Tung OOCL Scholarship for students and our employees' children.

Employee Information

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, the Group understands that the process begins with the well treatment of its employees. As a successful corporation, the Group appreciates that its success, growth and performance are attributable to the skills, dedication and teamwork of its employees. It regards people as its greatest asset and takes good care of them.

In the spirit of mutual respect, the Group is an equal opportunity employer with a clearly defined policy, covering areas such as treating all employees with fairness and dignity, promoting the corporate culture of encouraging open and frank communication throughout the organisation, investing in its employees and caring for their hopes and aspirations through people-development programs and education, as well as recognising their efforts and achievements.

People development remains a cornerstone of the corporate culture and enables the effective operation of the Group's career development policy through recruitment and internal promotion. The Group has channeled a great deal of time and effort into its various people-development programs, supporting employee career development through job rotation, local and overseas job assignments, formal and informal learning and development opportunities and sponsorships for performance enhancement.

The Group employs an innovative approach to employee learning and management development. The Group recognises that on-demand performance support to its employees is the key to help them deliver what customers need. Through the Group's intranet, called "InfoNet", the Group offers an all new string to its human-resources bow, creating learner-centric platforms with interactive paths to training and self-improvement, as well as opening up learning opportunities to many more people within the business. Introduced in 2010, this new intranet portal also allows speedy sharing of company news and business updates while giving its employees a platform to exchange views and ideas. In 2011, the Group had a wide adoption of enterprise-level collaboration tools in addition to conventional methods of communication such as email. OOCL Wiki and Tibbr have proven to be two of these very effective tools in the sharing of information and knowledge as well as collaboration amongst large groups of colleagues in our offices around the world. They have also helped us support accelerated learning by providing us with the means to leverage resources, ideas and hence solutions.

As at 31st December 2012, the Group had 8,626 full-time employees. Their salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance-related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

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

The Group is an equal opportunity employer with policies 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 any other category as guided by local laws and legal regulations.

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2012	2011	Change	Favourable/ (unfavourable) %
Operating revenue by activity:				
Container Transport and Logistics	**6,432,955**	5,986,719	446,236	7%
Other Activities	**26,104**	25,117	987	4%
Group operating revenue	**6,459,059**	6,011,836	447,223	7%
Operating profit by activity:				
Container Transport and Logistics	**229,546**	117,794	111,752	95%
Other Activities	**98,532**	51,804	46,728	90%
Group operating profit	**328,078**	169,598	158,480	93%
Finance costs	**(32,877)**	(26,179)	(6,698)	(26%)
Share of profits of jointly controlled entities and associated companies	**15,107**	14,038	1,069	8%
	310,308	157,457	152,851	97%
Gain in fair value on investment property	**543**	5,000	(4,457)	(89%)
Profit before taxation	**310,851**	162,457	148,394	91%
Taxation	**(13,562)**	(23,103)	9,541	41%
Non-controlling interests	**(930)**	(709)	(221)	(31%)
Profit from continuing operations	**296,359**	138,645	157,714	114%
Profit from discontinued operations:				
– Write back of provision	**–**	43,000	(43,000)	(100%)
Profit attributable to shareholders	**296,359**	181,645	114,714	63%

Revenue for 2012 was US$447.2 million higher than that of 2011, representing an increase of 7%. This was mainly attributable to a recovery in market condition for the core Container Transport and Logistics business, especially in the first half of the year. Other revenue, comprising less than 1% of the Group's revenue for both 2012 and 2011, mainly represented rental income from the Group's investment property Wall Street Plaza in New York.

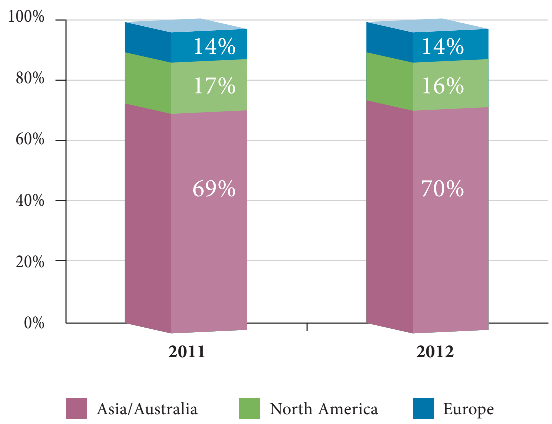
Container Transport and Logistics

Summary of Operating Results

US$'000	2012	2011	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	**5,217,234**	5,033,137	184,097	4%
Revenue per TEU (US$)	**1,131**	1,099	32	3%
Operating revenue by location:				
Asia/Australia	**4,501,763**	4,101,671	400,092	10%
North America	**1,043,213**	1,045,918	(2,705)	N/M
Europe	**887,979**	839,130	48,849	6%
Operating revenue	**6,432,955**	5,986,719	446,236	7%
Operating costs by items:				
Cargo costs	**(2,756,490)**	(2,583,723)	(172,767)	(7%)
Bunker costs	**(1,211,705)**	(1,211,635)	(70)	N/M
Vessel and voyage costs (excluding Bunker)	**(1,051,646)**	(945,179)	(106,467)	(11%)
Equipment and repositioning costs	**(774,549)**	(731,142)	(43,407)	(6%)
Operating costs	**(5,794,390)**	(5,471,679)	(322,711)	(6%)
Gross profit	**638,565**	515,040	123,525	24%
Other operating expenses	**(429,601)**	(408,810)	(20,791)	(5%)
Other operating income, net	**20,582**	11,564	9,018	78%
Operating profit	**229,546**	117,794	111,752	95%

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 2012. Container Transport and Logistics will continue to be the core business of the Group in which the majority of the Group's operating assets will be deployed.

Operating Revenue of Container Transport and Logistics



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/Australia

Turnover from the Asia/Australia area improved from US$4,101.7 million in 2011 to US$4,501.8 million in 2012 as a result of a moderate growth in volume amidst an improvement in freight rates. Both North America and Europe bound trades recorded positive variances when compared with last year in revenue term.

Overall liftings of the Trans-Pacific eastbound services increased by 1% while freight rates improved by 6% when compared with last year. The westbound legs of the Asia/Northern Europe services recorded a 12% gain in rates but a 7% lower in volume. Intra-Asia sustained a modest 1% growth in liftings for the year and a 3% improvement in average freight rates. Liftings of the Asia/Australia and New Zealand services rose by 28% in 2012 while freight rates maintained comparable with last year.

Overall load factor as a percentage of the capacity available during 2012 decreased by 3 percentage points from 2011 with a 7% increase in available capacity during the year. Results from this region have always been dependent upon the economic environment and consumption patterns of North America and Europe.

Kaohsiung Container Terminal in Taiwan is an integral part of the Container Transport and Logistics business and its terminal facilities are mainly employed by OOCL and its alliance members.

North America

Revenue decreased by US$2.7 million for this area in 2012. Performance of this region was slightly less than that of 2011 with softening freight rates, amidst a modest volume growth. Both Asia-bound and Europe-bound cargoes recorded a drop in average freight rates which contributed to the set back in revenue from the region.

Although the westbound liftings from the Asia/North America West Coast service and the Asia/US East Coast service via the Panama Canal achieved a 3% growth compared with last year, revenue showed a slight decrease due to a 4% drop in freight rates. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded no better performance with a 1% growth in volume but a 5% drop in revenue.

Overall volumes rose by 3% during 2012 but the average revenue per TEU on all outbound cargoes from North America recorded a 4% decrease as compared with last year. With a 12% increase in capacity during the year, the overall load factor in the region was 6 percentage points down from those of 2011.

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

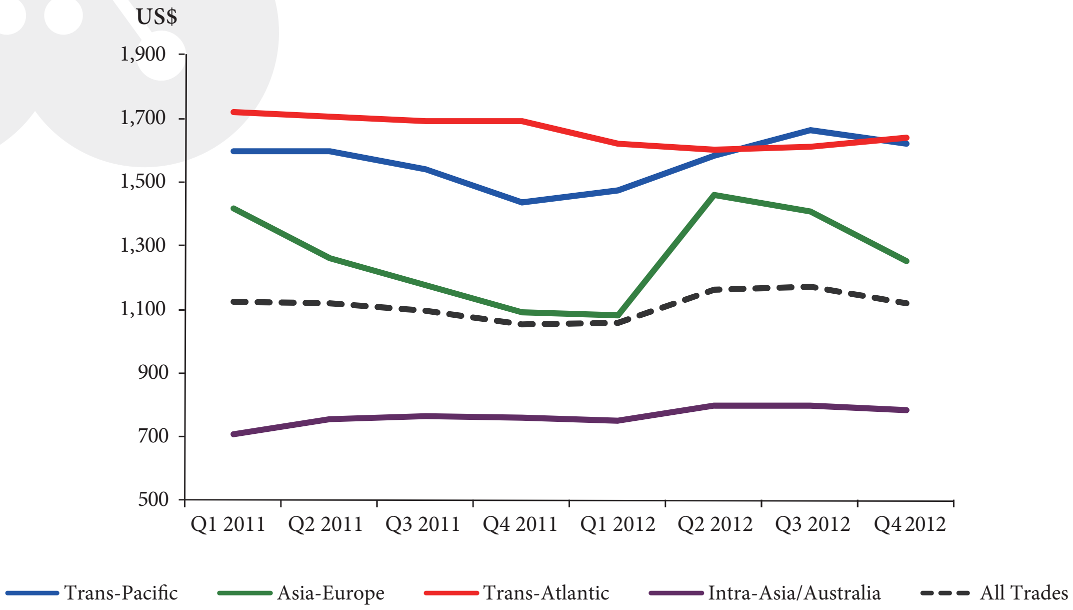
Turnover for this area in 2012 recorded a further improvement from 2011 by US$48.8 million. The eastbound leg of the Asia/Northern Europe services, being the largest revenue contributor for the Europe area in the past years maintained a comparable revenue level in 2012 while the westbound trades of the Trans-Atlantic routes contributed to the revenue improvement with steady volume growth. Revenue gains for the year mainly derived from growth in Intra-Europe and Mediterranean markets.

The eastbound leg of the Asia/Northern Europe services saw a 7% drop volume in 2012 which was compensated by a corresponding 7% improvement in freight rates. Liftings for the westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were 8% higher than those of 2011 while average revenue per TEU for both services was 5% lower. The eastbound routes of the Mediterranean trades showed a remarkable expansion during the year with over 70% increase in both volume and revenue.

Overall load factors as a percentage of capacity available for cargo shipments from this region were comparable with that of 2011 despite a 6% capacity increase for the Europe area during 2012.

Average revenue per TEU on all outbound cargoes from Europe was 2% lower than that of 2011, with a 7% increase in overall volume for the region.

Revenue per TEU by Services

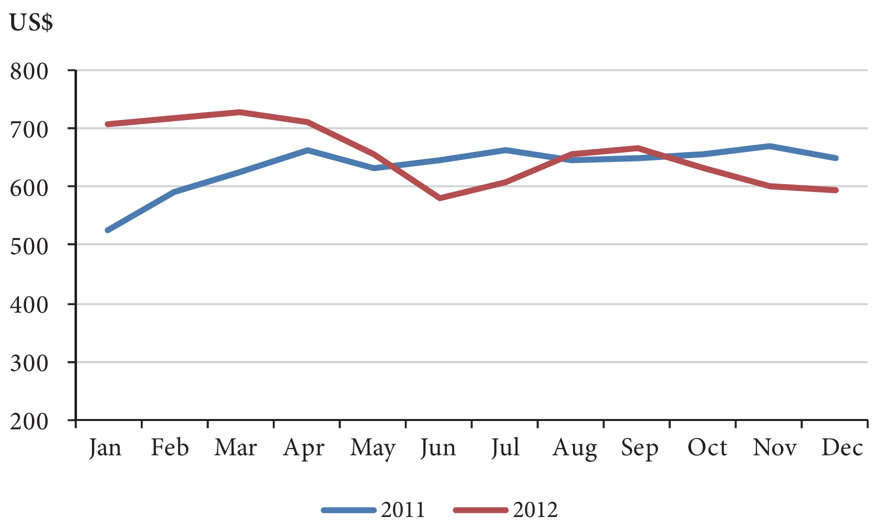


Operating Costs

Principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased by 6% from that of 2011 pursuant to the higher cargo volume recorded for the year.

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 took place. Cargo cost increased by 7% compared with that of 2011 which was in line with the growth in liftings.

Average Bunker Price per Ton

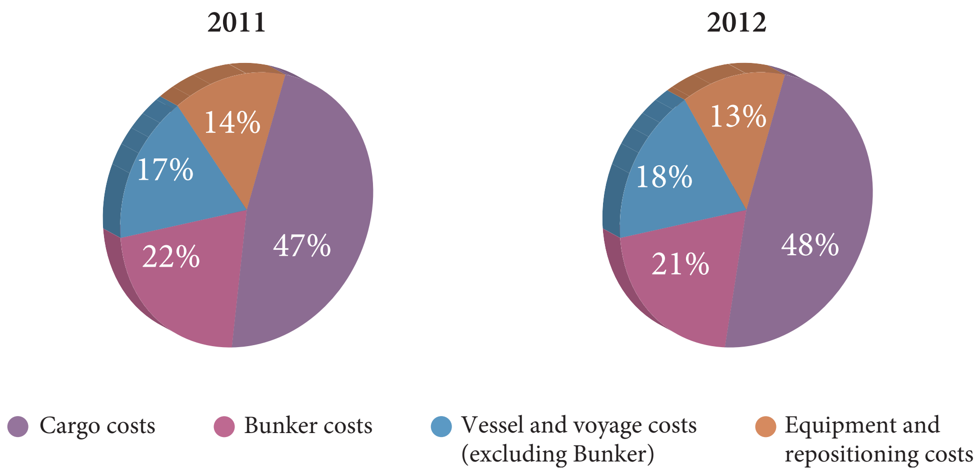


Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Although bunker price rose from an average of US$624 per ton in 2011 to an average of US$664 per ton in 2012, overall bunker cost only slightly increased for the year, thanks to savings in bunker consumption through various fuel efficient measures such as slow steaming.

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 scheduled service levels. With the extra capacity from newbuildings and the increases in chartered-in vessel capacity, total carrying capacity grew from 415,790 TEU as at 2011 year-end to 452,246 TEU in 2012 and the total number of vessels, either owned or chartered in and operated by OOCL, also increased from 88 to 98. Consequently, vessel costs recorded an 8% increase in 2012.

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. As a result of the expansion of the container fleet size from 792,940 TEU in 2011 to 834,561 TEU in 2012 and an increase in positioning costs, total equipment and repositioning costs increased by US$43.4 million, or 6%, during the year.

Operating costs



Other Operating Expenses

Other operating expenses largely comprise staff costs, office expenses, selling and marketing costs, professional and information system expenses. Other operating expenses in 2012 were US$20.8 million higher than 2011 which was in line with business growth.

Other Operating Income, Net

Other operating income, comprising principally exchange arising from foreign currency transactions and net profit or loss on the disposal of assets, for 2012 was higher than that of 2011 mainly due to favourable exchange recorded for the year.

Other Activities

Summary of Operating Results

US$'000	2012	2011	Change	Favourable/ (unfavourable) %
Rental income	26,887	26,041	846	3%
Elimination	(783)	(924)	141	N/M
Operating revenue	**26,104**	25,117	987	4%
Operating costs	(12,328)	(12,579)	251	2%
Costs incurred by hurricane Sandy	(6,707)	–	(6,707)	N/M
Gross profit	**7,069**	12,538	(5,469)	(44%)
Investment income	33,785	10,756	23,029	214%
Interest income	19,176	18,102	1,074	6%
Distributions from investment in Hui Xian	43,697	12,133	31,564	260%
Others	(5,195)	(1,725)	(3,470)	(201%)
Operating profit	**98,532**	51,804	46,728	90%

The Group owns an approximately 600,000 square feet 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 21,000 square feet is occupied by Group companies. The Group also invests funds surplus to operation in cash and bank deposits and, on a longer term basis, in equity and bond portfolios. The Group also owns a 7.9% interest in Hui Xian Holdings which in turn holds, directly or indirectly, the majority of Hui Xian REIT, the first RMB-denominated REIT in Hong Kong.

Hurricane Sandy swept through the US East Coast in late October 2012 causing extensive damage to the city of New York where Wall Street Plaza was located. As a result, the building was out of operation for a period of 21 days. Various costs were incurred to rebuild and restore the building back to its normal condition and operation was resumed in late November 2012.

Results from Other Activities for 2012 were US$46.7 million better than that of 2011 with extra costs caused by hurricane Sandy more than compensated by increased distributions from Hui Xian.

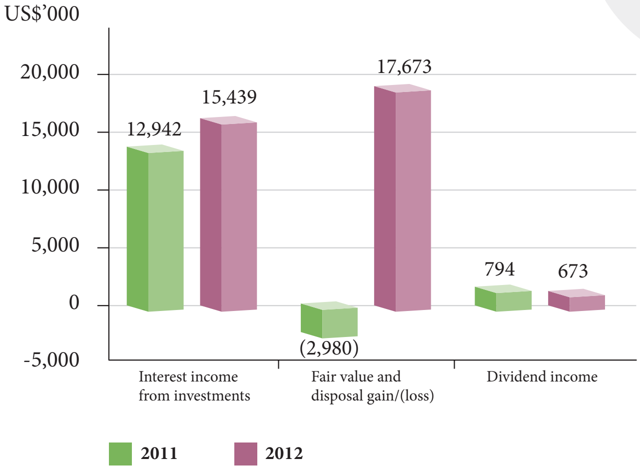
Rental Income

Rental income from Wall Street Plaza was comparable to that of last year, with the building maintaining an occupancy rate of 94% as at the end of 2012.

Investment Income

Compared with a profit of US$10.8 million in 2011, investment activities recorded a profit of US$33.8 million for the year. Interest income from bond investments as well as fair value gains recorded favourable returns for 2012, reflecting the general buoyant global financial markets over the year.

Investment Income By Activities



Interest Income

Interest income was US$1.1 million higher in 2012 which was attributable to a general higher rate achieved for deposits compared with 2011.

Distributions from Investment in Hui Xian

Hui Xian Holdings declared a cash distribution in April 2012 and a distribution in specie of Hui Xian REIT in May 2012, of which the Group shared a total of US$42.6 million. In September, the Group received a further distribution of US$1.1 million from its then direct holding of Hui Xian REIT, adding to a total of US$43.7 million for the year as compared with US$12.1 million in 2011.

Others

Other items include business and administration expenses for property management, exchange differences and other miscellaneous items.

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 and terminal equipment owned by the Group. Finance costs also include fees on lease administration.

Finance costs increased by US$6.7 million as compared with 2011 principally as a result of the higher average debt balance for the year.

Gain in Fair Value on Investment Property

As at 31st December 2012, the Group's investment property, Wall Street Plaza, was valued at US$165 million, up from the US$160 million valuation at the end of 2011, by an independent valuer. After offsetting a total of US$4.5 million improvement to the building spent during the year, the net gain in fair value for 2012 was therefore US$0.5 million.

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 operations in 2007. The share of US$15.1 million profits from jointly controlled entities and associated companies in 2012 was US$1.1 million higher than 2011, reflecting the improved operation of the Tianjin terminal.

Profit before Taxation

Pre-tax profit for the year was US$310.9 million compared with last year's profit of US$162.5 million. The improvement in earnings reflected the recovery in market conditions of the Container Transport and Logistics business, especially in the first half of the year.

Taxation

US$'000	2012	2011	Change	Favourable/ (unfavourable) %
Company and subsidiaries:				
North America	**923**	10,769	(9,846)	91%
Europe	**672**	2,265	(1,593)	70%
China	**2,543**	2,748	(205)	7%
Asia and others	**9,424**	7,321	2,103	(29%)
Total	**13,562**	23,103	(9,541)	41%

Taxation for 2012 was US$9.5 million lower than that of 2011 mainly as a result of the write-back of provision for previous years and tax credits on costs incurred for hurricane Sandy. Tax liabilities for China were comparable with that of 2011 while expansion of business volume over Asian countries increased the tax liabilities in these areas during the year.

Capital Expenditure

US$'000	2012	2011	Change	Increase/ (decrease) %
Container vessels and capitalised dry-docking costs	**34,287**	33,731	556	2%
Vessels under construction	**548,055**	444,881	103,174	23%
Containers	**109,897**	232,470	(122,573)	(53%)
Chassis	**54**	99	(45)	(45%)
Vehicles, furniture, computer and other equipment	**77,676**	17,202	60,474	352%
Computer software	**9,761**	6,494	3,267	50%
Investment property	**4,457**	–	4,457	N/M
Land and buildings	**375**	9,726	(9,351)	(96%)
	784,562	744,603	39,959	5%

Capital expenditure increased from US$744.6 million in 2011 to US$784.6 million in 2012, representing a US$40.0 million increase from the 2011 level. Vessels under construction accounted for 70% and 60% of the total capital expenditure in 2012 and 2011 respectively. Increases in capital payments on other equipment mainly represented the acquisition of terminal equipment for the Middle Harbor Redevelopment Project in Long Beach, USA.

Vessels

During 2012, the Group took no delivery of newbuilds on order. In January 2012, the Group exercised the purchase option for one chartered vessel and sale-and-lease-back two aged vessels during the interim period.

As at the end of 2012, the Group had a total of sixteen newbuilding orders for ten 13,200 TEU vessels from Samsung Heavy Industries Co Ltd and six 8,888 TEU vessels from Hudong-Zhonghua Shipyard (Group) Co Ltd, to be delivered from 2013 to 2015.

Newbuilding Delivery Schedule

Delivery	Shipyard	Hull No.	TEU	Date of Order
Jan 2013	Hudong-Zhonghua Shipbuilding	H1564A	8,888	2007
Jan 2013	Samsung Heavy Industries	HN2002	13,200	2011
Mar 2013	Samsung Heavy Industries	HN2003	13,200	2011
Mar 2013	Samsung Heavy Industries	HN2004	13,200	2011
Mar 2013	Hudong-Zhonghua Shipbuilding	H1584A	8,888	2007
Apr 2013	Samsung Heavy Industries	HN2005	13,200	2011
May 2013	Samsung Heavy Industries	HN2006	13,200	2011
Jun 2013	Samsung Heavy Industries	HN2007	13,200	2011
Jul 2013	Samsung Heavy Industries	HN2008	13,200	2011
Sep 2013	Samsung Heavy Industries	HN2009	13,200	2011
Mar 2014	Samsung Heavy Industries	HN2010	13,200	2011
Apr 2014	Samsung Heavy Industries	HN2011	13,200	2011
Oct 2014	Hudong-Zhonghua Shipbuilding	H1565A	8,888	2007
Dec 2014	Hudong-Zhonghua Shipbuilding	H1585A	8,888	2007
Feb 2015	Hudong-Zhonghua Shipbuilding	H1667A	8,888	2010
Apr 2015	Hudong-Zhonghua Shipbuilding	H1668A	8,888	2010

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2012	2011	Change	Increase/ (decrease) %
Property, plant and equipment	**4,664,773**	4,205,194	459,579	11%
Investment property and prepayments of lease premiums	**174,793**	170,249	4,544	3%
Jointly controlled entities and associated companies	**119,527**	82,411	37,116	45%
Intangible assets	**38,916**	40,014	(1,098)	(3%)
Liquid assets	**2,339,531**	2,413,132	(73,601)	(3%)
Accounts receivable and other assets	**852,222**	750,582	101,640	14%
Other non-current assets	**75,318**	71,517	3,801	5%
TOTAL ASSETS	**8,265,080**	7,733,099	531,981	7%
Accounts payable and other liabilities	**(797,866)**	(723,860)	(74,006)	10%
Current taxation	**(6,191)**	(11,241)	5,050	(45%)
TOTAL ASSETS LESS TRADING LIABILITIES	**7,461,023**	6,997,998	463,025	7%
Long-term borrowings	**2,325,777**	2,233,095	92,682	4%
Short-term borrowings, overdrafts and current portion of long-term borrowings	**555,753**	439,111	116,642	27%
Total debt	**2,881,530**	2,672,206	209,324	8%
Non-controlling interests and deferred liabilities	**70,003**	74,930	(4,927)	(7%)
Ordinary shareholders' equity	**4,509,490**	4,250,862	258,628	6%
CAPITAL EMPLOYED	**7,461,023**	6,997,998	463,025	7%
Debt to equity ratio	**0.64**	0.63		
Net debt to equity ratio	**0.12**	0.06		
Accounts payable as a % of revenue	**12.15**	11.80		
Accounts receivable as a % of revenue	**8.42**	7.83		
% return on average ordinary shareholders' equity	**6.77**	3.69		
Net asset value per ordinary share (US$)	**7.21**	6.79		
Liquid assets per ordinary share (US$)	**3.74**	3.86		
Share price at 31st December (US$)	**6.44**	5.81		
Price to book ratio based on share price at 31st December	**0.89**	0.85		

Property, Plant and Equipment

US$'000	2012	2011	Change	Increase/ (decrease) %
Vessels	**3,523,332**	3,124,917	398,415	13%
Containers and chassis	**963,446**	954,432	9,014	1%
Land and buildings	**45,850**	47,638	(1,788)	(4%)
Others	**132,145**	78,207	53,938	69%
	4,664,773	4,205,194	459,579	11%

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. In 2012, the Group placed no new order for new vessels. As at the end of 2012, the Group had a total of 16 outstanding newbuilding orders to be delivered in 2013 to 2015.

The increase in property, plant and equipment in 2012 principally reflects the stage payments on new vessels under construction, offset in part by the annual depreciation charges for the year.

Investment Property and Prepayments of Lease Premiums

US$'000	2012	2011	Change	Increase/ (decrease) %
Investment property	**165,000**	160,000	5,000	3%
Prepayments of lease premiums	**9,793**	10,249	(456)	(4%)
	174,793	170,249	4,544	3%

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US$165.0 million at the end of 2012 by an independent valuer (2011: US$160.0 million).

Jointly Controlled Entities and Associated Companies

US$'000	2012	2011	Change	Increase/ (decrease) %
Jointly controlled entities	**7,610**	6,741	869	13%
Associated companies	**111,917**	75,670	36,247	48%
	119,527	82,411	37,116	45%

The investments in jointly controlled entities and associated companies for 2012 mainly comprise 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 2012 mainly arose from the profits shared for the year and further investment in the Ningbo terminal.

Financial Review

Intangible Assets

US$'000	2012	2011	Change	Increase/ (decrease) %
Beginning balances	**40,014**	46,648	(6,634)	(14%)
Additions	**9,761**	6,496	3,265	50%
Amortisation	**(10,859)**	(13,130)	2,271	(17%)
Closing balances	**38,916**	40,014	(1,098)	(3%)

Intangible assets represent computer software development costs which are amortised over a period of five years.

Liquid Assets

US$'000	2012	2011	Change	Increase/ (decrease) %
Container Transport and Logistics	**472,115**	252,325	219,790	87%
Other Activities	**30,708**	28,663	2,045	7%
Cash and portfolio funds	**1,582,744**	1,949,347	(366,603)	(19%)
Available-for-sale listed equity securities	**8**	705	(697)	(99%)
Held-to-maturity investments	**253,956**	182,092	71,864	39%
Total liquid assets	**2,339,531**	2,413,132	(73,601)	(3%)

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.

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 held for medium-term value growth; held-to-maturity investments are entirely bonds intended to be held until maturity.

The Group's total liquid assets at the end of 2011 and 2012 can be further analysed as follows:

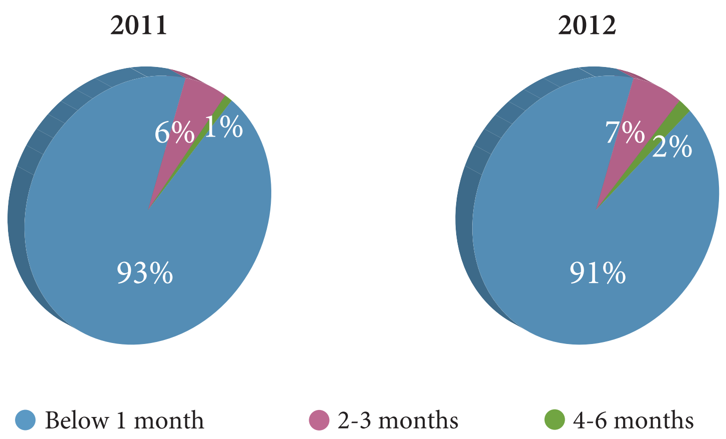
US$'000	2012	2011	Change	Increase/ (decrease) %
Cash (per cashflow statement)	**1,597,018**	1,909,154	(312,136)	(16%)
Bank overdrafts	**172**	236	(64)	(27%)
Bank balances and deposits maturing within three months from the date of placement	**1,597,190**	1,909,390	(312,200)	(16%)
Bank balances and deposits maturing over three months from the date of placement	**264,460**	189,494	74,966	40%
Cash and bank balances (per balance sheet)	**1,861,650**	2,098,884	(237,234)	(11%)
Restricted bank balances	**18,490**	12,271	6,219	51%
Portfolio investments	**205,427**	119,180	86,247	72%
Available-for-sale listed equity securities	**8**	705	(697)	(99%)
Held-to-maturity investments	**253,956**	182,092	71,864	39%
Total liquid assets	**2,339,531**	2,413,132	(73,601)	(3%)

Accounts Receivable and Other Assets

US$'000	2012	2011	Change	Increase/ (decrease) %
Container Transport and Logistics	675,188	602,394	72,794	12%
Others	177,034	148,188	28,846	19%
	852,222	750,582	101,640	14%

Accounts receivable and other assets for Container Transport and Logistics increased by US$72.8 million to US$675.2 million at the end of 2012. The increase mainly represented a higher business volume as compared with 2011.

Ageing Analysis of Trade Receivables

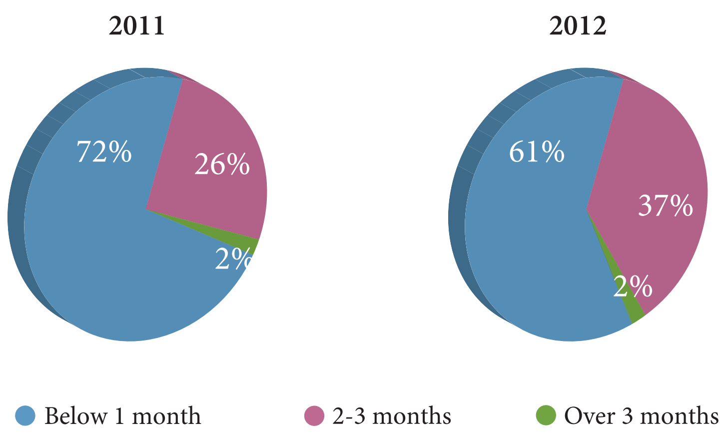


Accounts Payable and Other Liabilities

US$'000	2012	2011	Change	Increase/ (decrease) %
Container Transport and Logistics	786,456	718,438	68,018	9%
Others	11,410	5,422	5,988	110%
	797,866	723,860	74,006	10%

Accounts payable and other liabilities at the end of 2012 were US$74.0 million higher than that of 2011, reflecting mainly the increase in business volume.

Ageing Analysis of Trade Payables



Total Debt

US$'000	2012	2011	Change	Increase/ (decrease) %
Bank loans	**1,604,198**	1,181,495	422,703	36%
Finance lease obligations	**1,277,160**	1,490,475	(213,315)	(14%)
Bank overdrafts	**172**	236	(64)	(27%)
	2,881,530	2,672,206	209,324	8%

Total debt increased during the year by US$209.3 million principally as a result of the financial obligations incurred upon the stage payments on newbuildings during the year, offset in part by the scheduled repayments.

Total debt repayment between 2013 and 2017 is US$1,608.9 million, which is 56% of the total debt of 2012. Details of the repayment profile of the Group's borrowings are set out in Note 36 to the consolidated accounts of this report.

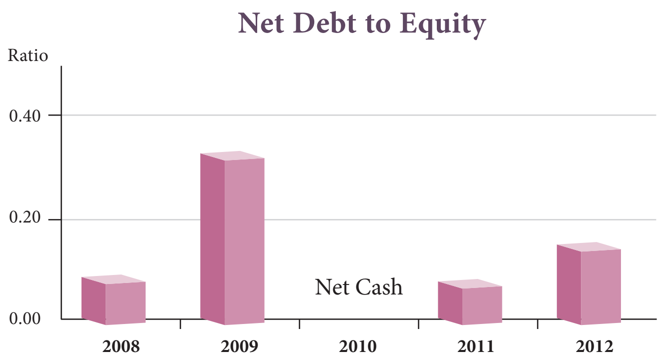
Debt Profile

As at the end of 2012, 99% (2011: 99%) of the Group's total debt was denominated in US dollars which effectively reduced the risk of exchange fluctuations.

Of the total US$2,881.5 million debt outstanding at the end of 2012, US$44.2 million was fixed-rate debt and the remaining US$2,837.3 million of indebtedness was subject to floating interest rates at various competitive spreads over three-month/six-month LIBOR (or equivalent) and related principally to the financing of vessels and container equipment. The Group's average cost of debt at 31st December 2012 was 1.0% (2011: 1.0%).

Net Debt to Equity Ratio

This ratio changed to 0.12:1 at end of 2012, from 0.06:1 at end of 2011 pursuant to the equity portion of stage payments made for newbuilding orders in 2012. This ratio will be closely monitored in the light of the delivery and financing of new vessels ordered and business forecasts over the next three years. It is the Group's objective to keep this key ratio below a threshold of 1.0.



Shareholders' Equity

As at 31st December 2012, the Company had a number of 625,793,297 shares in issue, consisting entirely of ordinary shares. With the profit recorded for the year, the Group's consolidated shareholders' equity increased by US$258.6 million to US$4,509.5 million as at the end of 2012 with a net asset value per ordinary share of US$7.2 (2011: US$6.8).

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 2013 amounted to US$256.8 million as detailed in Note 39(b) to the consolidated 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 2012, the Group had outstanding capital commitments amounting to US$1,629.4 million, principally represented by the orders placed for new container vessels to be delivered between 2013 and 2015.

Analysis of Change in Liquid Assets

US$'000	2012	2011	Change	Favourable/ (unfavourable) %
Net inflow from operations	**478,032**	308,322	169,710	55%
Other inflow:				
Interest and investment income	**48,959**	49,375	(416)	(1%)
Sale of property, plant and equipment and investments	**77,450**	155,795	(78,345)	(50%)
New loan drawdown	**627,125**	281,620	345,505	123%
Cash from jointly controlled entities and associated companies	**9,905**	8,950	955	11%
Loan repayment from an investee company	**–**	71,100	(71,100)	N/A
Others	**1,121**	-	1,121	N/A
	764,560	566,840	197,720	35%
Other outflow:				
Interest paid	**(35,068)**	(29,716)	(5,352)	(18%)
Dividends paid to shareholders	**(29,198)**	(1,498,920)	1,469,722	98%
Taxation paid	**(18,114)**	(32,852)	14,738	45%
Purchase of property, plant and equipment and investments	**(763,723)**	(751,418)	(12,305)	(2%)
Loan repayments	**(459,019)**	(273,580)	(185,439)	(68%)
Increase in intangible assets	**(9,761)**	(6,494)	(3,267)	(50%)
Acquisition of additional interest in a subsidiary	**(550)**	-	(550)	N/A
Others	**(1,019)**	(2,380)	1,361	57%
	(1,316,452)	(2,595,360)	1,278,908	49%
Net outflow	**(73,860)**	(1,720,198)	1,646,338	96%
Beginning liquid asset balances	**2,413,132**	4,132,897	(1,719,765)	(42%)
Currency translation adjustment	**259**	433	(174)	(40%)
Ending liquid asset balances	**2,339,531**	2,413,132	(73,601)	(3%)
Represented by:				
Unrestricted bank balances and deposits	**1,861,650**	2,098,884	(237,234)	(11%)
Restricted bank balances	**18,490**	12,271	6,219	51%
Portfolio investments	**205,427**	119,180	86,247	72%
Available-for-sale listed equity securities	**8**	705	(697)	(99%)
Held-to-maturity investments	**253,956**	182,092	71,864	39%
	2,339,531	2,413,132	(73,601)	(3%)

A net outflow of US$73.9 million was recorded in 2012 compared with US$1,720.2 million in 2011. Operating inflow of US$478.0 million for the year was US$169.7 million better than that of 2011 with the improvement in operating results for 2012. The capital payments and corresponding loan drawdown amounts in 2012 mainly reflected the scheduled stage payments on new vessels ordered. Total liquid asset balances decreased to US$2,339.5 million at the end of 2012, against US$2,413.1 million in 2011.

Liquidity

As at 31st December 2012, the Group had total liquid asset balances of US$2,339.5 million compared with debt obligations of US$555.8 million repayable in 2013. Total current assets at the end of 2012 amounted to US$2,765.3 million against total current liabilities of US$1,352.4 million. The Group's shareholders' equity contains no loan capital. 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

Mr. TUNG Chee Chen, aged 70, has been appointed as Chairman, President and Chief Executive Officer of the Company since October 1996. Mr. Tung chairs the Executive Committee of the Company. On 9th March 2012, Mr. Tung ceased as the Chairman of the Remuneration Committee of the Company but remains as a member of the Remuneration Committee, and he was elected as the Chairman of the Nomination 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 and U-Ming Marine Transport Corp., which are all listed public companies. He was formerly an Independent Non-Executive Director of PetroChina Company Limited and Zhejiang Expressway Co., Ltd., both are companies listed in Hong Kong. Mr. Tung is a member of the Hong Kong Logistics Development Council and the Hong Kong-United States Business Council. Mr. Tung is the brother of Mr. Tung Chee Hwa who has a direct interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company); the brother-in-law of Professor Roger King, a Non-Executive Director of the Company; and the uncle of Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan, both are Executive Directors of the Company.

TUNG Lieh Cheung Andrew

Mr. TUNG Lieh Cheung Andrew, aged 48, has been an Executive Director and a member of the Executive Committee of the Company since 2nd November 2011. He has been a Director and a member of the Executive Committee of Orient Overseas Container Line Limited ("OOCLL"), a wholly-owned subsidiary of the Company, since March 2006, and the Chief Executive Officer and Senior Managing Director of OOCLL since 1st July 2012. Mr. Tung is also a director of Cargosmart (Hong Kong) Limited, a wholly-owned subsidiary of the Company. Between 1993 and 1998, he has served the Group in various capacities including Director of Reefer Trade of OOCLL. The last position Mr. Tung held in Hong Kong Dragon Airlines Limited prior to joining OOCLL in 2006 was the Chief Operating Officer. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration from Stanford University in the USA. He is currently a member of the Executive Committee of Hong Kong Shipowners Association. Mr. Tung was the Vice-Chairman of the International Chamber of Commerce Commission for Transport & Logistics and an Independent Non-Executive Director of Integrated Distribution Services Group Limited, a company previously listed in The Stock Exchange of Hong Kong Limited, until withdrawal of its listing on 1st November 2010. Mr. Tung is the son of Mr. Tung Chee Hwa who has a direct interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company) and is the brother of Mr. Tung Lieh Sing Alan (Executive Director of the Company). He is the nephew of Mr. Tung Chee Chen (Chairman, President and Chief Executive Officer of the Company and has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company)) and Professor Roger King (Non-Executive Director of the Company).

Kenneth Gilbert CAMBIE

Mr. Kenneth Gilbert CAMBIE, aged 51, 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 Executive Committee and the Compliance 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.

TUNG Lieh Sing Alan

Mr. TUNG Lieh Sing Alan, aged 45, has been an Executive Director of the Company since 1st May 2005. Mr. Tung has been with the Group in various capacities for twenty 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 the Chairman of the Hong Kong Shipowners Association and is a member of the Hong Kong Economic Development Commission and the Hong Kong Maritime Industry Council and the Greater Pearl River Delta Business Council. He is on the Executive Committee of the International Association of Dry Cargo Shipowners (Intercargo), the Chairman of the Advisory Committee of Center for Transport, Trade and Financial Studies of the City University of Hong Kong and a member of the Departmental Advisory Committee of Department of Logistics and Maritime Studies of The Hong Kong Polytechnic University. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years. Mr. Tung is the son of Mr. Tung Chee Hwa who has a direct interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company) and is the brother of Mr. Tung Lieh Cheung Andrew (Executive Director of the Company). He is the nephew of Mr. Tung Chee Chen (Chairman, President and Chief Executive Officer of the Company and has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company)) and Professor Roger King (Non-Executive Director of the Company).

Professor Roger KING

Professor Roger KING, aged 72, has been a Non-Executive Director of the Company since March 2000 and was an Executive Director of the Company from 1992. He is a member of the Finance Committee of the Company since 4th March 2008. He was a Director of Orient Overseas (Holdings) Limited ("OOHL") from 1983 to 1992 and the Managing Director and Chief Operating Officer of OOHL from 1985 to 1987. Professor King is a graduate of the University of Michigan, BSEE; New York University, MSEE; Harvard Business School, AMP; and The Hong Kong University of Science and Technology ("HKUST"), PhD in Finance. He is an Adjunct Professor of Finance, Director of Center for Asian Family Business and Entrepreneurship Studies and Director of Thompson Center for Business Case Studies at HKUST. He is the 2011 recipient of Honorary Fellowship from HKUST on 24th June 2011. 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. Professor King is a member of the Supervisory Board of TNT Express N.V. (listed on the Amsterdam Stock Exchange) and the Honorary Consul of the Republic of Latvia in Hong Kong. Professor King was an Independent Non-Executive Director of Sincere Watch (Hong Kong) Limited (listed on the Hong Kong Stock Exchange) and Arrow Electronics, Inc. (listed on the New York Stock Exchange), a member of the Supervisory Board of TNT N.V. (listed on the Amsterdam Stock Exchange), Chairman and founder of System-Pro Computers Limited, one of the largest personal computer reseller in Hong Kong, Chairman of Pacific Coffee Limited and a member of the Standing Committee of Zhejiang Province People's Political Consultative Conference. Professor King is the brother-in-law of Mr. Tung Chee Hwa who has a direct interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company), and Mr. Tung Chee Chen (Chairman, President and Chief Executive Officer of the Company and has an interest in a trust which has an indirect interest in Fortune Crest Inc. and Gala Way Company Inc. (substantial shareholders of the Company)) and the uncle of Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan, both are Executive Directors of the Company.

CHOW Philip Yiu Wah

Mr. CHOW Philip Yiu Wah, aged 65, is a Non-Executive Director of the Company since the re-designation from an Executive Director of the Company on 1st July 2012. He is also a consultant of the Company for a term of one year from 1st July 2012 to 30th June 2013. He is a member of the Finance Committee and the Share Committee of the Company. Mr. Chow was an Executive Director of the Company from 1st December 2003 to 30th June 2012. 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 did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Board of Directors

Simon MURRAY

Mr. Simon MURRAY, CBE, aged 72, 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 the Chairman of General Enterprise Management Services (International) Limited (GEMS), a private equity fund management company. He is a Non-Executive Chairman of Glencore International Plc and is an Independent Non-Executive Director of Cheung Kong (Holdings) Limited and Wing Tai Properties Limited (formerly known as USI Holdings Limited), all listed on The Stock Exchange of Hong Kong Limited. He is the Vice Chairman of Essar Energy Plc, a Non-Executive Director of Compagnie Financière Richemont SA, Greenheart Group Limited and IRC Limited, and an Independent Director of Sino-Forest Corporation. He was formerly an Independent Non-Executive Director of Hutchison Whampoa Limited, a listed company in Hong Kong and a Non-Executive Director of Vodafone Group Plc, a listed company in the United Kingdom. With effect from the end of 24th March 2011, Mr. Murray resigned as an Independent Non-Executive Director of Arnhold Holdings Limited, a company listed in Hong Kong and was subsequently renamed to Summit Ascent Holdings Limited after his resignation. 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.

CHANG Tsann Rong Ernest

Mr. CHANG Tsann Rong Ernest, aged 73, has been an Independent Non-Executive Director of the Company since 30th December 2008 and is a member of the Audit Committee, the Finance Committee and the Share Committee of the Company. On 9th March 2012, Mr. Chang was elected as the Chairman of the Remuneration Committee and became a member of the Nomination 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 did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Professor WONG Yue Chim Richard

Professor WONG Yue Chim Richard, aged 60, has been an Independent Non-Executive Director of the Company since December 2003. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. On 9th March 2012, Professor Wong was elected as a member of the Nomination Committee of the Company. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is 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 in education, housing, industry and technology development. He was appointed Justice of the Peace in July 2000. Professor Wong is currently an Independent Non-Executive Director of four other listed companies in Hong Kong, namely CK Life Sciences Int'l., (Holdings) Inc., Great Eagle Holdings Limited, Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited. He is an Independent Non-Executive Director of The Link Management Limited, the manager of The Link Real Estate Investment Trust, a Hong Kong listed company. He is an Independent Non-Executive Director of Industrial and Commercial Bank of China (Asia) Limited, a company previously listed in The Stock Exchange of Hong Kong Limited until withdrawal of its listing on 21st December 2010.

CHENG Wai Sun Edward

Mr. CHENG Wai Sun Edward, aged 57, 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's degree in Political Science and Economics, and Oxford University with a Bachelor's degree in Jurisprudence and a Master's degree. He was qualified as a solicitor in England and Wales as well as in Hong Kong. He is a Justice of the Peace and has been awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region. Mr. Cheng is an Executive Director, Chief Executive and Deputy Chairman of Wing Tai Properties Limited and an Independent Non-Executive Director of Television Broadcasts Limited, all listed on The Stock Exchange of Hong Kong Limited. He was formerly a Non-Executive Director of Winsor Properties Holdings Limited (company name changed to Vanke Property (Overseas) Limited), a company listed in Hong Kong. Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is the Chairman of the University Grants Committee and a member of the board of The Airport Authority Hong Kong and a member of Commission on Strategic Development of the Hong Kong SAR Government. Mr. Cheng was the former Chairman of the Urban Renewal Authority and former member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. He has also previously served on the Hong Kong SAR Government's Steering Committee on Innovation & Technology, the Council of the Hong Kong Institute of Education, the Council of the City University of Hong Kong, the Council of the Hong Kong Polytechnic University, 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.

Senior Management

Steve Siu

Mr. Siu, aged 55, has been the Chief Information Officer and a Director of OOCL since November 2006 and Chief Executive Officer of CargoSmart since January 2002. He 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 the Group in various capacities for 25 years.

Lammy Lee

Ms. Lee, aged 51, has been the Company Secretary and Group Legal Advisor of OOIL since February 1997 and Compliance Officer of OOIL since June 2004. She was appointed a Director of OOCL and a member of the OOCL Executive Committee since 1st April 2011. Ms. Lee holds a Bachelor of Laws from Queen Mary College, University of London, a Barrister and member of Lincoln's Inn and admitted as an advocate and solicitor of the High Court of Malaya. Ms. Lee joined the Group in 1988 and has served the Group in various capacities for 24 years.

Stephen Ng

Mr. Ng, aged 54, has been the Director of Trades since July 2012, Director of Corporate Planning until June 2012 and a Director of OOCL since August 2010. He holds a Bachelor of Social Sciences degree from the University of Hong Kong and an MBA from the Chinese University of Hong Kong. Mr. Ng joined the Group in 1987 and has served the Group in various capacities for 25 years. Before being transferred back to Hong Kong in 2010, he worked in California for seven years as Head of Trans-Pacific Trade.

Erxin Yao

Mr. Yao, aged 55, has been a Director of OOCL since January 2010 and a Director of Corporate Planning, Regions Management and Corporation Administration since January 2013. He holds a Bachelor of Arts degree from Toronto/Fudan University joint program and a Master of International Affairs from Columbia University. Mr. Yao joined the Group in 1993 and has served the Group in various capacities for 19 years, including serving as Executive Vice-President and Head of Corporate Services of OOCL Logistics in Hong Kong, Managing Director of Orient Overseas Container Line (China) Co., Ltd. and OOCL Logistics (China) Limited based in Shanghai and President of OOCL (USA) Inc..

Michael Kwok

Mr. Kwok, aged 58, has been the Chief Operating Officer of OOCL since July 2012, Director of Trades until June 2012 and a Director of OOCL since August 2010. He holds a Bachelor of Business Administration from Chinese University of Hong Kong. Mr. Kwok joined the Group in 1978 and has served the Group in various capacities for 34 years, including serving as Director of Intra Asia Trade and Head of Fleet Management and Corporate Logistics.

Allan Wong

Mr. Wong, aged 59, has been the Chief Executive Officer of OOCL Logistics Ltd since June 2004. Until 1st January 2013, he was concurrently heading Corporate Sales Department of OOCL. He was appointed as OOCL Director in October 2000 and as Managing Director in November 2009. Mr. Wong holds a Bachelor of Social Science and a Master of Business Administration from the Chinese University of Hong Kong. He joined the Group in 1976 and served the Group in various capacities for 36 years.

Bosco Louie

Mr. Louie, aged 61, has been the Director of Regions Management and Corporate Administration since August 2010 and a Director of OOCL since January 2004 until he retired on 1st January 2013. He holds a Bachelor's degree from The University of Hong Kong. Mr. Louie joined the Group in 1975 and has served the Group in various capacities for 37 years.

Financial Calendar

Announcement of results for the half year ended 30th June 2012	2nd August 2012
Despatch of 2012 Interim Report to shareholders	4th September 2012
Announcement of results for the year ended 31st December 2012	6th March 2013
Despatch of 2012 Annual Report to shareholders	3rd April 2013
Closure of the Register of Members (to ascertain the shareholders eligible to attend and vote at the Annual General Meeting)	22nd April 2013 to 26th April 2013 (Both days inclusive)
2012 Annual General Meeting	26th April 2013
Closure of the Register of Members (to ascertain the shareholders eligible to the proposed final dividend)	6th May 2013 to 8th May 2013 (Both days inclusive)

Shareholder Information

ORDINARY SHARES

Issued shares	625,793,297 shares (as at 31st December 2012)
Nominal value per share	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
17M 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
17M 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

Shareholder Information

Ordinary shareholder information as at 31st December 2012:

Category	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
Corporate	27	2.6188%	619,676,815	99.0226%
Individual	1,004	97.3812%	6,116,482	0.9774%
	1,031	100.00%	625,793,297	100.00%

Number of shares held	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
1 – 10,000	955	92.6285%	1,418,064	0.2266%
10,001 – 100,000	67	6.4985%	2,095,615	0.3349%
100,001 – 1,000,000	5	0.4850%	1,520,013	0.2429%
1,000,001 or above	4	0.3880%	620,759,605	99.1956%
	1,031	100.00%	625,793,297	100.00%

TEN LARGEST ORDINARY SHAREHOLDERS

At 31st December 2012, the interests of the ten 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.	350,722,656	56.044%
HKSCC Nominees Limited	189,572,406	30.293%
Gala Way Company Inc.	79,227,432	12.660%
Mok Kwun Cheung	1,237,111	0.198%
Chang Tsann Rong Ernest	612,731	0.098%
So Tung Lam	500,000	0.080%
Tam Wing Fan	157,322	0.025%
Tai Wing Kee	130,400	0.021%
Ho Fuk Chuen	119,560	0.019%
Leung Man Kit Albo	100,000	0.016%

CORPORATE GOVERNANCE CODE

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 corporate governance code (the "CG Code"), which was updated in March 2012 to reflect the new requirements under the revised Corporate Governance Code and Corporate Governance Report (the "Revised 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") which was effective on 1st April 2012. In addition to applying the principles as set out in the Revised SEHK Code, the CG Code also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the period from 1st January 2012 to 31st March 2012, the Company has complied with the former Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Former SEHK Code"), save for the following:

- ### Code Provision

Code provision	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 the principal division of the Group and there is effective separation of the roles between chief executives of the principal division 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

  - Nomination Committee was established on 9th March 2012
  - the remuneration of senior management is disclosed in bands
  - operational results are announced and published quarterly instead of financial results

Throughout the period from 1st April 2012 to 31st December 2012, the Company has complied with the Revised SEHK Code, save for the same deviations as disclosed above (except in relation to the Nomination Committee) and the following:

- ### Code Provision

Code provision	Deviation	Considered reason for deviation
Independent Non-Executive Directors and other Non-Executive Directors should attend general meeting.	Mr. CHENG Wai Sun Edward, an Independent Non-Executive Director of the Company, did not attend the annual general meeting of the Company held on 18th May 2012.	Mr. CHENG had to chair an annual general meeting set a year ago and was unable to attend the annual general meeting of the Company on 18th May 2012.

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 14 to the Listing Rules during the year 2012:

A. BOARD OF DIRECTORS

1. Board Composition

The Board currently comprises of four Executive Directors, two Non-Executive Directors and four Independent Non-Executive Directors.

Executive Directors

Mr. TUNG Chee Chen *(Chairman, President and Chief Executive Officer)*
Mr. TUNG Lieh Cheung Andrew
Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*
Mr. TUNG Lieh Sing Alan

Non-Executive Directors

Professor Roger KING
Mr. CHOW Philip Yiu Wah*
* *re-designated as a Non-Executive Director on 1st July 2012*

Independent Non-Executive Directors

Mr. Simon MURRAY
Mr. CHANG Tsann Rong Ernest
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward

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 36 to 38 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. Mr. CHOW Philip Yiu Wah has a consultancy contract with the Company which will expire on 30th June 2013.

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 Company 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 the year 2012, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors representing at least one-third of the Board, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, Professor Roger KING (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 both Mr. TUNG Lieh Cheung Andrew and Mr. TUNG Lieh Sing Alan (both being Executive Director of the Company) are the nephews of both Mr. TUNG Chee Chen and Professor Roger KING.

Directors' and Officers' Liabilities Insurance

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 and Management Responsibilities

The Board is responsible for the overall strategic direction and 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 announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

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 principal division under the leadership and supervision of the Chief Executive Officer, who will implement and report to the Board on adoption of the Company's strategy, policies and objectives by the principal division of the Group.

The Board also delegates certain specific responsibilities to seven committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee (as of 9th March 2012), Compliance Committee, Finance Committee and Share Committee). 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 2012.

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 timely, accurate, complete and clear information on issues to be discussed at Board meetings;

   - ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues were discussed 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;

- promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors (including Independent Non-Executive Directors) in particular and ensuring constructive relations between Executive and Non-Executive Directors; and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;

- at least annually to hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of the other Executive Directors;

- ensure effective communication with shareholders and that their views are communicated to the Board; and to

- attend the annual general meetings and invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the other Board committees, or in the absence of the chairman of the respective Board committees, other members of the related Board committees 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. His duties include to:

- provide leadership and supervise the effective management of the principal division of the Group;

- monitor and control the operational and financial performance of the principal division of the Group;

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

- provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the principal division of the Group; and to

- set up programmes for management development and succession planning for the principal division 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 dealt with by a physical Board meeting rather than a written resolution. 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. Professional Development

In addition to Directors' attendance at meetings and review of papers and circulars sent by the Company, the Directors have participated in continuous professional development programme to develop and refresh their knowledge and skills to help ensure that their contribution to the Board remains informed and relevant.

The programme for continuous professional development of Directors takes various forms including:

- the Company briefing Directors on important issues which have material impact on the Company's business, financial and operational matters including major investments, corporate governance practices and funding strategy;
- Directors meeting senior management of the Group on issues specific to the Group's business;
- Directors reading materials and updates on the regulatory changes followed by briefings by the Company Secretary of the Company, if requested; and
- Directors attending external seminars on business, financial, governance, regulatory and other issues relevant to the Group's activities.

Below is record of participation in continuous professional development programme by the Directors of the Company in year 2012 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Reading materials	Attending external seminars/briefings	Attending in-house briefings/ meeting with senior management
Executive Directors			
Mr. TUNG Chee Chen	✓	✓	✓
Mr. TUNG Lieh Cheung Andrew	✓		✓
Mr. Kenneth Gilbert CAMBIE	✓		✓
Mr. TUNG Lieh Sing Alan	✓		✓
Non-Executive Directors			
Professor Roger KING	✓		✓
Mr. CHOW Philip Yiu Wah	✓		✓
Independent Non-Executive Directors			
Mr. Simon MURRAY	✓		✓
Mr. CHANG Tsann Rong Ernest	✓		✓
Professor WONG Yue Chim Richard	✓		✓
Mr. CHENG Wai Sun Edward	✓		✓

6. 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.

7. Nomination of Directors

The Nomination Committee was established on 9th March 2012. The Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board. 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 principal division, the Company and the Group.

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, together with the identity of the public companies and organisations and an indication of time involved.

At the annual general meeting of the Company held on 18th May 2012 (the "2011 AGM"), Mr. TUNG Lieh Cheung Andrew, Mr. CHOW Philip Yiu Wah, Mr. CHANG Tsann Rong Ernest and Mr. CHENG Wai Sun Edward retired and were re-elected as Directors of the Company.

8. Board Committees

In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee (established on 9th March 2012) established in compliance with the Listing Rules, the other committees comprise the Executive Committee, the Finance Committee, the Share Committee and the Compliance Committee. Each committee has its own well defined scope of duties and terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the HKExnews website. The Company Secretary shall also make available the terms of reference of all 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 members of the respective committees and the Directors of the Company for their record.

a. Executive Committee

The Executive Committee was established in 1996. All its members are Executive Directors. It currently comprises of Mr. TUNG Chee Chen (chairman of the Executive Committee), Mr. TUNG Lieh Cheung Andrew and Mr. Kenneth Gilbert CAMBIE, 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 division 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 division of the Group;

– review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including inside information and financial information) required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; (ii) submissions from the Compliance Committee, the Finance Committee and the Share 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. All its members are Independent Non-Executive Director. It currently comprises of Professor WONG Yue Chim Richard (chairman of the Audit Committee), Mr. Simon MURRAY, Mr. CHANG Tsann Rong Ernest and Mr. CHENG Wai Sun Edward, with Mr. FUNG Yee Chung Vincent, the Head of Internal Audit as the secretary and Ms. Lammy LEE as the assistant secretary.

The Audit Committee is delegated by the Board with the responsibility to provide an independent review and supervision of financial reporting and to ensure the effectiveness of the Group's internal controls and the adequacy of the external and internal audits. To perform its duties, the Audit Committee is provided with sufficient resources and is supported by the Internal Audit Department to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls. The terms of reference of the Audit Committee are posted on the OOIL website.

The primary duties of the Audit Committee include to:

– recommend to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

– act as the key representative body overseeing the Company's relations with the external auditor;

– seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

– discuss with the external auditor any recommendation arising from the audit, and to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response, and to ensure that the Board will provide timely response to the issues raised in the external auditor's management letter;

– establish and review from time to time the procedure to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process and the scope of the external auditor, and to discuss and understand the factors considered by the external auditor in determining the scope of the audit and reporting obligations before the audit commences;

– establish and review from time to time the policy relating to hiring of employees or former employees of the external auditors and monitor the application of such policy; and to consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of the audit;

– establish and review from time to time the policy on engaging external auditors to supply non-audit services and to review such services do not impair the external auditor's independence or objectivity in relation to non-audit services including whether the skills and experience of the external auditor make it a suitable supplier of non-audit services; whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; and the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor;

– review the Group's financial and accounting policies and practices;

– review the Company's annual, quarterly (if prepared for publication) and interim financial reports and significant financial reporting judgments contained in them, with particular focus on changes in accounting policies and practices, major judgmental areas, any significant audit adjustments, the going concern assumption and any qualifications, compliance with any applicable legal requirements and accounting standards, and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;

– consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and to give due consideration to any matters that have been raised by the Financial Compliance Officer of the Company, the external auditor, the Head of Internal Audit Department or the staff responsible for the accounting and financial reporting function;

– review with the Group's management, the external auditor and the internal auditor, the adequacy of the Group's policies and procedures regarding internal control system (including financial, operational and compliance controls) and risk management system to ensure that such systems are effective with audit trails to protect the accuracy and integrity of financial data and to pursue relevant enquiries into matters having, or likely to have, a material effect on the business and financial conditions of the Group. The result of the review is to be reported in the Corporate Governance Report of the Company, including a Directors' statement that they have conducted a review of its internal control system;

– discuss with the management the scope and quality of the internal control system and to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience, training programmes and budget and experience of staff of the accounting and financial reporting function;

– review findings of internal investigation and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;

– review the scope and effectiveness of the internal audit functions and to review the results of the internal audit functions regularly with the internal auditor matters including planning of the Audit Committee meetings and, if required by the internal auditor, the internal audit programme; and to ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;

– review the effectiveness and monitor the use of the whistleblowing policy and procedures for employees to raise concerns, in confidence, to the Audit Committee about improprieties in financial reporting, internal control and other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;

– report to the Board on the matters raised in the Revised SEHK Code; and to

– report to the Board, identifying and making recommendations on any matters where action or improvement is needed and to consider other topics identified and referred to the Audit Committee by the Board.

Under the Group's whistleblowing policy, employees may report any concern 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 2012, the Audit Committee received no complaint from employees.

The Audit Committee held two meetings during the year ended 31st December 2012. The following is a summary of work performed by the Audit Committee during 2012:

(i) reviewed and discussed the annual accounts for 2011 and the interim accounts for 2012 with the external auditor and management of the Company, 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 2011 annual accounts and issues arising from the review of the 2012 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 non-audit services provided by the external auditor in 2011;

(vi) reviewed the Internal Audit Department's audit objectives and approval of the annual internal audit plan;

(vii) reviewed the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during the year 2011;

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

(ix) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2011 concerning the Audit Committee;

(x) reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

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

(xii) reviewed the continuous implementation of the whistleblowing 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 concern 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. A majority of its members are Independent Non-Executive Directors. It currently comprises of Mr. CHANG Tsann Rong Ernest (chairman of the Remuneration Committee with effect from 9th March 2012), Mr. TUNG Chee Chen and Professor WONG Yue Chim Richard, with Ms. Lammy LEE as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

– review and recommend to the Board on the Company's policy and structure of the remuneration of the Directors of the Company, senior management and employees of the Group including performance-based bonus scheme on the basis that they are fairly but responsibly rewarded for their individual contribution to the overall performance of the Company;

– establish and review a formal and transparent procedure for developing remuneration policy;

– (i) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and determine with delegated responsibilities the remuneration packages of individual Executive Directors of the Company and senior management; and (ii) recommend to the Board on the remuneration of the Non-Executive Directors of the Company;

– consult the Chairman of the Board and/or Chief Executive Officer of the Company about their remuneration proposals for the other Executive Directors of the Company and senior management;

– review and approve compensation payable to the Executive Directors of the Company and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

– ensure that no Director or any of his associates or senior management is involved in deciding his own remuneration; and to

– advise the Board any matters relating to the remuneration or reward of the Executive Directors of the Company or senior management or employees of the Group.

The Remuneration Committee held three meetings during the year ended 31st December 2012. The following is a summary of work performed by the Remuneration Committee during 2012, including:

(i) reviewed and recommended to the Board the Company's policy and remuneration structure of the Directors of the Company, and the senior management and employees of the Group;

(ii) reviewed and recommended to the Board or determined, as the case may be, the discretionary management bonus of the Executive Directors of the Company, and the senior management and employees of the Group for the year 2011;

(iii) reviewed and recommended to the Board or determined, as the case may be, the remuneration packages of the Directors of the Company, and the senior management and employees of the Group for the year 2012;

(iv) recommended to the Board the engagement of a consultant to review the remuneration policies and practices of the Group, including the discretionary management bonus of the Group;

(v) reviewed a consultant report on the current audit of the remuneration policies and practices of the Group confirming that:

- the existing remuneration policies and practices of the Company are in full compliance with the regulations and guidelines of The Stock Exchange of Hong Kong Limited (the "Stock Exchange");
- a significant proportion of the remuneration of the Executive Directors of the Company should be linked to corporate and individual performance;
- there should be market benchmarking in determining remuneration levels; and
- the Company should have clearly stated remuneration policies underpin its actual practices.

No Director is involved in determining his own remuneration.

d. Nomination Committee

The Nomination Committee was established on 9th March 2012. A majority of its members of the Nomination Committee are Independent Non-Executive Directors and currently comprises of Mr. TUNG Chee Chen (chairman of the Nomination Committee), Mr. CHANG Tsann Rong Ernest and Professor WONG Yue Chim Richard, with Ms. Lammy LEE as the secretary of the Nomination Committee.

The primary duties of the Nomination Committee include to:

- review and make recommendation to the Board on the Company's policy for nomination of Directors;
- establish and review a formal, considered and transparent procedures for the appointment of new directors and have plans in place for orderly succession for appointments;
- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and recommend on any proposed changes to the Board to complement the Company's corporate strategy;
- identify, nominate and recommend to the Board suitably qualified candidate to become a director of the Company either to fill a casual vacancy or as an addition to the existing Board;
- recommend to the Board on the appointment or re-appointment/re-election of Directors and succession planning for Directors;
- assess and report to the Board the qualifications of any person proposed by a shareholder of the Company for election as a director of the Company to ensure compliance with the nomination policy of the Company and the requirements as provided in the Listing Rules are satisfied;

- assess the independence of Independent Non-Executive Directors of the Company;

- regularly review and report to the Board the contribution required from a Director of the Company to perform his responsibilities and whether he is spending sufficient time performing them; and to

- assess performance of the Executive Directors and conduct a regular evaluation of the Board's performance by a member of the Nomination Committee, who is an Independent Non-Executive Director, and report results of the evaluation to the Board.

The Nomination Committee held one meeting and passed resolutions by way of written resolution during the year ended 31st December 2012. The following is a summary of work performed by the Nomination Committee during 2012, including:

(i) recommended to the Board the re-designation of Mr. CHOW Philip Yiu Wah from an Executive Director to a Non-Executive Director and to remain as a member of the Finance Committee and the Share Committee of the Company; and his appointment as a consultant of the Company;

(ii) recommended to the Board the renewal of a letter of appointment for Mr. CHENG Wai Sun Edward, an Independent Non-Executive Director of the Company; and

(iii) recommended to the Board the nomination of Mr. TUNG Lieh Cheung Andrew, an Executive Director of the Company, as the chief executive officer of Orient Overseas Container Line, a principal division of the Group.

e. Compliance Committee

The Compliance Committee was established in 2004 and currently comprises of Ms. Lammy LEE (chairperson of the Compliance Committee), Mr. Kenneth Gilbert CAMBIE (Executive Director), Mr. MOK Yun Lee Paul and Mr. FUNG Yee Chung Vincent. The Board has delegated the responsibility for monitoring the corporate governance compliance to the Compliance Committee.

The primary duties of the Compliance Committee include to:

- review, monitor and provide administrative support on the compliance control of the Group and compliance of the following corporate governance functions of the Company:

  (a) on the Company's policies and practices on corporate governance and make recommendations to the Board;

  (b) on the training and continuous professional development of Directors and senior management of the Group;

  (c) on the Company's policies and practices on compliance with legal and regulatory requirements;

  (d) on the development of the code of conduct and compliance manuals (if any) applicable to employees and Directors;

  (e) on the Company's compliance with the CG Code and the Revised SEHK Code;

  (f) to report the above items (a) to (e) to the Board regularly; and

  (g) to prepare (i) the Corporate Governance Report covering all mandatory disclosure requirements as set out in the Listing Rules; and/or (ii) information required to be disclosed by the Compliance Committee in the Company's results announcements, the annual reports, the interim reports and any other documents, pursuant to the Listing Rules;

- review and report to the Board regularly the shareholders' communication policy to ensure its effectiveness; and to

– ensure the Company is in compliance with the Listing Rules including disclosure and compliance obligations for matters including notifiable transactions, connected transactions, continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, loan agreements with covenants relating to specific performance of the controlling shareholder of the Company, breach of a loan agreement by the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules, and general obligations of disclosure under Rule 13.09 of the Listing Rules.

The Compliance Committee held three meetings and passed resolutions by way of written resolution during the year ended 31st December 2012. The following is a summary of work performed by the Compliance Committee during 2012, including:

(i) reviewed and reported to the Board on the amendments to the Former SEHK Code and the Listing Rules;

(ii) reviewed and recommended to the Board the revisions to the Company's CG Code and the terms of reference of the Compliance Committee;

(iii) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;

(iv) reviewed the Company's compliance with the CG Code and the Revised SEHK Code and the disclosure requirements in the Corporate Governance Report;

(v) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, particularly in the areas of legal, financial and accounting, internal control and audit;

(vi) reviewed and monitored the code of conduct and compliance applicable to employees and Directors of the Company;

(vii) reviewed and monitored the training and continuous professional development of Directors of the Company;

(viii) reviewed the continuing connected transactions and significant contracts of the Group; and

(ix) reviewed and reported to the Board on the effectiveness of the shareholders' communication policy.

f. Finance Committee

The Finance Committee was established in 1993 and currently comprises of Mr. Kenneth Gilbert CAMBIE (chairman of the Finance Committee), Professor Roger KING, Mr. CHOW Philip Yiu Wah 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 and 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 endorsement and/or approval.

g. Share Committee

The Share Committee was established in 1992 and currently comprises of Mr. Kenneth Gilbert CAMBIE (chairman of the Share Committee), 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, issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and 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.

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

The attendance records of each Director and each member of the seven* Board Committees at the relevant meetings held in year 2012 are as follows:

	Meetings Attended/Held in 2012								
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee*	Compliance Committee	Finance Committee	Share Committee	2011 AGM
No. of meetings held during the year	6	10	2	3	1	3	2	0	1
Executive Directors									
Mr. TUNG Chee Chen *(Chairman, President and Chief Executive Officer)*	6/6	10/10	–	3/3	1/1	–	–	–	1/1
Mr. TUNG Lieh Cheung Andrew	6/6	10/10	–	–	–	–	–	–	1/1
Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*	6/6	10/10	–	–	–	3/3	2/2	0	1/1
Mr. TUNG Lieh Sing Alan	5/6	–	–	–	–	–	–	–	1/1
Non-Executive Directors									
Professor Roger KING	6/6	–	–	–	–	–	2/2	–	1/1
Mr. CHOW Philip Yiu Wah**	5/6	4/4	–	–	–	–	2/2	0	1/1
Independent Non-Executive Directors									
Mr. Simon MURRAY	2/6	–	1/2	–	–	–	–	–	1/1
Mr. CHANG Tsann Rong Ernest	6/6	–	2/2	3/3	1/1	–	2/2	0	1/1
Professor WONG Yue Chim Richard	4/6	–	2/2	3/3	1/1	–	–	–	1/1
Mr. CHENG Wai Sun Edward	5/6	–	2/2	–	–	–	–	–	0/1
Others									
Ms. Lammy LEE *(Company Secretary)*	–	–	–	–	–	3/3	–	–	–
Mr. MOK Yun Lee Paul *(Group Financial Controller)*	–	–	–	–	–	3/3	–	–	–
Mr. FUNG Yee Chung Vincent *(Chief Auditor)*	–	–	–	–	–	3/3	–	–	–
Average attendance rate	**85.00%**	**100%**	**87.50%**	**100%**	**100%**	**100%**	**100%**	**0%**	**90%**

* *Nomination Committee was established on 9th March 2012*

** *re-designated as a Non-Executive Director and ceased as a member of the Executive Committee both with effect from 1st July 2012*

10. 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 2012.

11. Share Interests of Directors and Senior Management

a. Directors

Directors' interests in the shares of the Company are set out on pages 63 and 64 of this annual report.

b. Senior Management

As at 31st December 2012, the number of shares of the Company held by the senior management of the Company are as follows:

Name	Number of shares held
Mr. Allan WONG	310,000
Mr. Bosco LOUIE*	120,000
Mr. Steve SIU	–
Mr. Erxin YAO	5,000
Mr. Michael KWOK	–
Mr. Stephen NG	–
Ms. Lammy LEE	–

* *retired on 1st January 2013*

12. Emoluments of Directors and Senior Management#

a. Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2012 are set out on page 101 of this annual report.

b. Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2012 are set out below:

Emolument bands (US$)	Number of individuals 2012
320,501 – 384,600	6
384,601 – 448,700	1
Total	7

biographical details of senior management are set out on page 39 of this annual report

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

PricewaterhouseCoopers was re-appointed as the Company's external auditor by shareholders at the 2011 AGM until the conclusion of the next annual general meeting.

The Company has established a policy on appointment of external auditor in providing non-audit services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The fee in respect of audit and non-audit services provided by the external auditors to the Company for the year ended 31st December 2012 is set out on page 103 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 2012.

PricewaterhouseCoopers, the auditor of the Company, acknowledges the reporting responsibilities in the auditor's report on the financial statements for the year ended 31st December 2012.

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 division 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 the principal division with defined authority responsibilities and control/measures.

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

– A comprehensive management accounting system for the 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 the principal division. Exposure to these risks is monitored by the Executive Committee and the management of the principal division.

– 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 division 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 division. 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 division. The management of the Company and the principal division 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.

The Audit Committee on behalf of the Board assesses the effectiveness of the internal control system including detecting fraud and other irregularities by reviewing the Internal Audit Department's work and findings. 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 2012 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, therefore, is of the view that there are no significant 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, and there are no significant areas of concern which may affect shareholders. 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 Revised SEHK Code for the year ended 31st December 2012.

To ensure on-going compliance with the Revised SEHK Code, the Audit Committee reviewed the adequacy of staffing of the accounting and financial reporting function on behalf of the Board and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

a) it monitors any inside 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 inside 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 chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee (established on 9th March 2012) and other Board committees, 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 Company has also established a shareholders' communication policy to ensure shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is available on written request to the Company Secretary.

The most recent shareholders' meeting of the Company was the 2011 AGM held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong on 18th May 2012, at which the following ordinary resolutions were passed with the voting results as follows:

	Ordinary Resolutions	**Number of Votes (%)** 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 2011.	510,230,352 (100%)	0 (0%)
2(a).	To re-elect Mr. TUNG Lieh Cheung Andrew as Director.	494,820,549 (97.553323%)	12,410,303 (2.446677%)
2(b).	To re-elect Mr. CHOW Philip Yiu Wah as Director.	494,818,549 (96.979347%)	15,412,303 (3.020653%)
2(c).	To re-elect Mr. CHANG Tsann Rong Ernest as Director.	509,159,263 (99.571868%)	2,189,249 (0.428132%)
2(d).	To re-elect Mr. CHENG Wai Sun Edward as Director.	449,602,539 (87.935674%)	61,683,153 (12.064326%)
3.	To authorise the Board of Directors to fix the Directors' remuneration.	504,442,178 (99.098233%)	4,590,289 (0.901767%)
4.	To re-appoint PricewaterhouseCoopers as Auditor and to authorise the Board of Directors to fix their remuneration.	497,116,359 (97.216741%)	14,232,153 (2.783259%)
5(a).	To grant a general mandate to the Directors to allot, issue and deal with the Company's shares.	443,685,066 (86.767646%)	67,663,446 (13.232354%)
5(b).	To grant a general mandate to the Directors to repurchase the Company's shares.	511,239,967 (100%)	0 (0%)
5(c).	To extend the general mandate to issue shares to cover the shares repurchased by the Company under Resolution No. 5(b) above.	444,283,521 (86.884681%)	67,064,991 (13.115319%)

Since the publication of the Company's 2010 interim report, the Company has offered to the shareholders of the Company the following options to choose the language and means of receipt of the corporate communications of the Company in support of environment protection and for the purpose of saving printing and mailing costs:

(1) to read the corporate communication published on the Company's website at http://www.ooilgroup.com in place of receiving printed copies, and receive an e-mail notification or a printed notification letter (as the case may be) of the publication of the corporate communication on website; or

(2) to receive either the printed English version, the printed Chinese version or both the printed English and Chinese versions of the Company's corporate communication.

D. SHAREHOLDERS' RIGHTS

1. Convening a special general meeting

Pursuant to the Bermuda Companies Act and the Company's Bye-law, the shareholder(s) of the Company holding not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings of the Company shall have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

Upon receipt of confirmation from the Company's branch share registrar (the "Registrar") that the shareholder(s) submitting the requisition is/are qualified to attend and vote at any general meeting, the Company will convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders.

2. Putting forward proposals at general meetings

The shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 shareholders of the Company, can submit:

(i) a written request stating the resolution intended to be moved at an annual general meeting; or

(ii) a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statement must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Upon receipt of confirmation from the Registrar of the Company that the shareholder(s) making the proposal is/are qualified to attend and vote at the general meeting, the Company will:

(i) include the resolution in the agenda for the annual general meeting; or

(ii) circulate the statement for the general meeting,

provided that the shareholder(s) concerned have deposited a sum of money sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement to all the registered shareholders.

3. Putting enquiries to the Board

Shareholders who have enquiries to put to the Board of the Company may write to the Company Secretary of the Company at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

E. 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 2012:

Authorised share capital: US$205,000,000, comprising 900,000,000 ordinary shares of US$0.1 each, 65,000,000 limited voting 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 2012 are as follows:

Category	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	27	2.6188%	619,676,815
Individual	1,004	97.3812%	6,116,482
Total	1,031	100.00%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2012 are as follows:

Number of Shares held	Number of Shareholders	Shareholders % of total
1 – 10,000	955	92.6285%
10,001 – 100,000	67	6.4985%
100,001 – 1,000,000	5	0.4850%
1,000,001 or above	4	0.3880%
Total	1,031	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 2012.

3. Financial Calendar

Important dates for the coming financial year are set out on page 40 of this annual report.

4. Memorandum of Association and Bye-Laws

There are no changes to the memorandum of association and bye-laws of the Company (the "Constitutional Documents") during the year. The consolidated version of the Constitutional Documents is available on the Company's website and the HKExnews website.

Report of the Directors

The Board of Directors of the Company present their report together with the audited accounts for the year ended 31st December 2012.

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 132 to 141 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 71 of this annual report.

DIVIDENDS

An interim dividend of US4.66 cents (HK$0.363) per ordinary share was paid on 15th October 2012.

The Board of Directors of the Company has recommended the payment of a final dividend of US7.18 cents (HK$0.56 at the exchange rate of US$1: HK$7.8) per ordinary share for the year ended 31st December 2012 to be paid on 6th June 2013 to the shareholders of the Company whose names appear on the register of members of the Company on 8th May 2013. Shareholders should complete the Dividend Election Form (if applicable) and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on 29th May 2013.

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. TUNG Lieh Cheung Andrew
Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*
Mr. TUNG Lieh Sing Alan

Non-Executive Directors

Professor Roger KING
Mr. CHOW Philip Yiu Wah*
* *re-designated as a Non-Executive Director on 1st July 2012*

Independent Non-Executive Directors

Mr. Simon MURRAY
Mr. CHANG Tsann Rong Ernest
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward

In accordance with the provisions of the Company's Bye-laws, Mr. Tung Chee Chen, Mr. Tung Lieh Sing Alan, Professor Roger King and Professor Wong Yue Chim Richard will retire by rotation at the annual general meeting of the Company to be held on 26th April 2013 (the "Annual General Meeting") and, being eligible, will offer themselves for re-election.

Mr. Kenneth Gilbert Cambie has a service contract with the Company which will expire on 12th July 2013. Mr. Chow Philip Yiu Wah has a consultancy contract with the Company which will expire on 30th June 2013. 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

DIRECTORS' INTEREST

1. Significant Contracts

The Group shares the rental of office space at Harbour Centre, Hong Kong on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL"), which is owned by a Tung family trust. The total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the year ended 31st December 2012 was approximately US$1,260,000.

Yuensung Investment Company Limited ("Yuensung"), a company controlled by Mr. C U Tung, the 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 2012 was approximately US$73,000.

Except for the above (other than contracts amongst Group companies), no other contracts or arrangements 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 2012, the issued share capital of the Company (the "Issued Capital") consisted of 625,793,297 ordinary shares (the "Shares"). The interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:–

Name	Direct interests	Other interests	Total number of Shares (Long position)	Percentage
Tung Chee Chen	–	429,950,088 *(Notes 1 & 2)*	429,950,088	68.705%
Chang Tsann Rong Ernest	612,731	–	612,731	0.098%
Chow Philip Yiu Wah	133,100	20,000 *(Note 3)*	153,100	0.024%
Simon Murray	10,000	–	10,000	0.002%
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 429,950,088 Shares, in which Fortune Crest Inc. ("Fortune Crest") and Gala Way Company Inc. ("Gala Way"), wholly-owned subsidiaries of Thelma, have direct interests in 350,722,656 Shares and 79,227,432 Shares respectively. The voting rights in respect of such 429,950,088 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. 20,000 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.

Save as disclosed above, as at 31st December 2012, 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.

Save as disclosed in below section "Substantial Shareholders' Share Interest", as at 31st December 2012, none of the Directors or the Chief Executive of the Company is a director or an 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.

3. Directors' Interests in Competing Business

As at 31st December 2012, 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 2012, the following persons (other than the Directors or the 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 by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested (Long position)	Percentage
Artson Global Limited *	Trustee	429,950,088 *(Note 1)*	68.705%
Hanberry Global Limited	Trustee	429,950,088 *(Note 2)*	68.705%
Thelma Holdings Limited *	Indirect	429,950,088 *(Note 3)*	68.705%
Tung Chee Hwa	Indirect	429,975,319 *(Note 4)*	68.709%
Archmore Investment Limited *	Beneficiary of a trust	429,950,088 *(Note 5)*	68.705%
Edgemont Holdings Limited *	Indirect	429,950,088 *(Note 6)*	68.705%
Javier Global Limited *	Indirect	429,950,088 *(Note 7)*	68.705%
Bartlock Assets Ltd.	Beneficiary of a trust	429,950,088 *(Note 8)*	68.705%
Flowell Development Inc.	Beneficiary of a trust	429,950,088 *(Note 9)*	68.705%
Izone Capital Limited *	Beneficiary of a trust	429,950,088 *(Note 10)*	68.705%
Jeference Capital Inc. *	Beneficiary of a trust	429,950,088 *(Note 11)*	68.705%
Tung Holdings (Trustee) Inc. *	Voting	429,950,088 *(Note 12)*	68.705%
Fortune Crest Inc. *	Direct	350,722,656 *(Note 13)*	56.044%
Gala Way Company Inc. *	Direct	79,227,432 *(Note 14)*	12.660%

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 (brother of Mr. Tung Chee Chen, brother-in-law of Professor Roger King, and father of Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan), 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 429,950,088 Shares. Mrs. Tung Chiu Hung Ping Betty (spouse of Mr. Tung Chee Hwa, sister-in-law of Mr. Tung Chee Chen and Professor Roger King, and mother of Mr. Tung Lieh Cheung Andrew and 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 429,950,088 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 429,950,088 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 429,950,088 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 429,950,088 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 429,950,088 Shares.

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

13. Fortune Crest has a direct interest in 350,722,656 Shares.

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

* For those companies marked with an asterisk, Mr. Tung Chee Chen is either a director of these companies or a director of a company which is a corporate director of these companies.

Save as disclosed herein, as at 31st December 2012, the Company has not been notified by any person (other than the Directors or the 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 2012, 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 and 15th December 2010, all 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 the Group 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 successive periods of three years expiring on 31st December 2013 subject to the annual caps of not exceeding US$43,000,000, US$45,200,000 and US$47,500,000 for the years 2011, 2012 and 2013 respectively.

During the year 2012, US$33,871,000 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 and 15th December 2010, all 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 the Group including (i) provision of office premises; and (ii) freight station depot and container storage facilities, for successive periods of three years expiring on 31st December 2013 subject to the annual caps of not exceeding US$2,700,000 for the years 2011, 2012 and 2013 respectively.

During the year 2012, US$1,658,000 was paid by OTWL to the AII group for the aforesaid services.

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; the brother-in-law of Professor Roger King, a Non-Executive Director of the Company; the uncle of Mr. Tung Lieh Cheung Andrew and Mr. Tung Lieh Sing Alan, both are Executive Directors of the Company; and the brother-in-law of Mr. Tung Chee Hwa who has a direct interest in a trust which has an indirect interest in the substantial shareholders 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, Mr. Chang Tsann Rong Ernest, Professor Wong Yue Chim Richard and Mr. Cheng Wai Sun Edward, 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.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions as disclosed on page 66 above in accordance with Rule 14A.38 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions:

(i) have not been approved by the Board of Directors of the Company;
(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
(iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31st December 2012, the Company has not redeemed any of its Shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

PRE-EMPTIVE RIGHTS

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

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 124 and 125 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 corporate governance code (the "CG Code"), which was updated in March 2012 to reflect the new requirements under the revised Corporate Governance Code and Corporate Governance Report (the "Revised SEHK Code") contained in Appendix 14 to the Listing Rules which was effective on 1st April 2012. In addition to applying the principles as set out in the Revised SEHK Code, the CG Code also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles 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 43 to 61 of this annual report.

Throughout the year of 2012, the Company has complied with the former Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the period from 1st January 2012 to 31st March 2012 and the Revised SEHK Code during the period from 1st April 2012 to 31st December 2012, except as set out in the Corporate Governance Report on page 43.

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 16 to the consolidated accounts on pages 106 and 107 of this annual report.

DONATIONS

Donations made by the Group during the year amount to US$117,000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 26th April 2013.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) 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 and (iv) the general mandate to authorise the repurchase of the Company's securities together with a proxy form will be distributed to the shareholders of the Company on around 20th March 2013.

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, 6th March 2013

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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") and its subsidiaries (together the "Group") set out on pages 71 to 141, which comprise the consolidated and company balance sheets as at 31st December 2012, and the consolidated profit and loss account, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ACCOUNTS

The Directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view 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, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view 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 consolidated 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 2012, 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, 6th March 2013

Consolidated Profit and Loss Account

For the year ended 31st December 2012

US$'000	Note	2012	2011
Revenue	5	6,459,059	6,011,836
Operating costs	6	(5,806,718)	(5,484,258)
Gross profit		652,341	527,578
Fair value gain from an investment property	17	543	5,000
Other operating income	7	117,566	59,443
Other operating expenses	8	(441,829)	(417,423)
Operating profit	11	328,621	174,598
Finance costs	12	(32,877)	(26,179)
Share of profits of jointly controlled entities	20	3,016	1,930
Share of profits of associated companies	21	12,091	12,108
Profit before taxation		310,851	162,457
Taxation	13	(13,562)	(23,103)
Profit for the year from continuing operations		297,289	139,354
Discontinued operation:			
Write back of provision		–	43,000
Profit for the year		297,289	182,354
Profit attributable to:			
Equity holders of the Company		296,359	181,645
Non-controlling interests		930	709
		297,289	182,354
Earnings per ordinary share (US cents)	14		
– from continuing operations		47.3	22.1
– from discontinued operation		–	6.9
Basic and diluted		47.3	29.0
Dividends	15	74,130	43,805

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

US$'000	2012	2011
Profit for the year	297,289	182,354
Other comprehensive income:		
Available-for-sale financial assets		
– Change in fair value	(9,628)	13,828
– Assets revaluation reserve realised	(936)	(668)
Share of other comprehensive income of associated companies	192	3,419
Share of other comprehensive income of jointly controlled entities	7	373
Currency translation adjustments	1,563	2,907
Other comprehensive (loss)/income for the year	(8,802)	19,859
Total comprehensive income for the year	288,487	202,213
Total comprehensive income attributable to:		
Equity holders of the Company	287,562	201,336
Non-controlling interests	925	877
	288,487	202,213
Total comprehensive income attributable to equity holders of the Company arises from:		
Continuing operations	287,562	158,336
Discontinued operation	–	43,000
	287,562	201,336

Consolidated Balance Sheet

As at 31st December 2012

US$'000	Note	31st December 2012	Restated 31st December 2011	Restated 1st January 2011
ASSETS				
Non-current assets				
Property, plant and equipment	16	**4,664,773**	4,205,194	3,860,367
Investment property	17	**165,000**	160,000	155,000
Prepayments of lease premiums	18	**9,793**	10,249	10,122
Jointly controlled entities	20	**7,610**	6,741	6,060
Associated companies	21	**111,917**	75,670	66,222
Intangible assets	22	**38,916**	40,014	46,648
Deferred taxation assets	23	**1,711**	1,803	1,778
Pension and retirement assets	24	**44,427**	38,452	29,692
Derivative financial instruments	32	**7,022**	7,983	5,672
Restricted bank balances	25	**18,030**	11,728	4,648
Available-for-sale financial assets	26	**154,463**	130,566	118,275
Held-to-maturity investments	27	**253,956**	182,092	121,737
Other non-current assets	28	**22,158**	23,279	92,989
		5,499,776	4,893,771	4,519,210
Current assets				
Inventories	29	**153,785**	150,127	96,265
Debtors and prepayments	30	**543,982**	470,594	454,997
Portfolio investments	31	**205,427**	119,180	151,448
Derivative financial instruments	32	**–**	–	155
Restricted bank balances	25	**460**	543	1,206
Cash and bank balances	33	**1,861,650**	2,098,884	3,851,902
		2,765,304	2,839,328	4,555,973
Total assets		**8,265,080**	7,733,099	9,075,183
EQUITY				
Equity holders				
Share capital	34	**62,579**	62,579	62,579
Reserves	35	**4,446,911**	4,188,283	5,485,867
		4,509,490	4,250,862	5,548,446
Non-controlling interests		**5,778**	6,686	6,799
Total equity		**4,515,268**	4,257,548	5,555,245

Consolidated Balance Sheet

As at 31st December 2012

US$'000	Note	31st December 2012	Restated 31st December 2011	Restated 1st January 2011
LIABILITIES				
Non-current liabilities				
Borrowings	36	**2,325,777**	2,233,095	2,416,367
Deferred taxation liabilities	23	**63,924**	65,817	64,200
Pension and retirement liabilities	24	**301**	2,427	2,493
Derivative financial instruments	32	**7,418**	10,358	10,157
		2,397,420	2,311,697	2,493,217
Current liabilities				
Creditors and accruals	37	**784,500**	709,449	758,212
Amounts due to jointly controlled entities	38	**5,948**	4,053	2,804
Borrowings	36	**555,753**	439,111	247,755
Current taxation		**6,191**	11,241	17,950
		1,352,392	1,163,854	1,026,721
Total liabilities		**3,749,812**	3,475,551	3,519,938
Total equity and liabilities		**8,265,080**	7,733,099	9,075,183
Net current assets		**1,412,912**	1,675,474	3,529,252
Total assets less current liabilities		**6,912,688**	6,569,245	8,048,462

C C Tung
Kenneth G Cambie
Directors

Balance Sheet

As at 31st December 2012

US$'000	Note	2012	2011
ASSETS			
Non-current assets			
Subsidiaries	19	169,487	169,487
Current assets			
Prepayments		51	31
Amounts due from subsidiaries	19	1,847,433	1,900,708
Restricted bank balances	25	337	365
Cash and bank balances	33	23,126	41,986
		1,870,947	1,943,090
Total assets		2,040,434	2,112,577
EQUITY			
Equity holders			
Share capital	34	62,579	62,579
Reserves	35	1,002,186	511,876
Total equity		1,064,765	574,455
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	32	3,524	4,328
Amount due to a subsidiary	19	733,229	719,724
		736,753	724,052
Current liabilities			
Accruals		1,647	2,016
Amounts due to subsidiaries	19	237,269	812,054
		238,916	814,070
Total liabilities		975,669	1,538,122
Total equity and liabilities		2,040,434	2,112,577
Net current assets		1,632,031	1,129,020
Total assets less current liabilities		1,801,518	1,298,507

C C Tung
Kenneth G Cambie
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2012

US$'000	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	41(a)	478,032	308,322
Interest paid		(20,029)	(13,394)
Interest element of finance lease rental payments		(15,039)	(16,322)
Hong Kong profits tax paid		(2,684)	(1,878)
Overseas tax paid		(15,430)	(30,974)
Net cash from operating activities		424,850	245,754
Cash flows from investing activities			
Sale of property, plant and equipment		74,354	141,177
Sale of available-for-sale financial assets		793	1,560
Sale/redemption on maturity of held-to-maturity investments		3,000	14,309
Purchase of property, plant and equipment		(727,662)	(737,696)
Addition of investment property		(4,457)	–
Purchase of available-for-sale financial assets		(51)	–
Purchase of held-to-maturity investments		(73,597)	(85,170)
Repayment of loan advanced to an investee company		–	71,100
Acquisition of additional interest in a subsidiary		(550)	–
Increase of investment in an associated company		(29,820)	–
(Increase)/decrease in portfolio investments		(86,247)	43,361
Increase in amounts due to jointly controlled entities		1,895	1,249
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months from the date of placement		(81,185)	2,442,630
Increase in intangible assets		(9,761)	(6,494)
Decrease/(increase) in other non-current assets		1,121	(1,390)
Interest received		39,298	36,444
Dividends received from portfolio investments		623	794
Dividends received from available-for-sale financial assets		7,937	12,137
Distribution from available-for-sale financial assets		1,101	–
Dividends received from jointly controlled entities		2,154	1,622
Dividends received from associated companies		5,856	6,079
Net cash (used in)/from investing activities		(875,198)	1,941,712
Cash flows from financing activities			
New loans		627,125	281,620
Repayment of loans		(204,422)	(175,692)
Capital element of finance lease rental payments		(254,533)	(98,046)
Dividends paid to equity holders of the Company		(29,198)	(1,498,920)
Dividends paid to non-controlling interests		(1,019)	(990)
Net cash from/(used in) financing activities		137,953	(1,492,028)
Net (decrease)/increase in cash and cash equivalents		(312,395)	695,438
Cash and cash equivalents at beginning of year		1,909,154	1,213,283
Currency translation adjustments		259	433
Cash and cash equivalents at end of year	41(c)	1,597,018	1,909,154

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

US$'000	Equity holders			Non-controlling interests	Total
	Share capital	Reserves	Sub-total		
At 31st December 2010					
As previously reported	62,579	5,510,153	5,572,732	6,799	5,579,531
Prior year adjustment (note 2)	–	(24,286)	(24,286)	–	(24,286)
As restated	62,579	5,485,867	5,548,446	6,799	5,555,245
Total comprehensive income for the year	–	201,336	201,336	877	202,213
Transactions with owners					
2010 final dividend	–	(144,071)	(144,071)	–	(144,071)
2010 special dividend	–	(1,311,044)	(1,311,044)	–	(1,311,044)
2011 interim dividend	–	(43,805)	(43,805)	–	(43,805)
Dividends paid to non-controlling interests	–	–	–	(990)	(990)
At 31st December 2011	62,579	4,188,283	4,250,862	6,686	4,257,548
At 31st December 2011					
As previously reported	62,579	4,212,569	4,275,148	6,686	4,281,834
Prior year adjustment (note 2)	–	(24,286)	(24,286)	–	(24,286)
As restated	62,579	4,188,283	4,250,862	6,686	4,257,548
Total comprehensive income for the year	–	287,562	287,562	925	288,487
Transactions with owners					
2012 interim dividend	–	(29,198)	(29,198)	–	(29,198)
Dividends paid to non-controlling interests	–	–	–	(1,019)	(1,019)
Acquisition of additional interest in a subsidiary	–	264	264	(814)	(550)
At 31st December 2012	**62,579**	**4,446,911**	**4,509,490**	**5,778**	**4,515,268**

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 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 132 to 141 of the accounts.

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

2. Summary of significant accounting policies

The significant 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 property, 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 revised HKFRS

In 2012, the Group adopted the amendments of HKFRS below, which are relevant to its operations.

HKFRS 7 Amendment	Financial Instruments: Disclosures – Transfer of Financial Assets
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets

In December 2010, the HKICPA amended HKAS 12, 'Income Taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial year ended 31st December 2012 and the effects of adoption are disclosed as follows.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The adoption of revised HKFRS (Continued)

As disclosed in Note 17, the Group has an investment property measured at its fair value of US$160.0 million as of 1st January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to the investment property according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. There is no material impact on the consolidated profit and loss account. The comparative figures for 2011 have been restated to reflect the change in accounting policy. The effect of the restatement on the 31st December 2011 consolidated balance sheet, and the consequential effect on the 31st December 2012 consolidated balance sheet are as follows:

Effect on consolidated balance sheet US$'000	**31st December 2012**	31st December 2011	1st January 2011
Increase in deferred tax liabilities	**24,286**	24,286	24,286
Decrease in retained profit	**24,286**	24,286	24,286

The Group has assessed the impact of the adoption of HKFRS 7 Amendment "Financial Instruments: Disclosures – Transfer of Financial Assets" and considered that there were no significant impact on the Group's results and financial position and no substantial changes in the Group's accounting policies and presentation of the accounts.

Standards and amendments to existing standards that are relevant but not yet effective to the Group

New standards and amendments		**Effective for accounting periods beginning on or after**
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 19 Amendment	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1st January 2013
HKFRS 7 Amendment	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 10 Amendment	Consolidated Financial Statements – Transition Guidance	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 11 Amendment	Joint Arrangements – Transition Guidance	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 12 Amendment	Disclosure of Interests in Other Entities – Transition Guidance	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HKFRS 32 Amendment	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 7 Amendment	Financial Instruments: Disclosures – Mandatory Effective date of HKFRS 9 and Transitional Disclosures	1st January 2015*
HKFRS 9	Financial Instruments	1st January 2015

* *Effective for annual periods beginning 1st January 2015 for those in connection with HKFRS 9.*

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards and amendments to existing standards that are relevant but not yet effective to the Group (Continued)

Annual improvements to HKFRS published in June 2012		Effective for annual periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements	1st January 2013
HKAS 16 Amendment	Property, Plant and Equipment	1st January 2013
HKAS 32 Amendment	Financial Instruments: Presentation	1st January 2013
HKAS 34 Amendment	Interim Financing Reporting	1st January 2013

The Group has not early adopted the above standards, amendments and improvements. None of these is expected to have a significant effect on the consolidated accounts of the Group, except the following:

HKAS 19, "Employee Benefits", was amended in June 2011. The impact on the Group will be to immediately recognise all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit assets/liabilities. The Group has yet to assess the full impact of the amendments.

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 (including special purpose 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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. The results of subsidiaries are recognised by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) 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.

(d) 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 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.

2. Summary of significant accounting policies (Continued)

2.3 Property, plant and equipment (Continued)

No depreciation is provided for assets under construction and freehold land.

Vehicles, computer and other equipment include terminal equipment and improvements.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost 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
Leasehold improvement	Over period of the lease
Furnitures, vehicles, 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.

2.4 Investment property

Property that is held for long-term 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 initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out semi-annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

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. Summary of significant accounting policies (Continued)

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, associated company or jointly controlled entity at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and jointly controlled entities is included within investments in associated companies and jointly controlled entities respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

The profit or loss on disposal of subsidiaries, associated companies or jointly controlled entities is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(b) Computer software

Costs associated with 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.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and 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 (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate account exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

2.8 Investments

The Group classifies its investments into 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.

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(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 from 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; which 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 financial assets. 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.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Group's right to receive payments is established.

(e) Recognition and measurement

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 financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

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.

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(e) Recognition and measurement (Continued)

The Group may choose to reclassify a non-derivative trading financial asset out of the portfolio investments 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 portfolio investments or available-for-sale financial assets 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 financial assets, 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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2.9 Inventories

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

2.10 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.

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2. Summary of significant accounting policies (Continued)

2.11 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.

2.12 Share capital

Ordinary shares are classified as equity.

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

2.13 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, jointly controlled entities and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 substantively 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.

2. Summary of significant accounting policies (Continued)

2.15 Current and deferred taxation (Continued)

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 credit 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.

(b) 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.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Insurance contracts

The Group regards its financial guarantees provided to its subsidiaries as 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.

2.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

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 currency and the Group's 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 assets revaluation reserve in other comprehensive income.

(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 in other comprehensive income.

2. Summary of significant accounting policies (Continued)

2.20 Foreign currency translation (Continued)

(c) Group companies (Continued)

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 other comprehensive income. 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.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. Revenue is recognised as follows:

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

(b) Revenues from logistics business are recognised when services are rendered or on an accrual basis.

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

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

(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. Summary of significant accounting policies (Continued)

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 a qualifying 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.

2.24 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 equity holders is recognised as a liability in the Group's and the Company's accounts in the period in which the dividends are approved by the Company's Directors/equity holders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value 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.

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

(a) 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 and expenses from container transport and logistics activities are mainly denominated in US dollar and in various currencies, mainly including Euro, Canadian dollar, Japanese yen and Renminbi.

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 a positive/negative effect on the results for 2012 of approximately US$13.1 million (2011: US$15.8 million).

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US$56.3 million (2011: US$52.4 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$1.8 million (2011: US$1.9 million) for one US dollar increase in bunker price per ton.

The Group is also exposed to equity/debt securities price risk because of investments held by the Group include available-for-sale financial assets or portfolio investments which are accounted at fair value through profit or loss. To manage its price risk arising from investments in equity/debt securities, the Group diversifies its portfolio. If the prices of the respective quoted equity/debt securities of the Group had been increased/decreased by 1% and all other variables held constant, the profit after taxation and the other comprehensive income of the Group for the year ended 31st December 2012 would increase/decrease by US$2.0 million (2011: US$1.1 million) and US$0.4 million (2011: US$0.1 million) respectively as a result of the changes in fair value of equity/debt securities under portfolio investments and equity securities classified as available-for-sale.

(c) 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 and debtors and prepayments. The credit quality of these exposures is disclosed in relevant notes to the consolidated accounts.

(d) 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.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US$2,106.2 million (2011: US$2,218.8 million) that are expected to readily generate cash inflows for managing liquidity risk.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative 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 2012				
Borrowings	**605,847**	**213,074**	**945,390**	**1,347,027**
Creditors and accruals	**784,500**	**–**	**–**	**–**
Amounts due to jointly controlled entities	**5,948**	**–**	**–**	**–**
Derivative financial instruments	**4,224**	**736**	**2,781**	**–**
At 31st December 2011				
Borrowings	469,736	291,707	468,629	1,703,998
Creditors and accruals	709,449	–	–	–
Amounts due to jointly controlled entities	4,053	–	–	–
Derivative financial instruments	5,200	917	4,608	–
Company				
At 31st December 2012				
Accruals	**1,647**	**–**	**–**	**–**
Amounts due to subsidiaries	**237,269**	**733,229**	**–**	**–**
Derivative financial instruments	**3,524**	**–**	**–**	**–**
At 31st December 2011				
Accruals	2,016	–	–	–
Amounts due to subsidiaries	812,054	719,724	–	–
Derivative financial instruments	4,328	–	–	–

(e) 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 2012, 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$1.1 million lower/higher (2011: US$0.6 million lower/higher), mainly as a result of higher/lower net interest expense on the net floating rate borrowings.

3. Financial risk management (Continued)

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 equity holders, return capital to equity holders, 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 2012 and 2011 were as follows:

US$'000	2012	Restated 2011
Total borrowings (note 36)	**(2,881,530)**	(2,672,206)
Less: Restricted bank balances (note 25)	**18,490**	12,271
Cash and bank balances (note 33)	**1,861,650**	2,098,884
Portfolio investments (note 31)	**205,427**	119,180
Net debt	**(795,963)**	(441,871)
Total equity	**4,515,268**	4,257,548
Gearing ratio	**0.18**	0.10

The change in net debt position results primarily from the purchase of property, plant and equipment and held-to-maturity investments during the year.

3.3 Fair value estimation

The financial instruments that are measured in the balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liability that are measured at fair value at 31st December 2012.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	**24,875**	**–**	**–**	**24,875**
– Debt securities	**175,292**	**141**	**–**	**175,433**
– Funds and other investments	**–**	**5,119**	**–**	**5,119**
Derivative financial instruments	**–**	**7,022**	**–**	**7,022**
Available-for-sale financial assets				
– Listed equity securities	**39,129**	**–**	**–**	**39,129**
– Other investments	**–**	**–**	**115,334**	**115,334**
Total assets	**239,296**	**12,282**	**115,334**	**366,912**
Liability				
Derivative financial instruments	**–**	**7,418**	**–**	**7,418**
Total liabilities	**–**	**7,418**	**–**	**7,418**

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2011.

US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments				
– Equity securities	21,264	–	–	21,264
– Debt securities	92,991	644	–	93,635
– Funds and other investments	–	4,281	–	4,281
Derivative financial instruments	–	7,983	–	7,983
Available-for-sale financial assets				
– Listed equity securities	705	–	–	705
– Other investments	–	–	129,861	129,861
Total assets	114,960	12,908	129,861	257,729
Liability				
Derivative financial instruments	–	10,358	–	10,358
Total liabilities	–	10,358	–	10,358

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments and listed equity securities classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments in level 2 include the derivative financial instruments.

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Instruments included in level 3 mainly comprise unlisted equity securities classified as available-for-sale financial assets.

The following table presents the changes in level 3 instruments.

US$'000	2012	2011
Opening balance	129,861	116,319
Additions	51	–
Disposals	(701)	(480)
Fair value change recognised in other comprehensive income	(13,877)	14,022
Closing balance	115,334	129,861

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.

4. Critical accounting estimates and judgements (Continued)

(a) Income taxes (Continued)

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 value of investment property is determined by an independent valuer 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.

(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.

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$21.9 million or US$18.0 million respectively (2011: US$19.9 million or US$16.3 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$9.9 million or US$8.9 million respectively (2011: US$8.7 million or US$8.4 million respectively).

(d) 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 four 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.

(e) Held-to-maturity investments

The Group follows 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 judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity.

5. Revenue and segment information

(a) Revenue

US$'000	2012	2011
Container transport and logistics	6,432,955	5,986,719
Others	26,104	25,117
	6,459,059	6,011,836

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

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

(b) Segment information

The principal activities of the Group are container transport and logistics. 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 provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others.

Operating segments

The segment results for the year ended 31st December 2012 are as follows:

	Continuing operations			
US$'000	Container transport and logistics	Others	Elimination	Group
Revenue	6,432,955	26,887	(783)	6,459,059
Operating profit	229,546	99,075	–	328,621
Finance costs (note 12)	(32,877)	–	–	(32,877)
Share of profits of jointly controlled entities (note 20)	3,016	–	–	3,016
Share of profits of associated companies (note 21)	12,091	–	–	12,091
Profit before taxation	211,776	99,075	–	310,851
Taxation	(14,594)	1,032	–	(13,562)
Profit for the year	197,182	100,107	–	297,289
Capital expenditure	780,105	4,457	–	784,562
Depreciation	235,346	–	–	235,346
Amortisation	11,338	–	–	11,338

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2011 are as follows:

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Others	Continuing operations: Elimination	Continuing operations: Sub-total	Discontinued operation: Others	Group
Revenue	5,986,719	26,041	(924)	6,011,836	–	6,011,836
Operating profit	117,794	56,804	–	174,598	–	174,598
Finance costs (note 12)	(26,179)	–	–	(26,179)	–	(26,179)
Share of profits of jointly controlled entities (note 20)	1,930	–	–	1,930	–	1,930
Share of profits of associated companies (note 21)	12,108	–	–	12,108	–	12,108
Profit before taxation	105,653	56,804	–	162,457	–	162,457
Taxation	(19,642)	(3,461)	–	(23,103)	–	(23,103)
Profit after taxation	86,011	53,343	–	139,354	–	139,354
Write back of provision	–	–	–	–	43,000	43,000
Profit for the year	86,011	53,343	–	139,354	43,000	182,354
Capital expenditure	744,603	–	–	744,603	–	744,603
Depreciation	242,534	–	–	242,534	–	242,534
Amortisation	13,415	–	–	13,415	–	13,415

The segment assets and liabilities at 31st December 2012 are as follows:

US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**5,926,160**	**2,219,393**	**8,145,553**
Jointly controlled entities	**7,610**	**–**	**7,610**
Associated companies	**111,917**	**–**	**111,917**
Total assets	**6,045,687**	**2,219,393**	**8,265,080**
Segment liabilities	**(3,687,770)**	**(62,042)**	**(3,749,812)**

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2011 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	5,170,026	2,480,662	7,650,688
Jointly controlled entities	6,741	–	6,741
Associated companies	75,670	–	75,670
Total assets	5,252,437	2,480,662	7,733,099
Segment liabilities	(3,420,098)	(55,453)	(3,475,551)

The segment of "Others" primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of "Others" consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments and portfolio investments together with cash and bank balances that are managed at corporate level. Liabilities under the segment of "Others" primarily include creditors and accruals and deferred taxation liabilities related to corporate level activities.

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US$'000	Revenue	Capital expenditure
Year ended 31st December 2012		
Continuing operations:		
Asia	**4,295,526**	**67,260**
North America	**1,069,317**	**15,086**
Europe	**887,979**	**196**
Australia	**206,237**	**20**
Unallocated *	**–**	**702,000**
	6,459,059	**784,562**
Year ended 31st December 2011		
Continuing operations:		
Asia	3,942,912	23,636
North America	1,071,035	2,906
Europe	839,130	458
Australia	158,759	27
Unallocated *	–	717,576
	6,011,836	744,603

* *Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.*

6. Operating costs

US$'000	2012	2011
Cargo	2,756,490	2,583,723
Vessel and voyage	2,263,351	2,156,814
Equipment and repositioning	774,549	731,142
	5,794,390	5,471,679
Investment property	12,328	12,579
	5,806,718	5,484,258

7. Other operating income

US$'000	2012	2011
Income from available-for-sale financial assets		
– Gain on disposal	331	696
– Distribution	1,101	–
– Dividend income	42,633	12,137
Interest income from banks	23,612	21,170
Interest income from held-to-maturity investments	8,528	8,372
Gain on disposal of held-to-maturity investments	–	572
Portfolio investment income		
– Fair value gain (realised and unrealised)	17,310	–
– Interest income	6,911	4,570
– Dividend income	639	794
Net gain on interest rate swap contracts	442	933
Fair value gain on foreign exchange forward contracts	2,136	774
Exchange gain	12,604	8,208
Others	1,319	1,217
	117,566	59,443

The investment income from listed investments for the year amounts to US$34.9 million (2011: US$10.8 million).

8. Other operating expenses

US$'000	2012	2011
Business and administrative	440,765	401,964
Portfolio investment loss		
– Fair value loss (realised and unrealised)	–	4,248
Net loss on disposal of property, plant and equipment		
– Container vessels	4,062	13,399
– Containers	(3,478)	(1,983)
– Others	480	(205)
	441,829	417,423

9. Employee benefit expense

US$'000	2012	2011
Wages and salaries	469,200	420,876
Pension and retirement benefits		
– Defined contribution plans (note 24)	23,002	21,666
– Defined benefit plans (note 24)	(83)	811
	492,119	443,353

Employee benefit expenses of US$179.9 million (2011: US$158.1 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 and benefits	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2012					
Mr. C C Tung	**107**	**591**	**–**	**59**	**757**
Mr. Tsann Rong Chang	**45**	**–**	**–**	**–**	**45**
Prof. Roger King	**60**	**–**	**–**	**–**	**60**
Mr. Philip Chow	**3**	**515**	**–**	**43**	**561**
Mr. Kenneth G Cambie	**–**	**424**	**128**	**33**	**585**
Mr. Andrew Tung	**–**	**427**	**–**	**43**	**470**
Mr. Alan Tung	**–**	**284**	**–**	**28**	**312**
Mr. Simon Murray	**19**	**–**	**–**	**–**	**19**
Prof. Richard Wong	**38**	**–**	**–**	**–**	**38**
Mr. Edward Cheng	**19**	**–**	**–**	**–**	**19**

The discretionary bonuses paid in 2012 relate to performance for year 2011.

Name of Director US$'000	Fees	Salary and benefits	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2011					
Mr. C C Tung	107	578	1,299	187	2,171
Mr. Tsann Rong Chang	26	–	–	–	26
Prof. Roger King	60	–	–	–	60
Mr. Philip Chow	–	525	2,735	326	3,586
Mr. Kenneth G Cambie	–	415	754	58	1,227
Mr. Andrew Tung	–	65	–	6	71
Mr. Alan Tung	–	274	82	36	392
Mr. Simon Murray	19	–	–	–	19
Prof. Richard Wong	32	–	–	–	32
Mr. Edward Cheng	19	–	–	–	19

The discretionary bonuses paid in 2011 relate to performance for year 2010.

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2011: two) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual (2011: three individuals) are as follows:

US$'000	2012	2011
Basic salaries, housing allowances, other allowances and benefits in kind	368	1,051
Discretionary bonuses	–	5,301
Pension costs – defined contribution plans	37	635
	405	6,987

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

		Number of individuals	
Emolument bands (US$)		2012	2011
384,601 ~ 448,700	(HK$3,000,001 ~ HK$3,500,000)	1	–
448,701 ~ 512,800	(HK$3,500,001 ~ HK$4,000,000)	1	–
512,801 ~ 576,900	(HK$4,000,001 ~ HK$4,500,000)	1	–
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	1	–
705,101 ~ 769,200	(HK$5,500,001 ~ HK$6,000,000)	1	–
2,051,201 ~ 2,115,300	(HK$16,000,001 ~ HK$16,500,000)	–	1
2,115,301 ~ 2,179,400	(HK$16,500,001 ~ HK$17,000,000)	–	1
2,371,701 ~ 2,435,800	(HK$18,500,001 ~ HK$19,000,000)	–	1
2,500,001 ~ 2,564,100	(HK$19,500,001 ~ HK$20,000,000)	–	1
3,525,601 ~ 3,589,700	(HK$27,500,001 ~ HK$28,000,000)	–	1
		5	5

(c) Key management compensation

US$'000	2012	2011
Salaries and other employee benefits	4,713	21,299
Pension costs – defined contribution plans	437	1,959
	5,150	23,258

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 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	2012	2011
Operating profit is arrived at after crediting:		
Operating lease rental income		
Land and buildings	26,104	25,117
and after charging:		
Depreciation		
Owned assets	163,118	162,049
Leased assets	72,228	80,485
Operating lease rental expense		
Vessels and equipment	388,132	433,397
Terminals and berths	31,816	29,928
Land and buildings	27,308	27,337
Rental outgoings in respect of an investment property	12,328	12,579
Amortisation of intangible assets	10,859	13,130
Amortisation of prepayments of lease premiums	479	285
Auditors' remuneration		
Audit	2,654	2,648
Non-audit	1,776	1,449

Operating lease rental expenses of US$418.5 million and US$28.8 million (2011: US$461.8 million and US$28.9 million) respectively are included in operating costs and other operating expenses in the consolidated profit and loss account.

12. Finance costs

US$'000	2012	2011
Interest expense		
Bank loans and bank overdrafts		
Wholly repayable within five years	8,247	3,948
Not wholly repayable within five years	14,471	9,151
Finance lease obligations		
Wholly repayable within five years	7,792	4,432
Not wholly repayable within five years	5,239	9,061
	35,749	26,592
Amount capitalised under assets	(2,872)	(413)
Net interest expense	32,877	26,179

The borrowing costs of the loans to finance the assets under construction (note 16) represent an average capitalisation rate of approximately 1.6% (2011: 0.4%).

13. Taxation

US$'000	2012	2011
Current taxation		
Hong Kong profits tax	1,310	1,563
Overseas taxation	14,295	20,013
	15,605	21,576
Deferred taxation		
Overseas taxation	(2,043)	1,527
	13,562	23,103

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 12% to 47% (2011: 10% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2011: 16.5%).

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

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	2012	2011
Profit before taxation	310,851	162,457
Share of profits of jointly controlled entities	(3,016)	(1,930)
Share of profits of associated companies	(12,091)	(12,108)
	295,744	148,419
Tax calculated at applicable tax rates	72,986	60,741
Income not subject to tax	(278,389)	(145,948)
Expenses not deductible for tax purposes	219,042	106,146
Tax losses not recognised	4,328	6,532
Temporary differences not recognised	2,803	1,120
Utilisation of previously unrecognised tax losses	(394)	(429)
Utilisation of previously unrecognised temporary differences	(3,648)	(4,767)
Change in tax rates	(98)	119
Other items	(3,068)	(411)
	13,562	23,103

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 of the Company 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.

US$'000	2012	2011
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to:		
Equity holders of the Company	296,359	138,645
Non-controlling interests	930	709
	297,289	139,354
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	47.3	22.1
Group's profit from discontinued operation attributable to:		
Equity holders of the Company	–	43,000
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	–	6.9

15. Dividends

US$'000	2012	2011
Interim paid of US4.66 cents (2011: US7.0 cents) per ordinary share	29,198	43,805
Proposed final of US7.18 cents (2011: US nil) per ordinary share	44,932	–
	74,130	43,805

The Board of Directors proposes a final dividend in respect of 2012 of US7.18 cents (2011: US nil) per ordinary share. The proposed dividend will be accounted for as an appropriation of retained profit in the year ending 31st December 2013.

16. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furnitures	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2011	3,470,787	417,089	1,400,441	126,409	7,243	55,746	50,067	264,425	5,792,207
Currency translation adjustments	–	–	2	5	73	170	27	(90)	187
Additions	34,287	582,711	109,897	54	–	375	6,846	36,174	770,344
Disposals	(211,609)	–	(15,739)	(42,558)	–	–	(4,960)	(17,318)	(292,184)
At 31st December 2012	**3,293,465**	**999,800**	**1,494,601**	**83,910**	**7,316**	**56,291**	**51,980**	**283,191**	**6,270,554**
Accumulated depreciation									
At 31st December 2011	762,959	–	478,236	94,182	2,506	12,845	42,676	193,609	1,587,013
Currency translation adjustments	–	–	2	1	39	85	73	(12)	188
Charge for the year	118,536	–	88,135	3,956	128	2,154	4,004	18,433	235,346
Disposals	(146,218)	–	(11,279)	(38,168)	–	–	(4,434)	(16,667)	(216,766)
At 31st December 2012	**735,277**	**–**	**555,094**	**59,971**	**2,673**	**15,084**	**42,319**	**195,363**	**1,605,781**
Net book amount									
At 31st December 2012	**2,558,188**	**999,800**	**939,507**	**23,939**	**4,643**	**41,207**	**9,661**	**87,828**	**4,664,773**
At 31st December 2011	2,707,828	417,089	922,205	32,227	4,737	42,901	7,391	70,816	4,205,194
Net book amount of leased assets									
At 31st December 2012	**1,198,108**	**–**	**99,580**	**–**	**–**	**–**	**–**	**2,055**	**1,299,743**
At 31st December 2011	1,245,004	–	219,350	–	–	–	–	1,145	1,465,499

16. Property, plant and equipment (Continued)

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furnitures	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2010	3,398,779	220,185	1,178,466	152,854	7,353	43,799	51,385	263,514	5,316,335
Currency translation adjustments	–	–	3	(149)	(110)	2,221	(128)	554	2,391
Additions	33,731	444,881	232,470	99	–	9,726	3,547	13,655	738,109
Reclassification	247,977	(247,977)	–	–	–	–	–	–	–
Disposals	(209,700)	–	(10,498)	(26,395)	–	–	(4,737)	(13,298)	(264,628)
At 31st December 2011	3,470,787	417,089	1,400,441	126,409	7,243	55,746	50,067	264,425	5,792,207
Accumulated depreciation									
At 31st December 2010	695,993	–	399,893	115,057	2,433	13,490	42,366	186,736	1,455,968
Currency translation adjustments	–	–	–	(108)	(55)	715	(244)	443	751
Charge for the year	128,525	–	84,244	4,520	128	1,567	4,558	18,992	242,534
Other adjustments	–	–	99	23	–	(2,927)	630	249	(1,926)
Disposals	(61,559)	–	(6,000)	(25,310)	–	–	(4,634)	(12,811)	(110,314)
At 31st December 2011	762,959	–	478,236	94,182	2,506	12,845	42,676	193,609	1,587,013
Net book amount									
At 31st December 2011	2,707,828	417,089	922,205	32,227	4,737	42,901	7,391	70,816	4,205,194
At 31st December 2010	2,702,786	220,185	778,573	37,797	4,920	30,309	9,019	76,778	3,860,367
Net book amount of leased assets									
At 31st December 2011	1,245,004	–	219,350	–	–	–	–	1,145	1,465,499
At 31st December 2010	1,297,779	–	285,903	–	–	–	–	563	1,584,245

(a) The aggregate net book amount of assets pledged as securities for borrowings amounts to US$2,171.1 million (2011: US$1,612.2 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charter hire income relating to these vessels.

(b) Interest costs of US$2.9 million (2011: US$0.4 million) during the year were capitalised as part of assets under construction.

(c) Depreciation charge of US$219.3 million (2011: US$225.6 million) for the year has been expensed in operating costs and US$16.0 million (2011: US$16.9 million) in other operating expenses.

(d) As at 31st December 2012 and 2011, the buildings outside Hong Kong are held under medium-term leasehold land.

The container vessels and containers include the following amounts where the Group is a lessee under finance leases:

US$'000	2012	2011
Cost – capitalised finance leases	**1,697,668**	1,871,625
Accumulated depreciation	**(399,980)**	(407,271)
Net book amount	**1,297,688**	1,464,354

The Group leases various containers and container vessels under non-cancellable finance lease agreements. The lease terms are between 4.5 and 25 years.

17. Investment property

US$'000	2012	2011
Group		
Balance at beginning of year	160,000	155,000
Additions	4,457	–
	164,457	155,000
Fair value gain	543	5,000
Balance at end of year	165,000	160,000

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$165.0 million (2011: US$160.0 million), by reference to a professional valuation made by an independent valuer in December 2012 on an open market basis.

18. Prepayments of lease premiums

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases between 10 and 50 years and their net book values are analysed as follows:

US$'000	2012	2011
Group		
Leasehold land outside Hong Kong	9,793	10,249
Balance at beginning of year	10,249	10,122
Currency translation adjustments	23	412
Amortisation	(479)	(285)
Balance at end of year	9,793	10,249

Amortisation of US$0.5 million (2011: US$0.3 million) is included in "other operating expenses" in the consolidated profit and loss account.

19. Subsidiaries

US$'000	2012	2011
Company		
Unlisted shares, at cost less provision	169,487	169,487
Non-current		
Amount due to a subsidiary	733,229	719,724
Current		
Amounts due from subsidiaries	1,847,433	1,900,708
Amounts due to subsidiaries	237,269	812,054

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment, except for amount payable of US$733.2 million (2011: US$719.7 million) which is not repayable within one year.

Particulars of the principal subsidiaries at 31st December 2012 are shown on pages 132 to 140.

20. Jointly controlled entities

US$'000	2012	2011
Group		
Balance at beginning of year	6,741	6,060
Share of results		
Profit before taxation	3,380	2,225
Taxation	(364)	(295)
	9,757	7,990
Currency translation adjustments	7	373
Dividends received	(2,154)	(1,622)
Balance at end of year	7,610	6,741

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

US$'000	2012	2011
Non-current assets	117	303
Current assets	8,175	6,979
Current liabilities	(682)	(541)
Share of net assets	7,610	6,741
Income	8,937	7,295
Expenses	(5,921)	(5,365)
Share of profits of jointly controlled entities	3,016	1,930

Particulars of the jointly controlled entities at 31st December 2012 are shown on page 141.

21. Associated companies

US$'000	2012	2011
Group		
Balance at beginning of year	75,670	66,222
Increase in investments	29,820	–
Share of results		
Profit for the year	12,091	12,108
	117,581	78,330
Currency translation adjustments	192	3,419
Dividends received	(5,856)	(6,079)
Balance at end of year	111,917	75,670

21. Associated companies (Continued)

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

US$'000	2012	2011
Non-current assets	158,245	122,105
Current assets	10,280	12,505
Non-current liabilities	(44,930)	(36,689)
Current liabilities	(11,678)	(22,251)
Share of net assets	111,917	75,670
Income	37,944	35,261
Expenses	(25,853)	(23,153)
Share of profits of associated companies	12,091	12,108

Particulars of the associated companies at 31st December 2012 are shown on page 141.

22. Intangible assets

US$'000	Computer software development costs
Group	
At 1st January 2011	
Cost	114,480
Accumulated amortisation	(67,832)
Net book amount	46,648
Year ended 31st December 2011	
Opening net book amount	46,648
Currency translation adjustments	2
Additions	6,494
Amortisation	(13,130)
Closing net book amount	40,014
At 31st December 2011	
Cost	120,978
Accumulated amortisation	(80,964)
Net book amount	40,014
Year ended 31st December 2012	
Opening net book amount	40,014
Additions	9,761
Amortisation	(10,859)
Closing net book amount	38,916
At 31st December 2012	
Cost	130,681
Accumulated amortisation	(91,765)
Net book amount	38,916

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

Amortisation of US$10.9 million (2011: US$13.1 million) is included in "other operating expenses" in the consolidated profit and loss account.

23. Deferred taxation assets/(liabilities)

US$'000	31st December 2012	Restated 31st December 2011	Restated 1st January 2011
Group			
Deferred taxation assets	**1,711**	1,803	1,778
Deferred taxation liabilities	**(63,924)**	(65,817)	(64,200)
	(62,213)	(64,014)	(62,422)

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 taxation 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	31st December 2012	Restated 31st December 2011	Restated 1st January 2011
Deferred taxation assets to be recovered after more than twelve months	**315**	247	923
Deferred taxation liabilities to be settled after more than twelve months	**(57,077)**	(51,287)	(64,200)

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. The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

US$'000	Accelerated accounting depreciation	Revenue expenditure	Tax losses	Total
Deferred taxation assets				
At 31st December 2010	–	10,207	1,999	12,206
Currency translation adjustments	–	7	(4)	3
Credited to consolidated profit and loss account	1,278	278	1,300	2,856
At 31st December 2011	1,278	10,492	3,295	15,065
Currency translation adjustments	6	63	(2)	67
Charged to consolidated profit and loss account	(99)	(1,214)	(125)	(1,438)
At 31st December 2012	**1,185**	**9,341**	**3,168**	**13,694**

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

US$'000	Accelerated tax depreciation	Revaluation	Pensions	Revenue expenditure	Total
Deferred taxation liabilities					
At 31st December 2010					
As previously reported	19,448	23,470	6,506	918	50,342
Prior year adjustment (note 2)	–	24,286	–	–	24,286
As restated	19,448	47,756	6,506	918	74,628
Currency translation adjustments	(13)	–	(85)	166	68
(Credited)/charged to consolidated profit and loss account	(499)	2,275	(437)	3,044	4,383
At 31st December 2011	18,936	50,031	5,984	4,128	79,079
At 31st December 2011					
As previously reported	18,936	25,745	5,984	4,128	54,793
Prior year adjustment (note 2)	–	24,286	–	–	24,286
As restated	18,936	50,031	5,984	4,128	79,079
Currency translation adjustments	–	–	303	6	309
(Credited)/charged to consolidated profit and loss account	(3,944)	599	217	(353)	(3,481)
At 31st December 2012	**14,992**	**50,630**	**6,504**	**3,781**	**75,907**

Deferred taxation assets of US$32.3 million (2011: US$25.6 million) arising from unused tax losses of US$124.4 million (2011: US$102.8 million) have not been recognised in the consolidated accounts. Unused tax losses of US$119.4 million (2011: US$98.2 million) have no expiry date and the remaining balance will expire at various dates up to and including 2017.

Deferred taxation liabilities of US$27.0 million (2011: US$27.2 million) on temporary differences associated with investments in subsidiaries of US$175.4 million (2011: US$183.8 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

24. 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$22.9 million (2011: US$22.5 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 79% 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	2012	2011
Group		
Contributions to the schemes	23,170	21,926
Forfeitures utilised	(168)	(260)
	23,002	21,666

Contributions totalling US$11.5 million (2011: US$11.7 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	2012	2011
Group			
Schemes assets		44,427	38,452
Schemes liabilities		(301)	(2,427)
Net Schemes assets	(a)	44,126	36,025
Representing:			
Pension and retirement assets		44,427	38,452
Pension and retirement liabilities		(301)	(2,427)
		44,126	36,025

The (credits)/charges recognised in the consolidated profit and loss account are as follows:

US$'000	Note	2012	2011
Schemes	(a)	(83)	811

24. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour 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 which was valued by Barnett Waddingham LLP. The defined benefit schemes (the "Schemes") cover approximately 1% 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	2012	2011
Fair value of plan assets	250,128	231,135
Present value of funded obligations	(240,043)	(216,731)
Surplus of funded plans	10,085	14,404
Unrecognised actuarial losses	34,041	21,621
Net schemes assets	44,126	36,025

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

US$'000	2012	2011
Balance at beginning of year	231,135	233,697
Currency translation adjustments	11,240	236
Expected return on plan assets	12,091	13,375
Actuarial gains	6,257	3,457
Contributions from the Group	3,877	11,106
Contributions from the plan members	124	123
Benefits paid	(14,596)	(13,386)
Transfer out (note)	–	(17,473)
Balance at end of year	250,128	231,135

24. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(a) Net schemes assets (Continued)

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

US$'000	2012	2011
Balance at beginning of year	216,731	229,496
Currency translation adjustments	10,339	(272)
Current service cost	1,522	2,832
Interest cost	10,254	11,354
Actuarial losses	17,855	3,619
Contributions from the plan members	124	123
Benefits paid	(14,596)	(12,850)
Settlements	(2,186)	–
Transfer out (note)	–	(17,571)
Balance at end of year	240,043	216,731

Note: During 2011, certain employees under the defined benefit scheme have been changed to defined contribution schemes.

The (credits)/charges of the schemes recognised in the consolidated profit and loss account are as follows:

US$'000	2012	2011
Current service cost	1,522	2,832
Interest cost	10,254	11,354
Expected return on plan assets	(12,091)	(13,375)
Net actuarial loss	232	–
Net (income)/expense recognised for the year	(83)	811

Credits of US$0.1 million (2011: charges of US$0.8 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:

	2012	2011
Discount rate	4%	5%
Expected return on plan assets	5%	5%
Expected future salary increases	4%	4%
Expected future pension increases	3%	3%
Actual return on plan assets (US$'000)	18,344	17,725

Plan assets of the schemes comprise the following:

US$'000	2012		2011	
Equity	42,523	17%	77,719	33%
Debt	165,083	66%	152,321	66%
Others	42,522	17%	1,095	1%
	250,128	100%	231,135	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.

24. Pension and retirement benefits (Continued)

Defined benefit schemes (Continued)

(b) The experience adjustments of 2008 to 2012 are as follows:

US$'000	2012	2011	2010	2009	2008
Fair value of plan assets	250,128	231,135	233,697	225,993	197,498
Present value of defined benefit obligations	(240,043)	(216,731)	(229,496)	(237,837)	(182,312)
Plan surplus/(deficit)	10,085	14,404	4,201	(11,844)	15,186
Experience adjustment on plan assets	(6,257)	(3,457)	(10,516)	(8,798)	14,601
Percentage of plan assets (%)	(2.5%)	(1.5%)	(4.5%)	(3.9%)	7.4%
Experience adjustment on plan obligations	(17,855)	(3,619)	(1,869)	(625)	(904)
Percentage of plan obligations (%)	(7.4%)	(1.7%)	(0.8%)	(0.3%)	(0.5%)

25. Restricted bank balances

US$'000	2012	2011
Group		
Non-current	18,030	11,728
Current	460	543
Restricted bank balances	18,490	12,271

As at 31st December 2012, the restricted bank balances of US$18.5 million (2011: US$12.3 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2011: US dollar).

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

US$'000	2012	2011
Group		
AA	389	416
A	958	11,855
BBB	17,143	–
	18,490	12,271
Company		
Restricted bank balances – current	337	365

26. Available-for-sale financial assets

US$'000	2012	2011
Group		
Balance at beginning of year	130,566	118,275
Currency translation adjustments	176	(5)
Additions	34,747	–
Disposals	(1,398)	(1,532)
Change in fair value recognised in other comprehensive income	(9,628)	13,828
Balance at end of year	154,463	130,566

Available-for-sale financial assets include the following:

US$'000	2012	2011
Listed equity securities		
Hong Kong	39,121	697
Overseas	8	8
Market value of listed equity securities	39,129	705
Unlisted equity security	114,500	128,300
Others	834	1,561
	154,463	130,566

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

US$'000	2012	2011
Renminbi	153,621	128,300
Hong Kong dollar	602	1,879
Other currencies	240	387
	154,463	130,566

27. Held-to-maturity investments

US$'000	2012	2011
Group		
Listed debt securities		
Hong Kong	166,341	119,196
Overseas	86,519	61,800
	252,860	180,996
Unlisted debt security		
Hong Kong	1,096	1,096
	253,956	182,092
Market value	274,238	185,694

27. Held-to-maturity investments (Continued)

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

US$'000	2012	2011
Balance at beginning of year	182,092	121,737
Additions	73,597	85,170
Redemptions on maturity/disposals	(3,000)	(13,737)
Reclassification	–	(11,093)
Amortisation	(53)	15
Currency translation adjustments	1,320	–
Balance at end of year	253,956	182,092

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/or Moody's credit ratings is as follows:

US$'000	2012	2011
AAA	9,543	8,053
AA	19,312	22,781
A	80,104	71,321
BBB	85,614	53,511
BB	16,427	–
Non-ranking	42,956	26,426
	253,956	182,092

The maximum exposure to credit risk at the reporting date is the carrying amount of held-to-maturity investments.

28. Other non-current assets

US$'000	2012	2011
Group		
Other deposit	11,825	11,825
Others	10,333	11,454
	22,158	23,279

29. Inventories

US$'000	2012	2011
Group		
Bunker	138,559	136,736
Consumable stores	15,226	13,391
	153,785	150,127

The cost of inventories recognised as expense and included in operating costs amounts to US$1,211.7 million (2011: US$1,211.6 million).

30. Debtors and prepayments

US$'000	2012	2011
Group		
Trade receivables		
– Fully performing	225,042	195,947
– Past due but not impaired	112,786	95,263
– Impaired and provided for	7,365	5,373
	345,193	296,583
Less: provision for impairment	(7,365)	(5,373)
Trade receivables – net	337,828	291,210
Other debtors	87,819	64,417
Other prepayments	95,519	90,147
Utility and other deposits	8,107	7,570
Tax recoverable	14,709	17,250
	543,982	470,594

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

US$'000	2012	2011
Group		
Counterparties with external credit rating		
A	19,712	25,833
BBB	1,697	7,739
BB	7,837	3,337
	29,246	36,909
Counterparties without external credit rating		
Group 1	20,555	13,207
Group 2	288,010	240,556
Group 3	17	538
	308,582	254,301
	337,828	291,210

Notes:

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.

30. Debtors and prepayments (Continued)

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors with overdue trade receivables are requested to settle all outstanding balances before any further credit is granted.

The majority of past due but not impaired trade receivables are less than three months old. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due dates of invoices, is as follows:

US$'000	2012	2011
Below one month	308,787	270,539
Two to three months	23,700	18,108
Four to six months	5,341	2,563
	337,828	291,210

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

US$'000	2012	2011
US dollar	105,920	91,987
Canadian dollar	21,705	16,541
Euro	50,603	50,625
Japanese yen	12,579	12,922
Hong Kong dollar	6,780	5,313
Renminbi	43,339	34,595
Pound sterling	13,733	12,007
Australian dollar	22,921	18,713
Other currencies	60,248	48,507
	337,828	291,210

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

US$'000	2012	2011
Group		
Balance at beginning of year	5,373	4,597
Provision	3,398	2,010
Write off	(652)	(797)
Unused amounts reversed	(754)	(437)
Balance at end of year	7,365	5,373

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

31. Portfolio investments

US$'000	2012	2011
Group		
Listed equity securities		
Hong Kong	23,658	20,729
Overseas	1,217	535
Market value of listed equity securities	24,875	21,264
Unit trust	4,977	4,153
Listed debt securities		
Hong Kong	88,758	25,329
Overseas	86,534	67,662
Unlisted debt securities		
Hong Kong	–	644
Overseas	141	–
Others	142	128
	205,427	119,180

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

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

US$'000	2012	2011
Group		
AA	2,131	–
A	69,646	49,059
BBB	59,925	27,118
BB	10,469	10,839
Non-ranking	33,121	5,975
	175,292	92,991

The fair value of all equity securities and debt securities are based on their current bid prices in active markets.

32. Derivative financial instruments

US$'000	2012	2011
Group		
Assets		
Non-current assets		
Interest rate swap contracts	7,022	7,983
Liabilities		
Non-current liabilities		
Interest rate swap contract	(3,524)	(4,328)
Foreign exchange forward contract	(3,894)	(6,030)
	(7,418)	(10,358)

32. Derivative financial instruments (Continued)

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

US$'000	2012	2011
AA	1,013	7,983
A	6,009	–
	7,022	7,983

(a) Foreign exchange forward contract

The notional principal amount of the outstanding foreign exchange forward contract at 31st December 2012 were US$28.8 million (2011: US$33.9 million).

(b) Interest rate swap contracts

The notional principal amounts of the outstanding interest rate swap contracts at 31st December 2012 were US$123.0 million (2011: US$135.2 million).

US$'000	2012	2011
Company		
Non-current liability		
Interest rate swap contract	(3,524)	(4,328)

The notional principal amount of the outstanding interest rate swap contract at 31st December 2012 was US$50.0 million (2011: US$50.0 million).

33. Cash and bank balances

US$'000	2012	2011
Group		
Short-term bank deposits		
– Maturing within three months from the date of placement	1,203,348	1,539,404
Cash at bank and in hand	393,842	369,986
	1,597,190	1,909,390
Short-term bank deposits		
– Maturing more than three months from the date of placement	264,460	189,494
	1,861,650	2,098,884

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, Moody's and/or Fitch's credit ratings is as follows:

US$'000	2012	2011
Group		
AAA	4,203	3,286
AA	822,392	1,239,660
A	868,183	813,456
BBB	156,700	35,509
BB	6,287	4,436
B	956	–
Others	2,929	2,537
	1,861,650	2,098,884

US$'000	2012	2011
Company		
Short-term bank deposits		
– Maturing within three months from the date of placement	23,004	41,088
Cash at bank and in hand	122	898
Total cash and bank balances	23,126	41,986

34. Share capital

US$'000	2012	2011
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 2011 and 2012	625,793	62,579

Notes to the Consolidated Accounts

35. Reserves

Group

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Available-for-sale financial assets revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2010							
As previously reported	172,457	88,547	4,696	115,018	51,414	5,078,021	5,510,153
Prior year adjustment (note 2)	–	–	–	–	–	(24,286)	(24,286)
As restated	172,457	88,547	4,696	115,018	51,414	5,053,735	5,485,867
Total comprehensive income for the year	–	–	–	13,160	6,531	181,645	201,336
Transactions with owners							
2010 final dividend	–	–	–	–	–	(144,071)	(144,071)
2010 special dividend	–	–	–	–	–	(1,311,044)	(1,311,044)
2011 interim dividend	–	–	–	–	–	(43,805)	(43,805)
Balance at 31st December 2011	172,457	88,547	4,696	128,178	57,945	3,736,460	4,188,283
Balance at 31st December 2011							
As previously reported	172,457	88,547	4,696	128,178	57,945	3,760,746	4,212,569
Prior year adjustment (note 2)	–	–	–	–	–	(24,286)	(24,286)
As restated	172,457	88,547	4,696	128,178	57,945	3,736,460	4,188,283
Total comprehensive income/(loss) for the year	–	–	–	(10,564)	1,767	296,359	287,562
Transactions with owners							
2012 interim dividend	–	–	–	–	–	(29,198)	(29,198)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	264	264
Balance at 31st December 2012	**172,457**	**88,547**	**4,696**	**117,614**	**59,712**	**4,003,885**	**4,446,911**

35. Reserves (Continued)

Company

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2010	172,457	88,547	4,696	1,703,579	1,969,279
Total comprehensive income for the year	–	–	–	41,517	41,517
Transactions with owners					
2010 final dividend	–	–	–	(144,071)	(144,071)
2010 special dividend	–	–	–	(1,311,044)	(1,311,044)
2011 interim dividend	–	–	–	(43,805)	(43,805)
Balance at 31st December 2011	172,457	88,547	4,696	246,176	511,876
Total comprehensive income for the year	–	–	–	519,508	519,508
Transactions with owners					
2012 interim dividend	–	–	–	(29,198)	(29,198)
Balance at 31st December 2012	**172,457**	**88,547**	**4,696**	**736,486**	**1,002,186**

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$519.5 million (2011: profit of US$41.5 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$825.0 million as at 31st December 2012 (2011: US$334.7 million).

36. Borrowings

US$'000	2012	2011
Group		
Non-current		
Bank loans		
– Secured	1,340,366	954,208
– Unsecured	11,069	42,151
Finance lease obligations	974,342	1,236,736
	2,325,777	2,233,095
Current		
Bank overdrafts, unsecured	172	236
Bank loans		
– Secured	221,684	152,829
– Unsecured	31,079	32,307
Finance lease obligations	302,818	253,739
	555,753	439,111
Total borrowings	2,881,530	2,672,206

The maturity of borrowings is as follows:

			Finance leases	
US$'000	Bank loans	Bank overdrafts	Present value	Minimum payments
As at 31st December 2012				
2013	252,763	172	302,818	330,521
2014	121,829	–	64,277	71,854
2015	103,950	–	142,818	151,377
2016	142,786	–	100,764	107,416
2017	142,678	–	234,075	254,307
2018 onwards	840,192	–	432,408	478,813
	1,604,198	172	1,277,160	1,394,288
Wholly repayable within five years	538,007	172	756,517	
Not wholly repayable within five years	1,066,191	–	520,643	
	1,604,198	172	1,277,160	
As at 31st December 2011				
2012	185,136	236	253,739	267,088
2013	121,141	–	143,156	155,418
2014	61,491	–	46,912	59,163
2015	43,402	–	47,693	59,807
2016	82,235	–	116,472	128,099
2017 onwards	688,090	–	882,503	986,110
	1,181,495	236	1,490,475	1,655,685
Wholly repayable within five years	313,788	236	437,826	
Not wholly repayable within five years	867,707	–	1,052,649	
	1,181,495	236	1,490,475	

36. Borrowings (Continued)

Borrowings are secured by property, plant and equipment of the Group (note 16(a)).

The effective interest rates at the balance sheet date were as follows:

	2012			2011		
	US$	£	Others	US$	£	Others
Bank loans	1.5%	–	1.9%	1.4%	–	–
Finance lease obligations	0.4%	0.6%	–	0.7%	1.3%	3.5%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	2012	2011	2012	2011
Bank loans	1,351,435	996,359	1,352,378	997,157
Finance lease obligations	974,342	1,236,736	974,342	1,236,736
	2,325,777	2,233,095	2,326,720	2,233,893

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.0% (2011: 3.4%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

US$'000	2012	2011
US dollar	2,853,427	2,641,017
Pound sterling	28,044	31,082
Other currencies	59	107
	2,881,530	2,672,206

The fixed interest rate borrowings of the Group as at 31st December 2012 amounted to US$44.2 million (2011: US$51.2 million). The remaining borrowings of US$2,837.3 million (2011: US$2,621.0 million) were subject to floating interest rates.

37. Creditors and accruals

US$'000	2012	2011
Group		
Trade payables	279,040	247,575
Other creditors	72,728	82,209
Accrued expenses	374,892	342,915
Deferred revenue	57,840	36,750
	784,500	709,449

37. Creditors and accruals (Continued)

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

US$'000	2012	2011
Below one month	**169,860**	178,514
Two to three months	**102,961**	64,935
Four to six months	**5,378**	3,416
Over six months	**841**	710
	279,040	247,575

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2012	2011
US dollar	**121,894**	116,281
Canadian dollar	**21,150**	11,590
Euro	**25,976**	14,098
Japanese yen	**21,133**	28,000
Hong Kong dollar	**17,311**	18,909
Renminbi	**33,023**	31,498
Other currencies	**38,553**	27,199
	279,040	247,575

38. Amounts due to jointly controlled entities

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

39. Commitments

Group

(a) Capital commitments – Property, plant and equipment

US$'000	2012	2011
Contracted but not provided for	**1,324,115**	1,595,176
Authorised but not contracted for	**305,327**	284,447
	1,629,442	1,879,623

39. Commitments (Continued)

Group (Continued)

(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	Terminals and berths	Land and buildings	Total
As at 31st December 2012				
2013	**203,860**	**27,293**	**25,659**	**256,812**
2014	**148,388**	**29,693**	**17,605**	**195,686**
2015	**88,750**	**43,748**	**6,487**	**138,985**
2016	**65,296**	**61,328**	**4,538**	**131,162**
2017	**64,986**	**66,053**	**4,148**	**135,187**
2018 onwards	**228,283**	**3,882,390**	**3,944**	**4,114,617**
	799,563	**4,110,505**	**62,381**	**4,972,449**
As at 31st December 2011				
2012	191,785	4,312	27,725	223,822
2013	143,923	4,312	17,928	166,163
2014	133,406	4,312	11,158	148,876
2015	83,904	4,312	2,652	90,868
2016	70,137	4,312	2,421	76,870
2017 onwards	320,946	33,418	356	354,720
	944,101	54,978	62,240	1,061,319

(c) Operating lease rental receivable

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

US$'000	Vessels	Land and buildings	Total
At 31st December 2012			
2013	**48,540**	**24,252**	**72,792**
2014	**80,300**	**24,127**	**104,427**
2015	**80,300**	**20,906**	**101,206**
2016	**32,725**	**19,756**	**52,481**
2017	**–**	**18,478**	**18,478**
2018 onwards	**–**	**40,217**	**40,217**
	241,865	**147,736**	**389,601**
At 31st December 2011			
2012	–	23,801	23,801
2013	54,780	23,311	78,091
2014	80,300	22,687	102,987
2015	80,300	18,671	98,971
2016	25,685	17,275	42,960
2017 onwards	–	45,975	45,975
	241,065	151,720	392,785

40. Financial guarantees

Group

The Group has not given any corporate guarantee as at 31st December 2012 (2011: nil).

Company

(a) The Company has given corporate guarantees of approximately US$3,199.8 million (2011: US$3,147.4 million) for its subsidiaries. As at 31st December 2012, the amounts utilised by the subsidiaries were US$2,887.8 million (2011: US$2,677.8 million).

(b) The Company has given corporate guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$367.4 million (2011: US$407.8 million).

(c) The Company has given corporate guarantees of approximately US$249.2 million (2011: US$369.9 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.

41. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

US$'000	2012	2011
Operating profit from continuing operations	328,621	174,598
Write back of provision	–	43,000
Interest income from banks	(23,612)	(21,170)
Interest income from portfolio and held-to-maturity investments	(15,439)	(12,942)
Dividend income from portfolio investments	(639)	(794)
Depreciation	235,346	242,534
Fair value gain from an investment property	(543)	(5,000)
Net loss on disposal of property, plant and equipment	1,064	11,211
Dividend income from available-for-sale financial assets	(42,633)	(12,137)
Distribution from available-for-sale financial assets	(1,101)	–
Gain on disposal of available-for-sale financial assets	(331)	(696)
Gain on disposal of held-to-maturity investments	–	(572)
Amortisation of intangible assets	10,859	13,130
Amortisation of prepayments of lease premiums	479	285
Net gain on derivative financial instruments	(2,578)	(1,707)
Operating profit before working capital changes	489,493	429,740
Increase in inventories	(3,658)	(53,862)
Increase in debtors and prepayments	(74,671)	(12,843)
Increase/(decrease) in creditors and accruals	74,370	(45,639)
Change in net pension assets/liabilities	(8,101)	(8,826)
Settlement of derivative financial instruments	599	(248)
Cash generated from operations	478,032	308,322

41. Notes to consolidated cash flow statement (Continued)

(b) Major non-cash transactions

During the year, major non-cash transactions included the inception of finance leases of US$39.8 million (2011: nil) and dividend received from available-for-sale financial assets of US$34.7 million (2011: nil) in form of shares.

(c) Analysis of cash and cash equivalents

US$'000	2012	2011
Bank balances and deposits maturing within three months from the date of placement	1,597,190	1,909,390
Bank overdrafts	(172)	(236)
	1,597,018	1,909,154

42. Approval of accounts

The accounts were approved by the Board of Directors on 6th March 2013.

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash 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
Far Gain Investment Ltd.	100	10,000 ordinary shares of HK$1 each HK$10,000	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
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares of HK$1 each HK$100,000	Container transport	Hong Kong	Hong Kong
Kenwake Ltd.	100 100	1,600,000 ordinary shares of £1 each 520,000 5% cumulative preference shares of £1 each £2,120,000	Investment holding	United Kingdom	United Kingdom
Laronda Company Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
LBCT LLC	100	Capital of US$500,000	Terminal operating	USA	USA
Long Beach Container Terminal, Inc.	100	5,000 common stock of no par value US$500,000	Maintenance of union office workers and provision of labour services	USA	USA
Loyalton Shipping Limited	100	500 ordinary shares of US$10 each US$5,000	Ship owning	Marshall Islands	Worldwide
Maritime Delivery Services Inc.	100	1,000 common stock of US$10 each US$10,000	Trucking service	USA	USA

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 36 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 37 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 40 (Luxembourg) Shipping S.à r.l.	100	600 ordinary shares of US$250 each US$150,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 41 (Luxembourg) Shipping S.à r.l.	100	600 ordinary shares of US$250 each US$150,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 42 (Luxembourg) Shipping S.à r.l.	100	600 ordinary shares of US$250 each US$150,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 43 (Luxembourg) Shipping S.à r.l.	100	600 ordinary shares of US$250 each US$150,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 45 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 48 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 49 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 50 (Luxembourg) Shipping S.à r.l.	100	100 ordinary shares of US$250 each US$25,000	Ship owning	Luxembourg	Worldwide
Newcontainer No. 5 Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 6 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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities
as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 15 (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. 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
Newcontainer No. 56 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 57 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 60 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 61 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 62 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 63 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 65 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 66 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 67 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 68 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 69 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 70 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 71 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 72 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 73 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 75 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares of US$1 each US$5,000	Ship owning	Marshall Islands	Worldwide
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
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	Transportation	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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities
as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares of A$1 each A$200,000	Liner agency	Australia	Australia
OOCL BENELUX	100	226,271 ordinary shares of no par value €609,799	Liner agency	Belgium	Belgium
OOCL (Cambodia) Ltd.	100	50,000 ordinary shares of Riels4,000 each Riels200,000,000	Liner agency	Cambodia	Cambodia
OOCL (Canada) Inc.	100	10,000 common stock of no par value C$91,000	Liner agency	Canada	Canada
OOCL (Corporate Services) Limited	100	2 ordinary shares of HK$1 each HK$2	Provision of corporate services	Hong Kong	Hong Kong
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
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 (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

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as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
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 (New Zealand) Ltd.	100	100 ordinary shares of NZD10 each NZD1,000	Liner agency	New Zealand	New Zealand
OOCL Pakistan (Private) Ltd.	100	1,350,000 ordinary shares of PKR10 each PKR13,500,000	Liner agency	Pakistan	Pakistan
OOCL (Philippines) Inc.	100	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Poland) Ltd sp.z.o.o.	100	1,000 ordinary shares of PLN50 each PLN50,000	Liner agency	Poland	Poland
OOCL (Portugal), Lda	100 100	1 quota of €24,500 each 1 quota of €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
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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (USA) Inc.	100	1,030 common stock of US$1 each US$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	100	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 Limited	100	10,000 ordinary shares of US$1 each US$10,000	Investment holding	British Virgin Islands	Hong Kong
OOCL LLC	100	Capital of US$500,000	Investment holding	USA	USA
OOCL Logistics (Asia Pacific) Ltd.	100	200 ordinary shares of US$100 each US$20,000	Investment holding, management of international transportation and logistics	Bermuda	Asia Pacific
OOCL Logistics (Australia) Pty. Limited	100	200,000 ordinary shares of A$1 each A$200,000	Logistics, cargo consolidation and forwarding	Australia	Australia
OOCL Logistics (Cambodia) Ltd.	100	1,250 ordinary shares of Riels4,000 each Riels5,000,000	Logistics, cargo consolidation and forwarding	Cambodia	Cambodia
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 Rupee100 each Rupee3,500,000	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

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as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
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
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 Line Limited	100	2 ordinary shares of HK$1 each HK$2	Logistics, cargo consolidation and forwarding	Hong Kong	Worldwide
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 Transport & Logistics Holdings Ltd.	100	169,477,152 ordinary shares of US$1 each US$169,477,152	Investment holding	Bermuda	Worldwide
OOCL Warehousing (Shanghai) Limited	100	Registered capital US$10,000,000	Warehousing, freight forwarding and logistics services	China *	China
# OOIL (Investments) Inc.	100	500 ordinary shares of no par value US$5,000	Investment holding	Liberia †	Worldwide
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 (Malaysia) Sdn Bhd	100	350,000 ordinary shares of RM1 each RM350,000	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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities
as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Subsidiaries (Continued)					
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
Shanghai OOCL Container Transportation Co. Ltd.	60	Registered capital US$9,350,000	Container depot	China §	China
Soberry Investments Ltd.	100	5,000 ordinary shares of US$1 each US$5,000	Portfolio investment	British Virgin Islands	Worldwide
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			
Wealth Capital Corporation	100	500 ordinary shares of no par value US$5,000	Investment holding	Liberia †	Worldwide

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

as at 31st December 2012

Name of Company	Effective percentage held by Group	Particulars of issued share capital/registered capital/ contributed cash capital	Principal activities	Country of incorporation	Area of operations
Associated companies					
Ningbo Yuan Dong Terminal Co. Ltd.	20	Registered capital RMB1,561,000,000	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

\# *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.*

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2012.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL America	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Australia	4,583	Owned	Intra-Asia	2006	24.2	Hong Kong
OOCL Beijing	8,888	Owned	Intra-Asia	2011	25.8	Hong Kong
OOCL Belgium	2,808	Owned	Trans-Atlantic	1998	21	Hong Kong
OOCL California	5,344	Owned	Trans-Pacific	1995	24.6	Hong Kong
OOCL Canada	8,888	Owned	Intra-Asia	2011	25.8	Hong Kong
OOCL Charleston	4,578	Owned	Intra-Asia	2010	24.5	Hong Kong
OOCL Chicago	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL Dalian	4,578	Owned	Intra-Asia	2009	24.5	Hong Kong
OOCL Guangzhou	4,578	Owned	Intra-Asia	2010	24.5	Hong Kong
OOCL Le Havre	4,578	Owned	Intra-Asia	2010	24.5	Hong Kong
OOCL London	8,063	Owned	Asia-Europe	2010	25.2	Hong Kong
OOCL Luxembourg	8,063	Owned	Asia-Europe	2010	25	Hong Kong
OOCL Nagoya	4,578	Owned	Asia-Australia	2009	24.5	Hong Kong
OOCL New York	5,560	Owned	Asia-Europe	1999	24.9	Hong Kong
OOCL Norfolk	4,578	Owned	Asia-Australia	2009	24.5	Hong Kong
OOCL Rotterdam	8,063	Owned	Asia-Europe	2004	25.2	Hong Kong
OOCL San Francisco	5,714	Owned	Asia-Europe	2000	24.6	Hong Kong
OOCL Seoul	8,063	Owned	Asia-Europe	2010	25.2	Hong Kong
OOCL Shanghai	5,560	Owned	Asia-Europe	1999	24.6	Hong Kong
OOCL Washington	8,063	Owned	Asia-Europe	2010	25.2	Hong Kong
OOCL Zhoushan	4,583	Owned	Intra-Asia	2006	24.2	Hong Kong
OOCL Montreal	4,402	Operating Lease	Trans-Atlantic	2003	23	Hong Kong
OOCL Asia	8,063	Finance Lease	Trans-Pacific	2006	25	Hong Kong
OOCL Atlanta	8,063	Finance Lease	Trans-Pacific	2005	25.2	Hong Kong
OOCL Brisbane	4,578	Finance Lease	Asia-Australia	2009	24.5	Hong Kong
OOCL Busan	4,578	Finance Lease	Intra-Asia	2008	24.5	Hong Kong
OOCL Europe	8,063	Finance Lease	Intra-Asia	2006	25.2	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Asia-Europe	2004	25.2	Hong Kong
OOCL Houston	4,578	Finance Lease	Asia-Australia	2007	24.5	Hong Kong
OOCL Jakarta	4,578	Finance Lease	Intra-Asia	2010	24.5	Hong Kong
OOCL Kobe	4,578	Finance Lease	Intra-Asia	2007	24.5	Hong Kong
OOCL Long Beach	8,063	Finance Lease	Asia-Europe	2003	25.2	Hong Kong
OOCL New Zealand	4,578	Finance Lease	Asia-Australia-New Zealand	2009	24.5	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 Savannah	4,578	Finance Lease	Intra-Asia	2010	24.5	Hong Kong
OOCL Shenzhen	8,063	Finance Lease	Asia-Europe	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
Adelheid-S	3,398	Chartered	Trans-Pacific	2012	22.4	Antigua & Barbuda
Berlin Express (Note)	7,506	Chartered	Trans-Pacific	2011	21.7	Germany
Bremen Express (Note)	7,859	Chartered	Asia-Europe	2011	20	Germany
Canada Express (ex. OOCL Dubai) (Note)	5,888	Chartered	N/A	2006	25	Hong Kong
Carla Rickmers	1,216	Chartered	Intra-Asia	2011	19	Marshall Islands
Conmar Bay	1,036	Chartered	Intra-Europe	2012	18.5	Antigua & Barbuda
CSAV La Ligua	4,256	Chartered	Intra-Asia	2011	24.5	Germany

Fleet (Continued)

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
CSAV Lonquimay	4,300	Chartered	Asia-Australia-New Zealand	2012	18	Liberia
Dalian Express (Note)	7,506	Chartered	Trans-Pacific	2010	21.7	Germany
E.R. Denver	5,043	Chartered	Trans-Pacific	2012	18	Liberia
E.R. Kingston	4,253	Chartered	Intra-Asia	2012	18	Liberia
E.R. Yantian	4,253	Chartered	Asia-Australia	2012	18	Liberia
Frisia Lahn	1,114	Chartered	Intra-Asia	2012	19.6	Liberia
Grete Sibum	1,036	Chartered	Intra-Europe	2011	18	Cyprus
Hansa Castella	1,645	Chartered	Intra-Asia	2012	19	Liberia
Hansa Centaur	1,645	Chartered	Intra-Asia	2011	19	Liberia
Hermann Wulff	2,732	Chartered	Asia-Australia	2012	19	Germany
Ikaria	5,576	Chartered	Trans-Pacific	2012	18	Liberia
Italy Express (ex. OOCL Vancouver) (Note)	5,888	Chartered	N/A	2006	25	Panama
Japan (ex. OOCL Japan) (Note)	5,344	Chartered	N/A	1996	22	Hong Kong
Juliette Rickmers	5,060	Chartered	Trans-Pacific	2012	17	Liberia
Kapitan Maslov	1,726	Chartered	Intra-Asia	2012	14.3	Cyprus
King Bruce	1,710	Chartered	Intra-Asia	2009	19	Marshall Islands
Lindavia	2,078	Chartered	Intra-Asia	2012	16	Liberia
Main Trader	2,702	Chartered	Intra-Asia	2011	19	Liberia
Mare Atlanticum	4,038	Chartered	Trans-Pacific	2011	21	Antigua & Barbuda
Masovia	1,504	Chartered	Intra-Asia	2012	19	Liberia
Ningbo Express (ex. Hong Kong Express) (Note)	7,506	Chartered	Trans-Pacific	2010	21.7	Germany
Nordic Philip	1,036	Chartered	Intra-Europe	2011	18	Cyprus
Nordic Stani	1,036	Chartered	Intra-Europe	2012	18	Cyprus
NYK Pegasus	6,200	Chartered	Trans-Pacific	2012	21.3	Panama
OOCL Antwerp (Note)	5,888	Chartered	N/A	2006	25	Panama
OOCL Britain	5,344	Chartered	Trans-Pacific	1996	22	Hong Kong
OOCL China	5,344	Chartered	Asia-Europe	1996	22	Hong Kong
OOCL Hong Kong	5,344	Chartered	Trans-Pacific	1995	22	Hong Kong
OOCL Kaohsiung	5,888	Chartered	Trans-Atlantic	2006	25	Singapore
OOCL Kuala Lumpur	5,888	Chartered	Trans-Atlantic	2007	25	Singapore
OOCL Netherlands	5,390	Chartered	N/A	1997	22	Hong Kong
OOCL Novgorod (ex. A La Marine)	1,440	Chartered	Intra-Europe	2012	19	Hong Kong
OOCL Oakland	5,888	Chartered	Trans-Pacific	2007	25	Panama
OOCL Rauma (ex. Elysee)	1,440	Chartered	Intra-Europe	2012	19	The Netherlands
OOCL St Petersburg (ex. Elan)	1,008	Chartered	Intra-Europe	2005	18	The Netherlands
OOCL Taichung (ex. Sinar Batam)	1,560	Chartered	Intra-Asia	2008	18.5	Hong Kong
Paola	1,100	Chartered	Intra-Asia	2012	17	Antigua & Barbuda
Perla	1,118	Chartered	Intra-Asia	2012	19	Marshall Islands
San Aurelio	1,841	Chartered	Asia-Australia-New Zealand	2012	20	Liberia
Santa Rafaela	4,112	Chartered	Intra-Asia	2012	18	Germany
Sattha Bhum	2,732	Chartered	Intra-Asia	2012	17	Singapore
Seaspan Felixstowe	4,253	Chartered	Trans-Pacific	2012	18	Hong Kong
Seaspan Ningbo	4,253	Chartered	Intra-Asia	2012	18	Hong Kong
SFL Avon	1,740	Chartered	Intra-Asia	2012	16	Marshall Islands
Singapore (ex. OOCL Singapore) (Note)	5,390	Chartered	N/A	1997	24.6	Hong Kong

Fleet and Container Information

Fleet (Continued)

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
Sonderborg Strait	1,085	Chartered	Intra-Asia	2012	15	Antigua & Barbuda
Sunset Bay	1,504	Chartered	Intra-Asia	2012	16	Liberia
Teng Yun He	1,702	Chartered	Intra-Asia	2009	20	China
Thailand Express (ex. OOCL Seattle) (Note)	5,888	Chartered	N/A	2007	25	Panama
Thuringia	4,252	Chartered	Asia-Australia	2012	17.5	United Kingdom
Victoria Trader	1,300	Chartered	Intra-Asia	2012	19.6	Liberia
Vietnam Express (ex. OOCL Italy) (Note)	5,888	Chartered	N/A	2007	25	Singapore
Wellington Strait	1,740	Chartered	Asia-Australia-New Zealand	2012	20	Liberia
Yantian Express (ex. Shanghai Express) (Note)	7,506	Chartered	Trans-Pacific	2011	21.7	Germany
Zim Shekou	4,250	Chartered	Intra-Asia	2012	24.5	Liberia
TOTAL 106 VESSELS	**497,810**					

Note: As at 31st December 2012, Vietnam Express (ex.OOCL Italy), Italy Express (ex.OOCL Vancouver), Canada Express (ex.OOCL Dubai), Thailand Express (ex.OOCL Seattle), OOCL Antwerp, Japan (ex.OOCL Japan) and Singapore (ex.OOCL Singapore) were chartered out to Hapag Lloyd AG; and Ningbo Express (ex.Hong Kong Express), Dalian Express, Berlin Express, Yantian Express (ex.Shanghai Express) and Bremen Express were chartered in from Hapag Lloyd AG under swapping program.

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 517,861 units (834,561 TEU) as of 31st December 2012. Approximately 68.73% of the container fleet in TEU capacity was owned or purchased under finance leases with the remaining ones under operating lease agreements.

In addition, at 31st December 2012 the Group owned, purchased on finance lease terms or leased under operating lease terms 9,063 trailer chassis.

Terminal Information

Long Beach Container Terminal, LLC. (LBCT LLC)

Location:

Long Beach, California, USA

Status of Terminal:

A 90.8 acre, three berth container facility operated under a long-term preferential use agreement from the Port of Long Beach.

Equipment/Facilities:

Three container-vessel berths; seven Post-Panamax quayside container gantry cranes; five side picks; 12 rubber-tired gantry cranes; 75 yard tractors; 11 top handlers; 12 utility forklifts; 56 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.

The newly signed agreement with the Port of Long Beach combines two terminals into one modern and highly automated terminal which can accommodate the simultaneous operation of three 13,000 TEU vessels. The completion of the project is estimated to be in 2019.

Principal Customers:

OOCL, NYK, Hapag Lloyd

Kaohsiung Container Terminal (KAOCT)

Location:

Pier 65 and 66 Kaohsiung Harbour, Kaohsiung, Taiwan

Status of Terminal:

As one of the original container facilities in the Kaohsiung Harbour, the Kaohsiung Container Terminal has deep-water berths of 14.5 meters and the entire facility has been modernised since 2002 and upgraded in 2012 with the ability to handle two 8,800-TEU vessels at the same time.

Equipment/Facilities:

Two container-vessel berths (760 meters long) on a total of approximately 56 acres operating 24-hour, 7-days a week basis for vessel and gate activities: Six Post-Panamax quay cranes including four with 19 rows and two with 20 rows of twin 20 ft lifting capacity; 18 rail-mounted gantry cranes; five empty stackers and various shipside handling equipment.

To further enhance services and improve efficiency, terminal upgrade projects will continue to be carried out which include an expansion of the container storage area by 1,500 TEU in 2013. After the completion of these projects, rail-mounted gantry cranes will operate more efficiently and carbon emission will be further reduced.

Building Facilities (approximate area):

2,174 sqm office building, 7,000 sqm container freight station, 720 sqm maintenance building

Principal Customers:

ANL, APL, COSCO, China Shipping, Evergreen Marine Corp, Hapag Lloyd, Hyundai Marine, NYK, OOCL, WHL, Yang Ming and ZIM

10-Year Financial Summary

US$'000	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Consolidated Profit and Loss Data										
Revenue	3,241,113	4,140,328	4,345,647	4,609,751	5,651,030	6,530,855	4,350,195	6,033,402	6,011,836	**6,459,059**
Operating profit/(loss)	359,384	729,008	693,563	621,364	687,437	397,764	(332,237)	918,807	174,598	**328,621**
Finance costs	(18,740)	(43,787)	(55,744)	(71,721)	(99,078)	(81,016)	(35,347)	(29,091)	(26,179)	**(32,877)**
Profit/(loss) before taxation	353,306	696,337	644,685	553,218	592,024	322,546	(361,870)	898,776	162,457	**310,851**
Profit/(loss) for the year from continuing operations	329,161	670,598	615,198	528,335	553,749	297,569	(376,104)	869,817	139,354	**297,289**
Profit/(loss) for the year from discontinued operations	–	–	36,093	52,805	1,994,653	(22,040)	(24,501)	1,004,554	43,000	**–**
Profit/(loss) for the year	329,161	670,598	651,291	581,140	2,548,402	275,529	(400,605)	1,874,371	182,354	**297,289**
Profit/(loss) attributable to ordinary shareholders	329,044	670,449	650,854	580,603	2,546,979	272,337	(402,294)	1,866,780	181,645	**296,359**
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	53.9	108.5	98.2	84.4	88.3	47.1	(60.4)	137.8	22.1	**47.3**
from discontinued operations	–	–	5.8	8.4	318.7	(3.6)	(3.9)	160.5	6.9	**–**
Dividends (US cents)	13.76	27.27	27.00	103.00	103.00	11.00	–	283.80	7.00	**11.84**
Weighted average number of ordinary shares in issue ('000)	610,486	618,024	625,793	625,793	625,793	625,793	625,793	625,793	625,793	**625,793**
Consolidated Balance Sheet Data										
Property, plant and equipment	1,579,798	2,132,066	2,593,946	2,777,004	3,350,844	3,780,945	3,798,048	3,860,367	4,205,194	**4,664,773**
Liquid assets	680,806	1,105,011	1,286,579	1,167,924	2,244,865	2,077,087	1,354,387	4,132,897	2,413,132	**2,339,531**
Assets held for sale	–	–	–	406,232	–	–	1,268,254	–	–	**–**
Liabilities directly associated with assets classified as held for sale	–	–	–	(178,992)	–	–	(142,406)	–	–	**–**
Other net current (liabilities)/assets	(422,020)	(227,924)	(165,629)	56,348	75,034	342,756	(582,807)	(475,304)	(543,133)	**(654,625)**
Total assets	2,754,910	4,014,602	4,814,916	5,600,003	7,213,644	7,701,635	7,330,174	9,075,183	7,733,099	**8,265,080**
Long-term debt	840,677	1,427,690	1,650,044	1,870,890	1,864,436	2,218,251	2,135,967	2,416,367	2,233,095	**2,325,777**
Total long and short-term debt	1,098,162	1,581,499	1,838,592	2,068,798	2,206,184	2,372,146	2,568,022	2,664,122	2,672,206	**2,881,530**
Net debt/(liquid assets)	417,356	476,488	552,013	900,874	(38,681)	295,059	1,213,635	(1,468,775)	259,074	**541,999**
Ordinary shareholders' equity	1,110,754	1,809,409	2,284,330	2,727,206	4,176,368	4,387,071	3,944,684	5,548,446	4,250,862	**4,509,490**
Other Financial Information										
Depreciation	114,740	144,860	157,302	178,761	173,988	181,898	207,275	255,010	242,534	**235,346**
Capital expenditure	437,801	806,491	635,494	633,128	752,903	650,568	380,161	345,255	744,603	**784,562**
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.99	0.87	0.80	0.76	0.53	0.54	0.65	0.48	0.63	**0.64**
Net debt/(cash) to equity ratio	0.38	0.26	0.24	0.33	(0.01)	0.07	0.31	(0.26)	0.06	**0.12**
Return/(loss) on average ordinary shareholders' equity (%)	33.4	45.9	31.8	23.2	73.8	6.4	(9.7)	39.3	3.7	**6.8**
Accounts payable as a % of revenue	15.0	13.4	13.9	12.2	13.3	12.8	13.8	12.6	11.8	**12.1**
Accounts receivable as a % of revenue	7.6	8.7	9.6	8.3	12.3	6.7	8.7	7.5	7.8	**8.4**
Net asset value per ordinary share (US$)	1.95	2.89	3.65	4.36	6.67	7.01	6.30	8.87	6.79	**7.21**

Notes:

(1) The results of discontinued operations prior to 2008 have not been restated or reclassified.

(2) The accounting policy on HKAS12 'Income taxes' was changed in 2012 and the figures prior to 2010 have not been restated to reflect this change.

Corporate Information

Executive Directors

Mr. TUNG Chee Chen
(Chairman, President and Chief Executive Officer)
Mr. TUNG Lieh Cheung Andrew
Mr. Kenneth Gilbert CAMBIE
(Chief Financial Officer)
Mr. TUNG Lieh Sing Alan

Non-Executive Directors

Professor Roger KING
Mr. CHOW Philip Yiu Wah

Independent Non-Executive Directors

Mr. Simon MURRAY
Mr. CHANG Tsann Rong Ernest
Professor WONG Yue Chim Richard
Mr. CHENG Wai Sun Edward

Company Secretary

Ms. LEE Chee Fun Lammy

Authorised Representatives

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Ms. LEE Chee Fun Lammy

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Listing Exchange

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HSH Nordbank
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