Orient Overseas (International) Limited

(Incorporated in Bermuda with Limited Liability)

2011

Annual Report

Orient Overseas (International) Limited
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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 270 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 recognized 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 containerization. The company's Far East-US West Coast regular liner service was fully containerized 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's modern vessels are more than 8,000 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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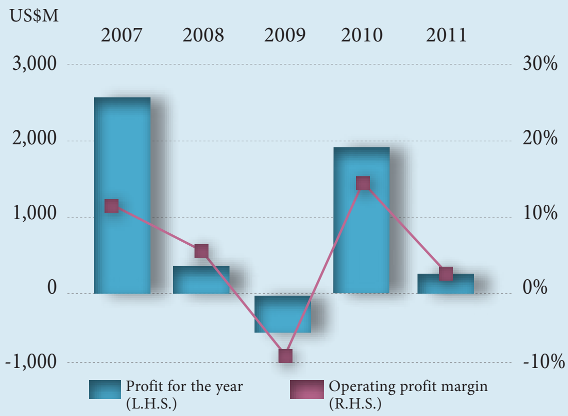
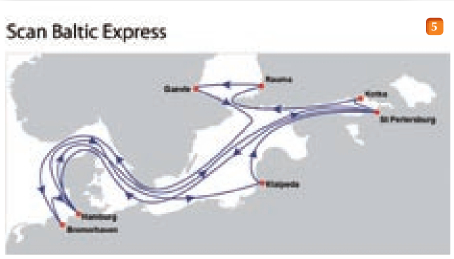
Financial Highlights

US$ million	2011	2010	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	6,012	6,033	N/M
Operating profit	175	919	(81%)
Revaluation of Wall Street Plaza	5	5	–
Finance costs	(26)	(29)	(10%)
Profit from continuing operations	139	870	(84%)
Profit for the year	182	1,874	(90%)
Consolidated Balance Sheet			
Liquid assets	2,413	4,133	(42%)
Property, plant and equipment	4,205	3,860	9%
Total assets	7,729	9,072	(15%)
Borrowings	2,672	2,664	N/M
Total liabilities	3,447	3,493	(1%)
Ordinary shareholders' equity	4,275	5,573	(23%)
Consolidated Net Cash Flow			
Operating activities	246	1,175	(79%)
Investing activities	1,942	(698)	N/M
Financing activities	(1,492)	(353)	323%
Net increase in cash and cash equivalents	695	124	460%
Key Ratios			
Operating profit margin	3%	15%	(12%)
Gross debt to equity	0.63	0.48	0.15
Net debt/(cash) to equity	0.06	(0.26)	N/M
Return on average ordinary shareholders' equity	4%	39%	(35%)
Earnings per ordinary share (US cents)	29.0	298.3	(90%)
Net asset value per ordinary share (US dollar)	6.83	8.91	(23%)



Significant Events – 2011


January

To enhance customers' convenience, OOCL introduced "Empty Pickup Appointment (EPA)" service, the first of its kind in the shipping industry. Customers can call our hotline to make appointments prior to their empty container pickup. [1]

February

OOCL demonstrated its industry leadership in innovative IT solutions with the launch of OOCL Lite iPhone App which allow users to access real time sailing schedule of vessels anytime, anywhere at their finger tips. [2]

March

OOCL signed a contract with Samsung Heavy Industries for the construction of six 13,200 TEU vessels. This marked the first newbuilding order the company has placed for mega container vessels of this size. [3]

OOIL and its subsidiaries announced a profit attributable to shareholders for 2010 of US$1,866.8 million, compared to a loss of US$402.3 million reported for 2009.

April

The naming ceremony of *OOCL Beijing*, the first of the eight 8,888 TEU vessels on order from Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. was held in Shanghai, China. [4]

May

OOCL entered into an agreement with NYK to charter out four of its ten 13,200 TEU vessels on order to them for a period of three years. The first charter ship will be delivered to NYK in 2013.

OOCL announced the upgrading of the Scandinavian Baltic Express (SBX) services by deploying additional vessels. The increase in overall capacity and additional port coverage show OOCL's commitment to the growing Baltic markets. [5]

June

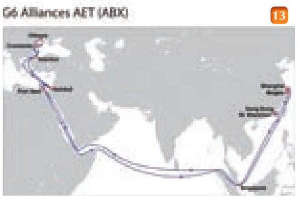
OOCL was awarded the "Top Ranked Carrier 2011" in the Annual Ocean Carrier Performance Survey conducted by the Agricultural Transportation Coalition, a leading and influential association formed by agriculture and forest products exporters, importers and freight forwarders in the United States. [6]

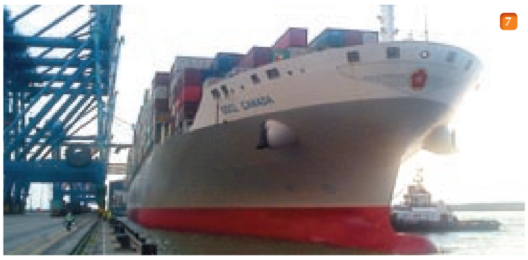
The shipbuilder of our 8,888 TEU vessel, *OOCL Beijing*, won the "Shanghai Municipality's First Class Award for Science and Technology Advancement". She was, by far, the largest container vessel designed and constructed using advanced and innovative technologies solely developed by shipbuilder Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in China.

July

OOCL's online schedule tools were ranked as the best in the industry according to a research carried out by SeaIntel Maritime Analysis.

Significant Events – 2011





OOCL celebrated the christening of *OOCL Canada*, an 8,888 TEU vessel, at a naming ceremony held at the new Changxing Island shipyard of Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in Shanghai, China. 7 8

August

OOIL and its subsidiaries announced a profit after tax and non-controlling interests attributable to equity holders of US$175.0 million for the six month period ended June 30, 2011.

September

OOCL and Freightliner Limited announced the renewal of their ten-year contract as part of their commitment to the strategic cooperative partnership in providing the best inter-modal solutions to customers into the next decade. 9

OOCL announced that two Super Post-Panamax gantry cranes will be installed at the OOCL Kaohsiung Container Terminal (KAOCT) in Kaohsiung Port, Taiwan, to enhance service efficiency and productivity. 10

October

OOCL was awarded the "Ship Operator of the Year" at the Lloyd's List Awards, Asia 2011 presentation ceremony. 11

OOCL was recognized as a good corporate citizen through its contribution to the construction of Baker Park in the City of Long Beach, California, USA. A groundbreaking ceremony for the Park was held and officiated by Mr. Bob Foster, Mayor of Long Beach and Councilman Mr. James Johnson of the 7th District.

December

OOCL was honored with the "Award for Operational Excellence 2011" by one of our major export customers in the United States, the Scoular Company, to recognize OOCL's operational excellence in providing the best customer-centric services amongst the major carriers.

Members of the Grand Alliance and New World Alliance agreed to create one of the leading vessel networks, known as the G6 Alliance, in the Asia-Europe trade lane. 12 13

OOCL was the first ocean carrier to successfully migrate to the new Automated Commercial Environment (ACE-M1) e-Manifest system, deployed by the U.S. Customs and Border Protection. This system allows carriers to be more effective in their shipment management to and within the United States.

OOCL introduced the New Zealand-Northeast Asia Express (NZN), a new fixed-day weekly service that would broaden our market coverage and provide more efficient and high quality services to customers. 14

Chairman's Letter

"Despite the deterioration in trading conditions over the course of 2011, Orient Overseas (International) Limited has recorded a profit in its container transportation and logistics business."

Tung Chee Chen
Chairman and CEO

Chairman's Letter

While we started 2011 believing that the extremes of 2009 and 2010 were behind us and that we had a period of steady growth ahead, trading conditions in the container transportation industry over the past year became increasingly difficult. While overall global demand levels grew, the slow rate of economic growth in the United States and in Europe saw only muted volume growth for container trade to those markets. Demand growth proved inadequate for the orderly absorption of new-build capacity that delivered during the year.

Despite the deterioration in trading conditions over the course of 2011, Orient Overseas (International) Limited and its subsidiaries (the "Group") has recorded a profit attributable to shareholders for 2011 of US$181.6 million, compared to a profit of US$1,866.8 million in 2010 which included the US$1,004.6 million profit on the sale of the Group's former PRC property development business.

With the lack of profit in OOCL in the second half of 2011 and the difficult trading environment expected in 2012, the Board of Directors has recommended no payment of a final ordinary dividend for 2011.

OOCL's operating profitability was impacted by the downwards pressure on freight rates that intensified over the second half of the year. The traditional Trans-Pacific peak season in the third quarter was disappointing in terms of both volume and prevailing freight rates. While normal competitive pressure was felt across all trades as carriers sought to maintain market share while absorbing increased capacity, the Asia-Europe trade saw extraordinary freight rate declines. With the continued high price of bunker fuel also squeezing margins, the need for greater operational efficiency saw new alliances formed for Asia-Europe, including a group of six carriers to be called the "G6 Alliance" of which OOCL is a founding member.

Despite 2011 representing a period of consistent deterioration in profitability for the industry, OOCL has made progress on many strategic fronts including the order of ten 13,200 TEU energy efficient ships and substantial progress on the development of IRIS4 as our next generation operating system.

The ordering of the 13,200 TEU vessels confirmed OOCL's ongoing role as a global network carrier, and its long-term commitment to the Asia-Europe trade in particular. These vessels, when delivered 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.

Chairman's Letter

While the new large ships will aid operating cost and the new alliances will enhance operational flexibility, the challenge for OOCL, and indeed for the whole industry, is to translate the improved economies of scale into improved profitability throughout the course of economic and market cycles.

Although there will likely be further rationalisation within the industry as some players struggle to achieve the required cost efficiencies needed to remain competitive, 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.

To justify the ongoing investment of the substantial amounts of capital required to operate as a container liner company, an appropriate return on capital must be generated. While the focus on cost control has to be unrelenting, the industry's revenue line must also grow. The further efficiencies of ever-larger vessels will not be sufficient in themselves to produce appropriate operating margins so long as the industry continues to forfeit the cost benefit gained through scale and size by over-focusing on market share.

A positive aspect of 2011 has been the increased focus on service levels within the container transportation industry. With little to differentiate the core activity of terminal-to-terminal transportation, improved revenues and margins must come not only from maintaining an appropriate network and a relentless focus on operational efficiency. Just as importantly, it must come from a continued focus on service and responsiveness to customer needs to enhance customer satisfaction and underpin profitable pricing.

Despite the Industry being poorly served by existing third-party measures of service and quality such as schedule reliability, the broader discussion of such indicators within the industry should assist customers in differentiating between carriers.

OOCL has long been focused on the ongoing development and delivery of products and services to meet customer needs – dating back to the early 1990's when the Group began its quality drive and development of IRIS, its first generation integrated computer system. 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 remains an important area for us in continuing to attract and hold customers through high quality service levels and a strengthened focus on domestic logistics as the platform for accelerated organic growth. Over recent years our logistics business has expanded from being an adjunct to the liner business to gaining experience and good credentials in the industry as a true Third Party Logistics provider understanding the dynamics of our customers.

Our Information Technology Division has also made tremendous advances – not only in implementing new technologies, but also in developing various business models. CargoSmart has delivered potentially game-changing products, including those for schedule measurement and virtualized business activities. Moreover with increased investments, we expect CargoSmart to grow rapidly in 2012, providing another pillar for the Group's performance.

Chairman's Letter

Looking to 2012, we expect trading conditions to continue to be difficult. The major markets of North America and Europe are likely to see low levels of demand growth given the slow economic growth in those economies. Scheduled new-build capacity delivering in 2012 exceeds that of 2011, and is again dominated by the large vessels destined for deployment on the Asia-Europe trades. While there has been some freight rate improvement on both Asia-Europe and Trans-Pacific routes since the beginning of this year, freight rates for those trades do not yet fully cover costs especially given the increase in the cost of bunker fuel that has occurred.

Approximately half of OOCL's container liftings are for intra-Asia trade. Short voyage lengths and limited inter-modal transportation opportunities mean margins are low on that business, but it has provided a cushion against the poor trading conditions on the East-West trades. We may, however, see a slowing in growth rates for intra-Asia container volumes in 2012 as Asian economies are not immune to the slow growth of the export markets of Europe and North America.

With the expectation of a difficult trading period in 2012, we are fortunate in not having to absorb any new-build deliveries this year – though we will have some capacity increase over 2011 from the full-year operation of vessels that delivered last year. We will continue to focus on improving our vessel deployment flexibility, working within the G6 Alliance and the Grand Alliance, and adjusting deployment to meet demand to ensure customer needs are met without under-utilising capacity. Consistent with our business model, growth will come from gaining additional volume based on providing superior service and customer satisfaction, and not from simply discounting of freight rates to gain market share which is neither profitable nor sustainable.

While uncertainty about the world economy will definitely present a challenge to us this year, we will continue to invest for our future competitive advantage. In addition to the 13,200 TEU vessels that we have on order, we have more recently agreed a new 40-year lease with the Port of Long Beach for the Middle Harbor terminal that we use in Long Beach. With the new lease, we are joining with the Port of Long Beach in undertaking a major redevelopment of the terminal. The nine year project will combine and expand two aging shipping terminals into one modern terminal to improve cargo-movement efficiency and environmental performance. While the major part of the cost of the redevelopment rests with the Port, OOCL will be progressively investing in new terminal equipment over the period of the redevelopment. The new terminal will be one of the first to be completed in line with the emerging trend in US west coast terminals of higher levels of automation, needed to keep such terminals competitive as gateways to North America.

Despite the poor performance in the second half of 2011, the Group remains operationally robust and well placed for the future with its alliance memberships and investment for growth. Our Group is financially strong, 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 continue developing our business and meeting our goals.

C C Tung
Chairman

Hong Kong, 9th March 2012

Operations Review

"Improved revenues and margins must come from a continued focus on service and responsiveness to customer needs."

Operations Review

CONTAINER TRANSPORT AND LOGISTICS

US$ million	2011	2010	Variance
Liner Volumes (TEU)	**5,033,137**	4,767,672	6%
Revenue	**5,986.7**	6,008.8	N/M
EBITDA	**387.7**	1,151.1	(66%)
Depreciation/Amortisation	**255.9**	266.0	(4%)
EBIT	**131.8**	885.1	(85%)

CONTAINER TRANSPORT

Trading conditions deteriorated during the year mainly due to the large number of new mega size ships delivered and deployed into the Asia-Europe trade and the contraction of Trans-Pacific eastbound demand. Global demand growth slowed down from 12% in 2010 to 7% in 2011, with weak consumption growth in the United States and with the impact of austerity measures taken in Europe.

Capacity in the Asia-Europe trade increased by 16% and in the Trans-Pacific trade by 10%. With capacity growth in both trades being substantially greater than demand growth, freight rates deteriorated. The deterioration in freight rates and rising fuel costs combined to severely impact the economics of the major East-West trades. Two operators exited from the liner shipping industry completely, while others scaled down their services. By the end of the year, larger consortium groups had formed, especially in the Asia-Europe trade, to rationalize port calls, increase frequency and reduce vessel-operating costs.

The European Commission visited the European offices of 10 major carriers in May to investigate possible infringement of European competition laws. It is expected that the process will take up to 2 years to complete.

OOCL lifting increased 6% year-on-year. The peak cargo-moving season was brief with only a moderate increase in volume in July and August. Average revenue per TEU was 7% lower overall for the year, mainly due to a 29% erosion in freight rate levels from Asia to Europe.

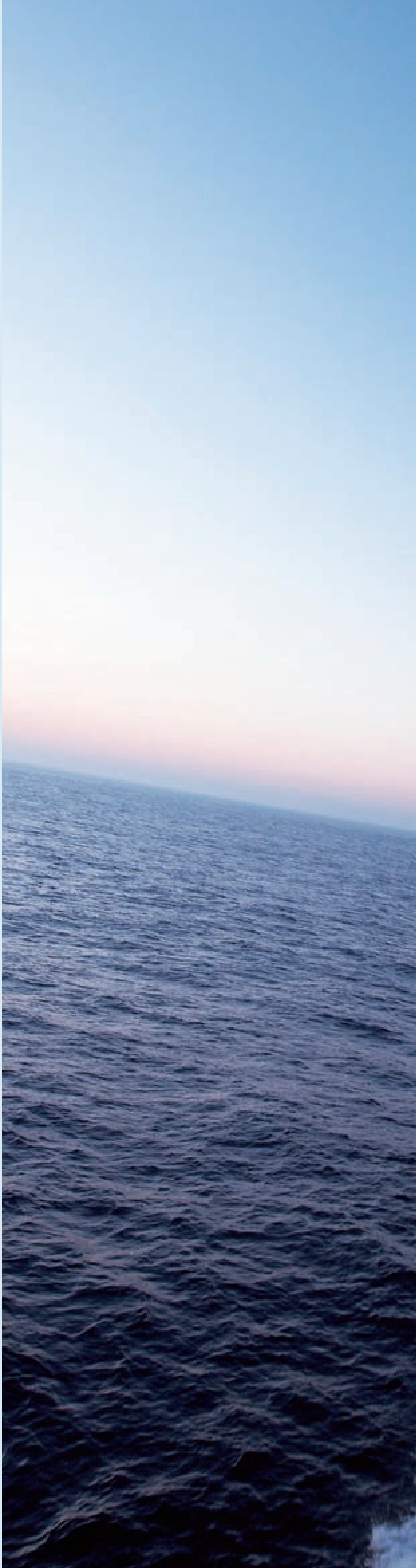
Operations Review

OOCL Liner	TEU	Rev	Rev/TEU
Q1	12.6%	17.2%	4.2%
Q2	6.5%	1.4%	(4.8%)
Q3	6.6%	(8.3%)	(14.0%)
Q4	(2.0%)	(11.2%)	(9.4%)
Total	5.6%	(1.5%)	(6.7%)

	LIFTING ('000 TEU)			REVENUE (US$ million)		
Trade	2011	2010	Var	2011	2010	Var
Trans-Pacific	1,230	1,225	0.4%	1,896	2,035	(6.8%)
Asia-Europe	863	794	8.8%	1,064	1,283	(17.1%)
Trans-Atlantic	392	358	9.3%	667	589	13.3%
Intra-Asia/ Australasia	2,548	2,391	6.6%	1,902	1,708	11.3%
Total	5,033	4,768	5.6%	5,529	5,615	(1.5%)

Trans-Pacific – The eastbound Trans-Pacific trade started with moderate demand growth which faltered by the middle of the year. Rates deteriorated quickly as carriers introduced additional capacity despite low demand growth. The Grand Alliance, of which we are a member, suspended a Japan-USWC loop during the fourth quarter of the year as demand fell and fuel costs increased.

Asia-Europe – The Asia Europe trade suffered from deterioration in freight rates throughout the year, with revenue falling by more than 40% from the peak in April 2010. In addition to the depressed economic situation in Europe, the introduction of a series of large container ships of over 10,000 TEU size kept demand and supply off-



"The challenge is to translate improved economies of scale into improved profitability throughout the economic and market cycles."

Operations Review

balance. Unlike 2010, there was no significant capacity withdrawal during the year despite the unsustainable rate level. However, the Grand Alliance did suspend one of its four loops on the Asia-Europe trade.

Intra-Asia and Australasia – While Intra-Asia trade growth was moderate, new tonnage was repeatedly introduced into the trade. The long haul services to India and the Middle East were subject to increasing rate pressure. Some service withdrawals and rationalization among carriers were seen in the second half of the year. For the Australia Trade, the new capacity introduced in 2010 took time to digest, and freight rates eroded by 30%, leading to rationalization of capacity by carriers.

Trans-Atlantic – We increased our capacity in the Trans-Atlantic Trade in 2011 with a new service between Europe, USEC and Mexico and by reinstating an ad-hoc loop as a regular service. Freight rate levels rose steadily with strong cargo movement until tapering off in the fourth quarter.

SHIP OPERATIONS

As at 31st December 2011, the OOCL fleet composition was as follows:

In 2011, we took delivery of two SX-class vessels of 8,888 TEU from Hudong-Zhonghua Shipyard (Group) Co., Ltd. in China. In the first half of year 2011, we declared and exercised purchase options in relation to two 12-year old 5,560 TEU vessels, previously operated by us under long-term charter. These vessels were delivered to OOCL in December 2011 and January 2012 respectively. At the end of the year, we sold four S-class vessels (two units of 5,344 TEU and two units of 5,390 TEU) and time-chartered them back for 3 years.

As at the end of 2011, OOCL owned 45 vessels with an average age of 5.4 years and an average size of 6,106 TEU – one of the most efficient and modern fleets in the industry.

In the first half of year 2011, orders for a total of ten vessels of 13,200 TEU capacity were placed with Samsung Heavy Industries Co., Ltd. in South Korea for delivery in year 2013 and 2014. Four units of those ten vessels will be chartered to NYK/Japan for 3 years.

Operated	No. of Vessels	TEU Capacity
Owned/Long Term Chartered/Operating Lease	51	303,208
Short Term Chartered	37	112,582
Operating Capacity	**88**	**415,790**

Operations Review

Bunker Saving

In view of the rising fuel price during 2011, we focused intensely on our bunker saving programs. These programs included initiatives covering technology, optimal routing, continuously optimized speeds, minimum ballast, optimal trim, and ensuring close communication between ship and shore colleagues regarding berthing arrangements and terminal productivity. The key contributor to the success of these programs has been the excellent coordination between our crews, regions, service centres and corporate departments.

Environmental Protection

We are in full compliance with the international, national and local emission control regulations. In 2011, we achieved an average sulphur content of 2.7%, a figure that was well below the International Maritime Organization (IMO) prescribed standard of 3.5%. Lower sulphur fuels are used in the Sulphur Emission Control Areas (SECA) including the North Sea, the English Channel, the Baltic Sea and California.

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

On shore, we expanded our environment initiatives to cover a more comprehensive set of office consumables effective 1st January 2011.

MARINE TERMINALS

OOCL continued to operate the Long Beach Container Terminal

Operations Review

in California and the Kaohsiung Container Terminal in Taiwan, with a total throughput of 1.7 million TEU in 2011. 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 3.9 million TEU.

OOCL and the Port of Long Beach are in the final stage of reaching an agreement on a new lease for the Middle Harbor Redevelopment Project to replace the existing Long Beach Container Terminal lease.

LOGISTICS

Although the threat of global recession lingered throughout the year, revenue of the Logistics Division increased 11% in 2011: an 8% growth for our international logistics business and 14% for domestic logistics.

In our continuous pursuit for green logistics by leveraging our advanced Information Technology, the pilot program of a paperless office was successfully implemented by the third quarter of 2011. This improved not only our customer's efficiency but helped them reduce their supply chains' carbon footprint.

Adding to our business expansion in China, we will be expanding our activities in Russia, Turkey, Mexico and other fast-developing countries in Asia during 2012. We shall continue to invest our resources in these countries and develop OOCL Logistics into one of the largest global logistics service providers.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 11.7% and 28.2% 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 1.6% 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.

"Consistent with our business model, growth will come from gaining additional volume based on providing superior service and customer satisfaction."

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 organizations 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 recognizes 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 minimize 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. At the Port of Long Beach, we have consistently achieved one of the best records of 100% voluntary compliance and have been recognized for our commitment to the program through the Green Flag Award offered

Corporate Responsibility

by the United States (U.S.) port authority. 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.

Green Innovative Award – Over the years, OOCL has been devoting its efforts to innovation and improvement to reducing emissions and promoting environmental awareness in our operations. Remarkable accomplishments include the adoption of cleaner technologies and fuels, implementation of environmental performance metrics, and promotion of creative green week activities in different regional offices. As a Hong Kong-based container shipping company, OOCL even went further to help bring other liners together to take part in the Fair Winds Charter, a voluntary program encouraging vessels to use low sulphur fuel when berthed at the Hong Kong port. In recognition of our innovative and sustained efforts, the Hong Kong Marine Department presented us with the 'Green Innovative Award' in April, 2011.

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 recognized 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 with an "A" for our overall corporate sustainability performance each year.

At-Berth Clean Fuels (ABC) Vessel Incentive Program – OOCL has been an active participant in this voluntary green initiative offered by 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 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 U.S. Coast Guard, this program recognizes high-quality ships for their excellent safety and anti-pollution standards and encourages quality operations. In 2011, nine OOCL-owned vessels have been Qualship 21 certified.

Corporate Responsibility

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 traveling at slower speeds), minimizing 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 carbon dioxide (CO_2) emissions by more than 27% 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. We also ensure that the average sulphur content of our fuel is well below the IMO prescribed standard of 3.5% when sailing in the high seas and OOCL achieved an average sulphur content of 2.7% in 2011.

In the U.S., specifically California because this is the only state with emission control regulations, our vessels comply to the 0.5% (for diesel) or 1.5% (for gasoline) sulphur content requirements when sailing within 24 nautical miles of the California Baseline and at berth. 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.

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.

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 organize OOCL Green Week every July in offices around the world.

OOCL Terminals – OOCL's container terminal in Long Beach (LBCTI) 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 now 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 14.8% from 2005 to 2010. In 2011, productivity was further lifted by 1.6%, helping to shorten vessel berthing time for bunker savings thus reducing emissions. Moreover, KAOCT also minimized the use of Side-Pickers and utilize the electric-powered rail mounted gantry cranes to handle empty containers at the terminal to improve energy efficiency. In 2011, the terminal reduced diesel consumption by about 27% when compared to the year before.

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 reviewing the use of eco-friendly bamboo floors instead of the traditional hardwood ones.

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, who acted as our third party verifier.

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.

Corporate Responsibility

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 organized 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 utilized 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 recognizes 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.

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 U.S. to China to care for those children who need urgent treatments. In 2011, the Group donated more than US$223,000.

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 organizations 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 2011 to scholarships through The Tung OOCL Scholarship for students in Mainland China 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

Corporate Responsibility

organization, investing in its employees and caring for their hopes and aspirations through people-development programs and education, as well as recognizing 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 recognizes 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 2011, the Group had 8,008 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 organized 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 formalized 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, color, 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.

Financial Review

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2011	2010	Change	Favourable/ (unfavourable) %
Operating revenue by activity:				
Container Transport and Logistics	5,986,719	6,008,842	(22,123)	N/M
Other Activities	25,117	24,560	557	2%
Group operating revenue	6,011,836	6,033,402	(21,566)	N/M
Operating profit by activity:				
Container Transport and Logistics	117,794	876,073	(758,279)	(87%)
Other Activities	51,804	37,734	14,070	37%
Group operating profit	169,598	913,807	(744,209)	(81%)
Finance costs	(26,179)	(29,091)	2,912	10%
Share of profits of jointly controlled entities and associated companies	14,038	9,060	4,978	55%
	157,457	893,776	(736,319)	(82%)
Gain in fair value on investment property	5,000	5,000	–	–
Profit before taxation	162,457	898,776	(736,319)	(82%)
Taxation	(23,103)	(28,959)	5,856	20%
Non-controlling interests	(709)	(7,591)	6,882	91%
Profit from continuing operations	138,645	862,226	(723,581)	(84%)
Profit from discontinued operations:				
– Profit from disposal of OODL*	–	1,004,554	(1,004,554)	N/M
– Write back of provision	43,000	–	43,000	N/M
Profit attributable to shareholders	181,645	1,866,780	(1,685,135)	(90%)

* *The Group's former property development activities ("OODL") which included all property development projects in China, were disposed for a consideration of US$2.2 billion in 2010.*

Revenue for 2011 was US$21.6 million lower than that of 2010, representing a decrease of 0.4%. This was mainly attributable to a deterioration in market conditions for the core Container Transport and Logistics business, especially in the second half of the year. Other revenue, comprising less than 1% of the Group's revenue for both 2011 and 2010, mainly represented rental income from the Group's Wall Street Plaza investment property in New York.

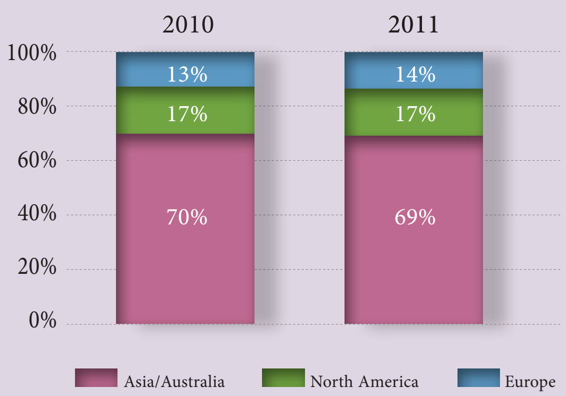
Container Transport and Logistics

Summary of Operating Results

US$'000	2011	2010	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	5,033,137	4,767,672	265,465	6%
Revenue per TEU (US$)	1,099	1,178	(79)	(7%)
Operating revenue by location:				
Asia/Australia	4,101,671	4,222,713	(121,042)	(3%)
North America	1,045,918	1,015,106	30,812	3%
Europe	839,130	771,023	68,107	9%
Operating revenue	5,986,719	6,008,842	(22,123)	N/M
Operating costs by items:				
Cargo costs	(2,583,723)	(2,398,654)	(185,069)	(8%)
Bunker costs	(1,211,635)	(856,523)	(355,112)	(41%)
Vessel and voyage costs (excluding Bunker)	(945,179)	(734,545)	(210,634)	(29%)
Equipment and repositioning costs	(731,142)	(668,558)	(62,584)	(9%)
Operating costs	(5,471,679)	(4,658,280)	(813,399)	(17%)
Gross profit	515,040	1,350,562	(835,522)	(62%)
Other operating expenses	(408,810)	(484,373)	75,563	16%
Other operating income, net	11,564	9,884	1,680	17%
Operating profit	117,794	876,073	(758,279)	(87%)

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 2011. 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.

Financial Review

Asia/Australia

Turnover from the Asia/Australia area dropped from US$4,222.7 million in 2010 to US$4,101.7 million in 2011 as a combined result of a moderate growth in volume but a softening in freight rates. North America and Europe bound trades recorded the major negative variances when compared with last year in revenue term.

Overall liftings of the Trans-Pacific eastbound services decreased by 2% while freight rates dropped by 4% when compared with those of 2010. Performance on the westbound legs of the Asia/Northern Europe services was down from that of 2010 with a 29% drop in rates, despite a 5% gain in volume. Intra-Asia maintained its momentum with a 7% growth in liftings for the year as well as a 6% improvement in average freight rates. Liftings of the Asia/Australia and New Zealand services rose by 7% in 2011 and freight rates recorded a 1% increase during the year.

Overall load factor as a percentage of the capacity available during 2011 decreased by 6 percentage points from 2010 with a 13% 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 increased by US$30.8 million for this area in 2011. Performance of this region was better than that of 2010 with an improvement in average freight rates, albeit at a comparable volume level as last year. Europe-bound cargoes recorded an increase in average freight rates which contributed to the growth 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 5% growth compared with last year, revenue showed a 4% decrease due to an 8% drop in freight rates. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a better performance with an 11% growth in volume and a 14% rise in revenue.

Overall volumes rose by 6% during 2011 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 4 percentage points down from those of 2010.

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

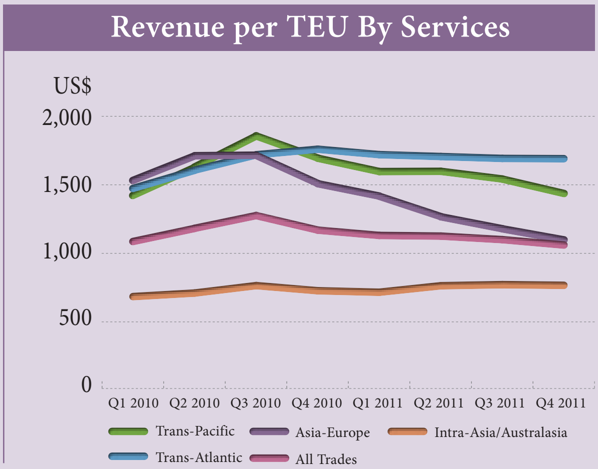
Turnover for this area in 2011 recorded a further improvement from 2010 by US$68.1 million. The eastbound leg of the Asia/Northern Europe services, being the largest revenue contributor for the Europe area in the past years had a 10% growth in volume and a 2% increase in revenue. The westbound rates of the Trans-Atlantic routes, on the other hand, contributed to the revenue improvement with growth recorded in both volume and rates.

The eastbound leg of the Asia/Northern Europe services saw an 8% drop in freight rates during 2011. Liftings for the westbound sectors of the Canada/Northern Europe and US East Coast/Northern Europe services were 8% higher than those of 2010 while average revenue per TEU for both services recorded a 6% gain.

Overall load factors as a percentage of capacity available for cargo shipments from this region were 1 percentage points higher than those recorded in 2010 despite a 9% capacity increase for the Europe area during 2011.

Financial Review

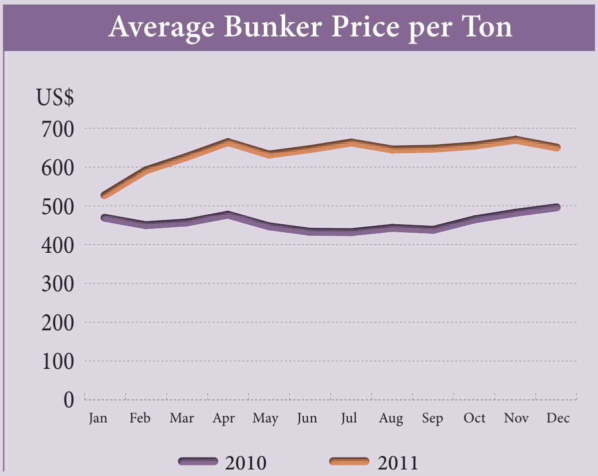
Average revenue per TEU on all outbound cargoes from Europe was 2% lower than that of 2010, with an 11% increase in overall volume for the region.



Operating Costs

Principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased by 17% from that of 2010 pursuant to the higher cargo volume and surging bunker price 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 8% compared with that of 2010 which was in line with the growth in volume.

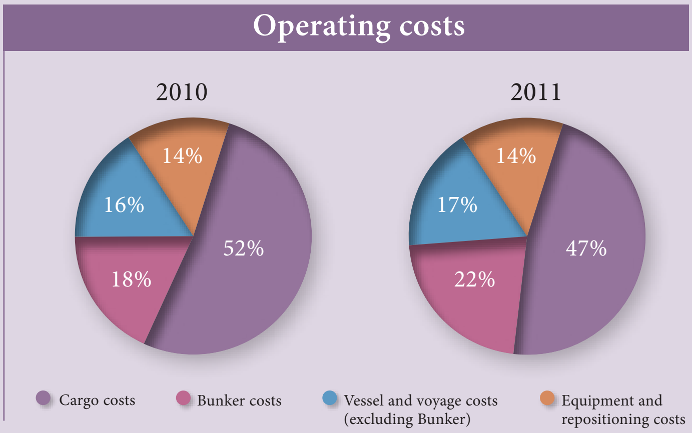


Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Bunker price rose from an average of US$458 per ton in 2010 to an average of US$624 per ton in 2011, resulting in a 41% increase in bunker cost alone for the year.

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 383,855 TEU as at 2010 year-end to 415,790 TEU in 2011 and the total number of vessels, either owned or chartered in and operated by OOCL, also increased from 84 to 88. Consequently, overall vessel costs recorded a 20% increase in 2011.

Financial Review

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 727,370 TEU in 2010 to 792,940 TEU in 2011 and an increase in positioning costs, total equipment and repositioning costs increased by US$62.6 million, or 9%, during the year.



Other Operating Expenses

Other operating expenses largely comprise staff costs, office expenses, selling and marketing costs and professional and information system expenses. Other operating expenses in 2011 were lower than 2010 mainly as a result of savings in staff costs.

Other Operating Income

Other operating income, comprising principally exchange arising from foreign currency transactions and net profit or loss on the disposal of assets, for 2011 was comparable with that of 2010.

Other Activities

Summary of Operating Results

US$'000	2011	2010	Change	Favourable/ (unfavourable) %
Rental income	26,041	25,539	502	2%
Elimination	(924)	(979)	55	N/M
Operating revenue	25,117	24,560	557	2%
Operating costs	(12,579)	(12,807)	228	2%
Gross profit	12,538	11,753	785	7%
Investment income	10,756	12,580	(1,824)	(14%)
Interest income	18,102	17,571	531	3%
Others	10,408	(4,170)	14,578	N/M
Operating profit	51,804	37,734	14,070	37%

Financial Review

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the “Wall Street area”. The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 20,000 sq ft is occupied by Group companies. The Group also 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 a company which in turn holds, directly and indirectly, 60% of Hui Xian REIT, the first RMB-denominated REIT listed in Hong Kong.

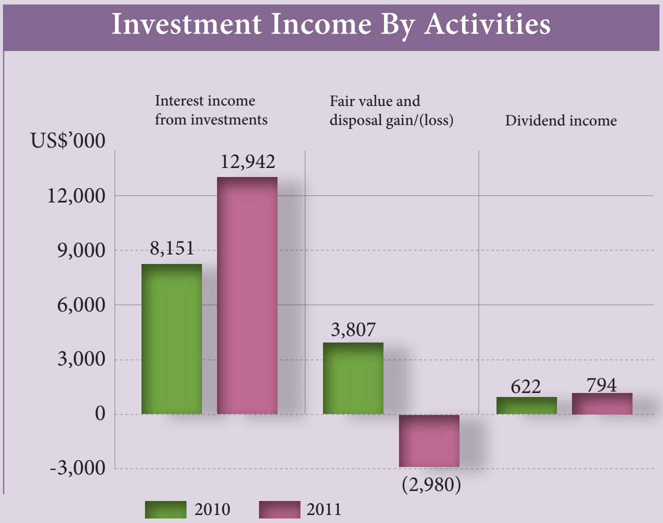
Results from Other Activities for 2011 were US$14.1 million better than that of 2010.

Rental Income

Rental income from Wall Street Plaza was comparable to that of last year, with the building maintaining an occupancy rate of over 99% as at the end of 2011.

Investment Income

Compared with a profit of US$12.6 million in 2010, investment activities recorded a profit of US$10.8 million for the year. Although interest income from bond investments increased in 2011, fair value losses, instead of gains, were recorded for 2011, reflecting the general downturn of the major global financial markets over the year.



Interest Income

Interest income was US$0.5 million higher in 2011 which was attributable to a general higher rate achieved for deposits compared with 2010.

Others

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

Financial Review

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 decreased by US$2.9 million as compared with 2010 principally as a result of the lower average debt balance during the year following scheduled repayments.

Gain in Fair Value on Investment Property

As at 31st December 2011, the Group's investment property, Wall Street Plaza, was valued at US$160 million, up from the US$155 million valuation at the end of 2010, by an independent valuer. Consequently, a US$5 million gain in fair value was recorded in 2011.

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$14.0 million profits from jointly controlled entities and associated companies in 2011 was US$5.0 million higher than 2010, reflecting the improved operation of the Tianjin and Ningbo terminals.

Profit before Taxation

Pre-tax profit for the year was US$162.5 million compared with last year's profit of US$898.8 million. The drop in earnings reflected the gradual downturn in market conditions of the Container Transport and Logistics business, especially in the second half of the year.

Taxation

US$'000	2011	2010	Change	Favourable/ (unfavourable) %
Company and subsidiaries:				
North America	**10,769**	14,602	(3,833)	26%
Europe	**2,265**	2,544	(279)	11%
China	**2,748**	(541)	3,289	N/A
Asia and others	**7,321**	12,354	(5,033)	41%
Total	**23,103**	28,959	(5,856)	20%

Taxation for 2011 was US$5.9 million lower than that of 2010 reflecting the retreat in operating results. Tax liabilities for China were higher than that of 2010 due mainly to a write-back of tax provision for a subsidiary in China last year which did not recur in 2011.

Profit from Disposal of OODL

Pursuant to an agreement reached between the Group and the CapitaLand China (RE) Holdings Co. Ltd on 18th January 2010, OODL was sold at a total consideration of US$2.2 billion and the transfer of OODL was duly completed in February 2010. Accordingly, the operation of OODL was separately identified as discontinued operation in the years under review. Total profit from the disposal amounted to US$1,004.6 million in 2010.

Capital Expenditure

US$'000	2011	2010	Change	Increase/ (decrease) %
Container vessels and Capitalised dry-docking costs	33,731	11,353	22,378	197%
Vessels under construction	444,881	201,814	243,067	120%
Containers	232,470	116,941	115,529	99%
Chassis	99	75	24	32%
Vehicles, furniture, computer and other equipment	17,202	8,382	8,820	105%
Computer software	6,494	4,043	2,451	61%
Land and buildings	9,726	2,647	7,079	267%
	744,603	345,255	399,348	116%

Capital expenditure increased from US$345.3 million in 2010 to US$744.6 million in 2011, representing a twofold increase from the 2010 level. Vessels under construction accounted for 60% and 58% of the total capital expenditure in 2011 and 2010 respectively. Capital payments on container and other equipment also increased accordingly to cope with operating network expansion.

Vessels

During 2011 the Group took deliveries of two 8,888 TEU vessels from Hudong – Zhonghua Shipyard (Group) Co. Ltd, adding 17,776 TEU carrying capacity to the OOCL fleet. During the year, the Group exercised the purchase options for two chartered vessels for delivery in December 2011 and January 2012. In December 2011, four "S" class vessels were disposed of and leased back for three years.

In addition, the Group placed new orders for ten 13,200 TEU newbuilds from Samsung Heavy Industries Co Ltd. Together with the six outstanding 8,888 TEU newbuilds from Hudong – Zhonghua Shipyard (Group) Co. Ltd, the Group has sixteen newbuild vessels to be delivered from 2012 to 2014.

Financial Review

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2011	2010	Change	Increase/ (decrease) %
Property, plant and equipment	4,205,194	3,860,367	344,827	9%
Investment property and prepayments of lease premiums	170,249	165,122	5,127	3%
Jointly controlled entities and associated companies	78,358	69,478	8,880	13%
Intangible assets	40,014	46,648	(6,634)	(14%)
Liquid assets	2,413,132	4,132,897	(1,719,765)	(42%)
Accounts receivable and other assets	750,582	738,836	11,746	2%
Other non-current assets	71,517	59,031	12,486	21%
TOTAL ASSETS	7,729,046	9,072,379	(1,343,333)	(15%)
Accounts payable and other liabilities	(719,807)	(768,369)	48,562	(6%)
Current taxation	(11,241)	(17,950)	6,709	(37%)
TOTAL ASSETS LESS TRADING LIABILITIES	6,997,998	8,286,060	(1,288,062)	(16%)
Long-term borrowings	2,233,095	2,416,367	(183,272)	(8%)
Overdrafts and current portion of long-term borrowings	439,111	247,755	191,356	77%
Total debt	2,672,206	2,664,122	8,084	N/M
Non-controlling interests and deferred liabilities	50,644	49,206	1,438	3%
Ordinary shareholders' equity	4,275,148	5,572,732	(1,297,584)	(23%)
CAPITAL EMPLOYED	6,997,998	8,286,060	(1,288,062)	(16%)
Debt to equity ratio	0.63	0.48		
Net debt/(cash) to equity ratio	0.06	(0.26)		
Accounts payable as a % of turnover	11.80	12.57		
Accounts receivable as a % of turnover	7.83	7.54		
% return on average ordinary shareholders' equity	3.69	39.23		
Net asset value per ordinary share (US$)	6.83	8.91		
Liquid assets per ordinary share (US$)	3.86	6.60		
Share price at 31st December (US$)	5.81	9.67		
Price to book ratio based on share price at 31st December	0.85	1.09		

Property, Plant and Equipment

US$'000	2011	2010	Change	Increase/ (decrease) %
Vessels	3,124,917	2,922,971	201,946	7%
Containers and chassis	954,432	816,370	138,062	17%
Land and buildings	47,638	35,229	12,409	35%
Others	78,207	85,797	(7,590)	(9%)
	4,205,194	3,860,367	344,827	9%

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 2011, the Group took delivery of two 8,888 TEU new vessels ordered in 2007 and further placed orders for ten 13,200 TEU new vessels. As at the end of 2011, the Group had a total of 16 newbuildings on order to be delivered in 2012 to 2014.

The increase in property, plant and equipment in 2011 principally reflects the delivery of new container vessels during the year and 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	2011	2010	Change	Increase/ (decrease) %
Investment property	160,000	155,000	5,000	3%
Prepayments of lease premiums	10,249	10,122	127	1%
	170,249	165,122	5,127	3%

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US$160.0 million at the end of 2011 by an independent valuer (2010: US$155.0 million).

Jointly Controlled Entities and Associated Companies

US$'000	2011	2010	Change	Increase/ (decrease) %
Jointly Controlled Entities	2,688	3,256	(568)	(17%)
Associated Companies	75,670	66,222	9,448	14%
	78,358	69,478	8,880	13%

The investment in jointly controlled entities and associated companies for 2011 mainly comprises a 20% interest in two associated companies for two container terminals in Tianjin and Ningbo and the interest in a joint venture for the operation of a container depot and transportation business in Qingdao. The increase in the investments in jointly controlled entities and associated companies for 2011 mainly arose from the profits shared for the year, offset in part by dividends received.

Financial Review

Intangible Assets

US$'000	2011	2010	Change	Increase/ (decrease) %
Beginning balances	46,648	53,104	(6,456)	(12%)
Additions	6,496	4,045	2,451	61%
Amortisation	(13,130)	(10,501)	(2,629)	25%
Closing balances	40,014	46,648	(6,634)	(14%)

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

Liquid Assets

US$'000	2011	2010	Change	Increase/ (decrease) %
Container Transport and Logistics	252,325	187,217	65,108	35%
Other Activities	28,663	22,864	5,799	25%
Cash and portfolio funds	1,949,347	3,799,123	(1,849,776)	(49%)
Available-for-sale listed equity securities	705	1,956	(1,251)	(64%)
Held-to-maturity investments	182,092	121,737	60,355	50%
Total liquid assets	2,413,132	4,132,897	(1,719,765)	(42%)

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 2010 and 2011 can be further analyzed as follows:

US$'000	2011	2010	Change	Increase/ (decrease) %
Cash (per cashflow statement)	1,909,154	1,213,283	695,871	57%
Bank overdrafts	236	78	158	203%
Bank balances and deposits maturing within three months from the date of placement	1,909,390	1,213,361	696,029	57%
Bank balances and deposits maturing over three months from the date of placement	189,494	2,638,541	(2,449,047)	(93%)
Cash and bank balances (per balance sheet)	2,098,884	3,851,902	(1,753,018)	(46%)
Restricted bank balances	12,271	5,854	6,417	110%
Portfolio investments	119,180	151,448	(32,268)	(21%)
Available-for-sale listed equity securities	705	1,956	(1,251)	(64%)
Held-to-maturity investments	182,092	121,737	60,355	50%
Total liquid assets	2,413,132	4,132,897	(1,719,765)	(42%)

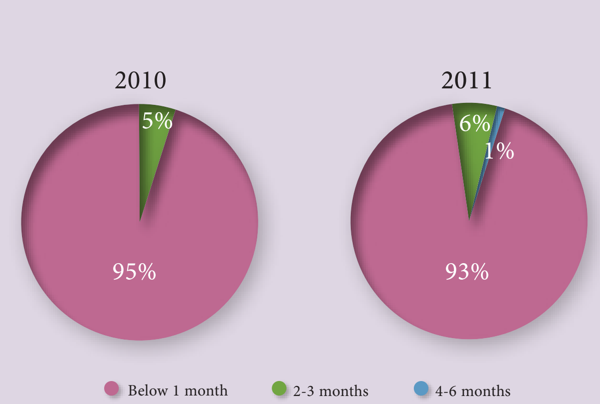
Financial Review

Accounts Receivable and Other Assets

US$'000	2011	2010	Change	Increase/ (decrease) %
Container Transport and Logistics	602,394	533,085	69,309	13%
Others	148,188	205,751	(57,563)	(28%)
	750,582	738,836	11,746	2%

Accounts receivable and other assets for Container Transport and Logistics increased by US$69.3 million to US$602.4 million at the end of 2011. The increase mainly represented a higher value of bunker inventory as compared with 2010.

Ageing Analysis of Trade Receivables

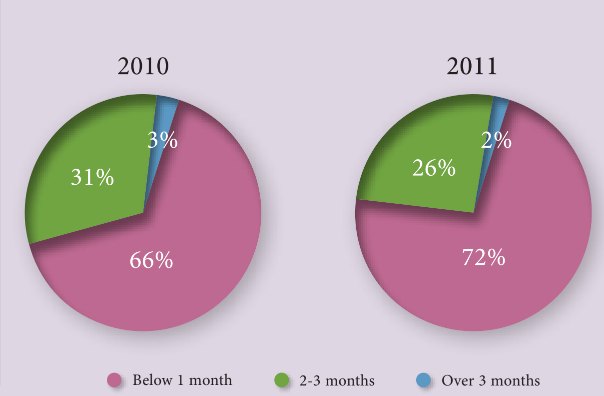


Accounts Payable and Other Liabilities

US$'000	2011	2010	Change	Increase/ (decrease) %
Container Transport and Logistics	714,385	716,236	(1,851)	N/M
Others	5,422	52,133	(46,711)	(90%)
	719,807	768,369	(48,562)	(6%)

Accounts payable and other liabilities at the end of 2011 were US$48.6 million lower than that of 2010, reflecting mainly the write back of provision.

Ageing Analysis of Trade Payables



Financial Review

Total Debt

US$'000	2011	2010	Change	Increase/ (decrease) %
Bank loans	1,181,495	1,075,567	105,928	10%
Finance lease obligations	1,490,475	1,588,477	(98,002)	(6%)
Bank overdrafts	236	78	158	203%
	2,672,206	2,664,122	8,084	N/M

Total debt increased during the year by US$8.1 million principally as a result of the financial obligations incurred upon the deliveries of new container vessels during the year, offset in part by the scheduled repayments.

Total debt repayment between 2012 and 2016 is US$1,102 million, which is 41% of the total debt of 2011. Details of the repayment profile of the Group's borrowings are set out in Note 35 to the consolidated accounts.

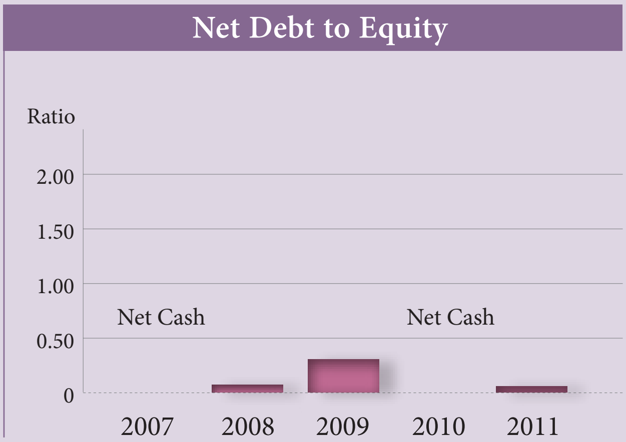
Debt Profile

As at the end of 2011, 99% (2010: 99%) of the Group's total debt was denominated in US dollars which effectively reduced the risk of exchange fluctuations.

Of the total US$2,672.2 million debt outstanding at the end of 2011, US$51.2 million was fixed-rate debt and the remaining US$2,621.0 million of indebtedness was subject to floating interest rates at various competitive spreads over three-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 2011 was 1.0% (2010: 0.7%).

Net Debt to Equity Ratio

This ratio changed to 0.06 : 1 at end of 2011, from a net cash position at end of 2010 pursuant to the payment of special dividends in 2011. 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 2011, the Company had a number of 625,793,297 shares in issue, consisting entirely of ordinary shares. With the payment of special dividends during the year, the Group's consolidated shareholders' equity decreased by US$1,297.6 million to US$4,275.1 million as at the end of 2011 with a net asset value per ordinary share of US$6.83 (2010: US$8.91).

Operating Leases and Commitments

In addition to the operating assets owned by the Company and its subsidiaries, the Group also manages and utilizes assets through operating lease arrangements. The total rental payment in respect of these leases for 2012 amounted to US$223.8 million as detailed in Note 37(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 2011, the Group had outstanding capital commitments amounting to US$1,879.6 million, principally represented by the orders placed for new container vessels to be delivered between 2012 and 2014.

Analysis of Change in Liquid Assets

US$'000	2011	2010	Change	Favourable/ (unfavourable) %
Net inflow from operations	308,322	1,212,722	(904,400)	(75%)
Other inflow:				
Interest and investment income	49,375	19,605	29,770	152%
Sale of property, plant and equipment and investments	155,795	63,472	92,323	145%
New loan drawdown	281,620	583,976	(302,356)	(52%)
Cash from jointly controlled entities and associated companies	8,950	5,895	3,055	52%
Cash from disposal of subsidiary	–	2,130,402	(2,130,402)	N/A
Loan repayment from an investee company	71,100	–	71,100	N/A
	566,840	2,803,350	(2,236,510)	(80%)
Other outflow:				
Interest paid	(29,716)	(29,514)	(202)	(1%)
Dividends paid to shareholders	(1,498,920)	(322,493)	(1,176,427)	(365%)
Taxation paid	(32,852)	(8,474)	(24,378)	(288%)
Purchase of property, plant and equipment and investments	(751,418)	(244,733)	(506,685)	(207%)
Loan repayments	(273,580)	(612,381)	338,801	55%
Purchase of intangible assets	(6,494)	(4,043)	(2,451)	(61%)
Acquisition of additional interest in subsidiary	–	(14,123)	14,123	N/A
Others	(2,380)	(2,857)	477	17%
	(2,595,360)	(1,238,618)	(1,356,742)	(110%)
Net (outflow)/inflow	(1,720,198)	2,777,454	(4,497,652)	N/A
Beginning liquid asset balances	4,132,897	1,354,387	2,778,510	205%
Changes in exchange rates	433	1,056	(623)	(59%)
Ending liquid asset balances	2,413,132	4,132,897	(1,719,765)	(42%)
Represented by:				
Unrestricted bank balances and deposits	2,098,884	3,851,902	(1,753,018)	(46%)
Restricted bank balances and deposits	12,271	5,854	6,417	110%
Portfolio investments	119,180	151,448	(32,268)	(21%)
Available-for-sale listed equity securities	705	1,956	(1,251)	(64%)
Held-to-maturity investments	182,092	121,737	60,355	50%
	2,413,132	4,132,897	(1,719,765)	(42%)

Financial Review

A net outflow of US$1,720.2 million was recorded in 2011 compared with a net inflow of US$2,777.5 million in 2010. Operating inflow of US$308.3 million for the year was US$904.4 million lower than that of 2010 with the softening operating results for 2011. The capital payments and corresponding loan drawdown amounts in 2011 mainly reflected the scheduled stage payments on new vessels ordered. With the payment of special dividends during the year, total liquid asset balances decreased to US$2,413.1 million at the end of 2011, against US$4,132.9 million in 2010.

Liquidity

As at 31st December 2011, the Group had total liquid asset balances of US$2,413.1 million compared with debt obligations of US$439.1 million repayable in 2011. Total current assets at the end of 2011 amounted to US$2,839.3 million against total current liabilities of US$1,159.8 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 69, 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, Zhejiang Expressway Co., Ltd. and U-Ming Marine Transport Corp., which are all listed public companies. He was formerly an Independent Non-Executive Director of PetroChina Company Limited, a company listed in Hong Kong. Mr. Tung is a member of the Hong Kong Logistics Development 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.

CHOW Philip Yiu Wah

Mr. CHOW Philip Yiu Wah, aged 64, has been an Executive Director of the Company since December 2003 and is a member of the Executive Committee, the Finance Committee and the Share Committee of the Company and a Director of various subsidiaries of the Company. Mr. Chow holds a Bachelor of Science degree in Chemistry and Physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He has served the Group in various capacities for 36 years and is the Chief Executive Officer of Orient Overseas Container Line Limited. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Board of Directors

TUNG Lieh Cheung Andrew

Mr. TUNG Lieh Cheung Andrew, aged 47, has been an Executive Director and a member of the Executive Committee of the Company since 2nd November 2011. Mr. Tung has been Managing 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 has been appointed as the Chief Operating Officer of OOCLL since January 2009. 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 the Vice-Chairman of the International Chamber of Commerce Commission for Transport & Logistics and a member of the Executive Committee of Hong Kong Shipowners Association. Mr. Tung was 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 (an Executive Director of the Company). He is the nephew of Mr. Tung Chee Chen (the 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 (a Non-Executive Director of the Company).

Kenneth Gilbert CAMBIE

Mr. Kenneth Gilbert CAMBIE, aged 50, has been an Executive Director and the Chief Financial Officer of the Company since August 2007. He chairs the Finance Committee and the Share Committee and is a member of the Compliance Committee and the Executive Committee of the Company and a Director of various subsidiaries of the Company. He is a member of the New Zealand Institute of Chartered Accountants and holds a Master of Commerce degree (first class honours) from Auckland University in New Zealand. Mr. Cambie joined the Company following a 20-year career with Citibank. His last position with Citibank was as Director, Transportation, Asia Pacific Corporate Banking based in Hong Kong. In that role Mr. Cambie was responsible for meeting the banking and financing needs of a range of shipping, port, airline and airport companies in the Asia and Pacific regions. Prior to moving to Hong Kong in mid-2001, Mr. Cambie was the corporate banking head for Citibank, New Zealand for seven years and had also spent several years with the bank in Australia in corporate banking and leveraged finance roles. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

TUNG Lieh Sing Alan

Mr. TUNG Lieh Sing Alan, aged 44, has been an Executive Director of the Company since 1st May 2005. He was the Managing Director of Orient Overseas Developments Limited ("OODL") until completion of the sale of the OODL Group on 10th February 2010. OODL was formerly wholly owned by the Company and was the holding company of the Group's property investments. Mr. Tung has been with the Group in various capacities for 19 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 serves as the Chairman of the Hong Kong Shipowners Association and is a member of 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 (an Executive Director of the Company). He is the nephew of Mr. Tung Chee Chen (the 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 (a Non-Executive Director of the Company).

Board of Directors

Professor Roger KING

Professor Roger KING, aged 71, 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 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 currently an Independent Non-Executive Director of Sincere Watch (Hong Kong) Limited (listed on the Hong Kong Stock Exchange), 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 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 (the 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.

Simon MURRAY

Mr. Simon MURRAY, CBE, aged 71, 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 a Senior Independent Non-Executive Director 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.

Board of Directors

CHANG Tsann Rong Ernest

Mr. CHANG Tsann Rong Ernest, aged 72, has been an Independent Non-Executive Director of the Company since 30th December 2008 and is a member of the Finance Committee, the Share Committee and the Audit 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 had served the Group in various capacities and was the Chief Executive Officer of Orient Overseas Container Line Limited and a Director of various subsidiaries of the Company until 31st December 2003. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Professor WONG Yue Chim Richard

Professor WONG Yue Chim Richard, aged 59, 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 56, 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. Mr. Cheng is an Executive Director, Chief Executive and Deputy Chairman of Wing Tai Properties Limited, a Non-Executive Director of Winsor Properties Holdings Limited and an Independent Non-Executive Director of Television Broadcasts Limited, all listed on The Stock Exchange of Hong Kong Limited. Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is the Chairman of the University Grants Committee and a member of the board of The Airport Authority 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 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 served on the Hong Kong SAR Government's Commission on Strategic Development, the Steering Committee on Innovation & Technology, the Council of the Hong Kong Institute of Education, the Council of the City University of Hong Kong, the 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

1. Allan Wong

Mr. Wong, aged 58, has been the Managing Director of Corporate Sales since November 2009, Chief Executive Officer of OOCL Logistics Ltd since June 2004 and a Director of OOCL since October 2000. He was appointed Managing Director of OOCL 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 has served OOCL and its subsidiaries in various capacities for 35 years.

2. Bosco Louie

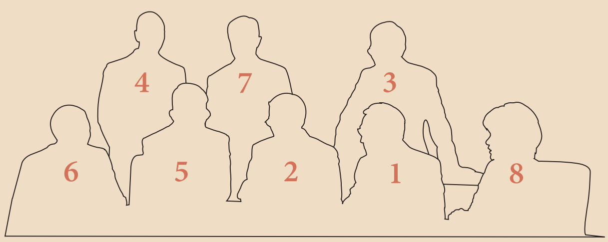
Mr. Louie, aged 60, has been the Director of Regions Management and Corporate Administration since August 2010 and a Director of OOCL since March 2004. He holds a Bachelor's degree from The University of Hong Kong. Mr. Louie joined the Group in 1975 and has served OOCL and its subsidiaries in various capacities for 36 years.

3. Henry Wong

Mr. Wong, aged 61, was the Director of OOCL and took up the roles of managing the Corporate Logistics and Fleet Management before he retired on November 1, 2011. He holds a Bachelor's degree from The Chinese University of Hong Kong. Mr. Wong joined the Group in 1973 and had served OOCL and its subsidiaries in various capacities for 38 years.

4. Steve Siu

Mr. Siu, aged 54, 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 OOCL and its subsidiaries in various capacities for 24 years.



5. Erxin Yao

Mr. Yao, aged 54, has been the President of OOCL (USA) Inc. and a Director of OOCL since January 2010. 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 company in various capacities for 18 years, including serving as Executive Vice-President and Head of Corporate Services of OOCL Logistics in Hong Kong, Managing Director of OOCL (China) Limited and Managing Director of OOCL Logistics (China) Limited based in Shanghai.

6. Michael Kwok

Mr. Kwok, aged 57, has been the Director of Trades and a Director of OOCL since August 2010. He holds a Bachelor of Business Administration from the Chinese University of Hong Kong. Mr. Kwok joined the Group in 1978 and has served OOCL and its subsidiaries in various capacities for 33 years, including serving as Director of Intra Asia Trade and Head of Fleet Management and Corporate Logistics.

7. Stephen Ng

Mr. Ng, aged 53, has been the Director of Corporate Planning 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 company in various capacities for 24 years. Before being transferred back to Hong Kong in 2010, he worked in California for seven years as Head of Trans-Pacific Trade.

8. Lammy Lee

Ms. Lee, aged 50, 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 April 1, 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 23 years.

Financial Calendar

Announcement of results for the half year ended 30th June 2011	8th August 2011
Despatch of 2011 Interim Report to shareholders	2nd September 2011
Announcement of results for the year ended 31st December 2011	12th March 2012
Despatch of 2011 Annual Report to shareholders	23rd April 2012
Closure of the Register of Members (to ascertain the shareholders eligible to attend and vote at the Annual General Meeting)	14th May 2012 to 18th May 2012 (Both days inclusive)
2011 Annual General Meeting	18th May 2012

Shareholder Information

Ordinary Shares

Issued shares	625,793,297 shares (as at 31st December 2011)
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 2011:

	Shareholders		Shares of US$0.10 each	
Category	**Number**	**Percentage**	**Number**	**Percentage**
Corporate	29	2.7103%	619,449,785	98.9864%
Untraceable shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.0934%	2,740	0.0004%
Individual	1,040	97.1963%	6,340,772	1.0132%
	1,070	100.00%	625,793,297	100.00%

	Shareholders		Shares of US$0.10 each	
Number of shares held	**Number**	**Percentage**	**Number**	**Percentage**
1 – 10,000	990	92.5234%	1,533,644	0.2451%
10,001 – 100,000	71	6.6355%	2,211,615	0.3534%
100,001 – 1,000,000	5	0.4673%	1,525,513	0.2438%
1,000,001 or above	4	0.3738%	620,522,525	99.1577%
	1,070	100.00%	625,793,297	100.00%

Ten Largest Ordinary Shareholders

At 31st December 2011, 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.	347,188,656	55.48%
HKSCC Nominees Limited	192,869,326	30.82%
Gala Way Company Inc.	79,227,432	12.66%
Mok Kwun Cheung	1,237,111	0.20%
Chang Tsann Rong Ernest	612,731	0.10%
So Tung Lam	500,000	0.08%
Tam Wing Fan	157,322	0.03%
Tai Wing Kee	130,400	0.02%
Ho Fuk Chuen	125,060	0.02%
Leung Man Kit Albo	100,000	0.02%

Corporate Governance Report

Corporate Governance Practices

The Board of Directors (the "Board") and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company has adopted its own corporate governance code (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year 2011, the Company has complied with the SEHK Code, except for the following:

- ### Code Provision

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

- ### Recommended Best Practices

  - Nomination Committee was not established during the year 2011 and is 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

Corporate Governance Report

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 23 to the Listing Rules during the year 2011:

A. BOARD OF DIRECTORS

1. Board Composition

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

Executive Directors

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

* *appointed as an Executive Director on 2nd November 2011*

Non-Executive Director

Professor Roger KING

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 39 to 42 of this annual report.

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

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

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

During the year 2011, the Board has complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors, including one with appropriate professional qualifications or accounting or related financial management expertise.

Among the members of the Board, 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.

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

2. Board Responsibilities

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and of other price-sensitive announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory 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 relevant principal divisions and certain specific responsibilities to seven committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee (as of 9th March 2012), Finance Committee, Share Committee and Compliance 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 2011.

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 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

Corporate Governance Report

- 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. These duties include to:

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

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

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

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

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

4. Board Meetings

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

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is 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. Supply of and Access to Information

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

6. Nomination of Directors

The Company did not have a Nomination Committee during the year 2011. A Nomination Committee was established on 9th March 2012.

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

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 3rd May 2011 (the "2010 AGM"), Mr. Kenneth Gilbert CAMBIE, Professor Roger KING and Mr. Simon MURRAY retired and were re-elected as Directors of the Company.

7. 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. CHOW Philip Yiu Wah, Mr. TUNG Lieh Cheung Andrew (elected as member on 2nd November 2011) 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 divisions of the Group and plans and operational directions for the Group;

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

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

– approve capital expenditure for a specified amount;

Corporate Governance Report

- 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 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 judgement 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 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 2011, the Audit Committee received no complaint from employees.

Corporate Governance Report

The Audit Committee held two meetings during the year ended 31st December 2011. The following is a summary of work performed by the Audit Committee during 2011:

(i) reviewed the annual accounts for 2010 and the interim accounts for 2011 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 2010 annual accounts and issues arising from the review of the 2011 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 2010;

(vi) met with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the external auditor might care to raise;

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

(viii) 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 2010;

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

(x) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2010 concerning the Audit Committee;

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

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

(xiii) 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. TUNG Chee Chen (chairman of the Remuneration Committee up to 8th March 2012), Mr. CHANG Tsann Rong Ernest and Professor WONG Yue Chim Richard, with Ms. Lammy LEE as the secretary of the Remuneration Committee. Mr. CHANG Tsann Rong Ernest is appointed chairman of the Remuneration Committee effective as of 9th March 2012.

The primary duties of the Remuneration Committee include to:

– review and recommend to the Board on the Company's policy and structure for the Directors of the Company, senior management and employees of the Group;

- 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; and to

- ensure that no Director or any of his associates or senior management is involved in deciding his own remuneration.

In 2011, the Board accepted the recommendations of the Remuneration Committee:

(i) that the emoluments of the Executive Directors of the Company for the year 2011 should continue to be comprised of their respective remunerations as determined by reference to market terms, their individual experience, duties and responsibilities within the Company and its subsidiaries (if applicable) and the Executive Directors also participate in a performance-based discretionary bonus scheme determined by reference to the Company's and the individual's performance;

(ii) the bonus package for the Chairman and the Executive Directors for the year 2010; and

(iii) the directors' fee of the Non-Executive Director and the Independent Non-Executive Directors of the Company and the fees for acting as committee members of the Company for the year 2011.

No Director is involved in determining his own remuneration.

d. Finance Committee

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

Corporate Governance Report

e. 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.

f. Compliance Committee

The Compliance Committee was established in 2004 and currently comprises of Ms. Lammy LEE (chairperson of Compliance Committee), Mr. Kenneth Gilbert CAMBIE, Mr. MOK Yun Lee Paul and Mr. FUNG Yee Chung Vincent.

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 SEHK Code;

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

(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.

g. Nomination Committee

The Nomination Committee was established on 9th March 2012. A majority of the 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 recommend to the Board the Company's policy for the nomination of Directors;

- establish and review a formal, considered and transparent procedures for the appointment of new directors and plans in place for orderly succession for appointments;

- review the structure, size and composition 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; and to

- 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.

Corporate Governance Report

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

The attendance records of each Director and each member of the six* Board Committees at the relevant meetings held in year 2011 are as follows:

	Meetings Attended/Held in 2011							
	Board	Executive Committee	Audit Committee	Remuneration Committee	Finance Committee	Share Committee	Compliance Committee	2010 AGM
No. of meetings held during the year	6	12	2	1	4	1	3	1
Executive Directors								
Mr. TUNG Chee Chen *(Chairman, President and Chief Executive Officer)*	6/6	12/12	–	1/1	–	–	–	1/1
Mr. CHOW Philip Yiu Wah	6/6	12/12	–	–	4/4	1/1	–	1/1
Mr. TUNG Lieh Cheung Andrew **	1/1	2/2	–	–	–	–	–	–
Mr. Kenneth Gilbert CAMBIE *(Chief Financial Officer)*	6/6	12/12	–	–	4/4	1/1	3/3	1/1
Mr. TUNG Lieh Sing Alan	5/6	–	–	–	–	–	–	1/1
Non-Executive Director								
Professor Roger KING	5/6	–	–	–	4/4	–	–	1/1
Independent Non-Executive Directors								
Mr. Simon MURRAY	5/6	–	1/2	–	–	–	–	0/1
Mr. CHANG Tsann Rong Ernest	6/6	–	2/2	1/1	4/4	1/1	–	1/1
Professor WONG Yue Chim Richard	6/6	–	2/2	1/1	–	–	–	1/1
Mr. CHENG Wai Sun Edward	4/6	–	2/2	–	–	–	–	1/1
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	91.67%	100%	87.50%	100%	100%	100%	100%	88.89%

* other than Nomination Committee which was not established in year 2011

** appointed as an Executive Director and elected as a member of Executive Committee of the Company with effect from 2nd November 2011.

9. Securities Transactions by Directors

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

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2011.

10. Share Interests of Directors and Senior Management

(a) Directors

Directors' interests in the shares of the Company are set out on pages 66 and 67 of this annual report.

(b) Senior Management

As at 31st December 2011, 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	–

11. Emoluments of Directors and Senior Management#

(a) Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2011 are set out on pages 98 and 99 of this annual report.

(b) Emoluments of Senior Management

The emoluments of the senior management of the Company for the year ended 31st December 2011 are set out below:

Emolument bands (US$)		Number of individuals 2011
1,025,601 ~ 1,089,700	(HK$8,000,001 ~ HK$8,500,000)	1
1,282,001 ~ 1,346,100	(HK$10,000,001 ~ HK$10,500,000)	1
1,346,101 ~ 1,410,200	(HK$10,500,001 ~ HK$11,000,000)	1
1,602,501 ~ 1,666,600	(HK$12,500,001 ~ HK$13,000,000)	1
1,666,601 ~ 1,730,700	(HK$13,000,001 ~ HK$13,500,000)	2
2,051,201 ~ 2,115,300	(HK$16,000,001 ~ HK$16,500,000)	1
2,371,701 ~ 2,435,800	(HK$18,500,001 ~ HK$19,000,000)	1
Total		8

biographical details of senior management are set out on page 43 of this annual report

Corporate Governance Report

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

PricewaterhouseCoopers was re-appointed as the Company's external auditor by shareholders at the 2010 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 2011 is set out on page 99 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 2011.

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 2011.

3. Internal Controls

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

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

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

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

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

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

Corporate Governance Report

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

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

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

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 2011 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 suspected frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate, 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 SEHK Code for the year ended 31st December 2011.

To ensure on-going compliance with the newly amended CG 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 price sensitive information:

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

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

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

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

Corporate Governance Report

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 2010 AGM held at the Renaissance Harbour View Hotel, Wanchai, Hong Kong on 3rd May 2011, at which the following ordinary resolutions were passed with the voting results as follows:

	Ordinary Resolutions	Number of Votes (%) For	Number of Votes (%) 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 2010.	515,503,046 (100%)	0 (0%)
2(a).	To declare a final dividend for the year ended 31st December 2010.	516,203,264 (99.99962%)	1,964 (0.00038%)
2(b).	To declare a special dividend for the year ended 31st December 2010.	516,211,264 (100%)	0 (0%)
3(a).	To re-elect Mr. Kenneth Gilbert CAMBIE as Director.	511,065,512 (99.019577%)	5,060,216 (0.980423%)
3(b).	To re-elect Professor Roger KING as Director.	510,028,294 (98.952382%)	5,399,716 (1.047618%)
3(c).	To re-elect Mr. Simon MURRAY as Director.	446,438,183 (86.496192%)	69,698,045 (13.503808%)
4.	To authorise the Board of Directors to fix the Directors' remuneration.	515,863,764 (99.934231%)	339,500 (0.065769%)
5.	To re-appoint PricewaterhouseCoopers as Auditor and to authorise the Board of Directors to fix their remuneration.	511,132,653 (99.080962%)	4,741,075 (0.919038%)
6(a).	To grant a general mandate to the Directors to allot, issue and deal with the Company's shares.	442,216,350 (85.665443%)	73,996,878 (14.334557%)
6(b).	To grant a general mandate to the Directors to repurchase the Company's shares.	516,117,228 (99.982953%)	88,000 (0.017047%)
6(c).	To extend the general mandate to issue shares to cover the shares repurchased by the Company under Resolution 6(b) above.	442,113,887 (85.646252%)	74,095,377 (14.353748%)

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

Corporate Governance Report

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. 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 2011:

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 2011 are as follows:

Category	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	29	2.7103%	619,449,785
Untraceable Shareholders registered in name of Computershare Hong Kong Investor Services Limited	1	0.0934%	2,740
Individual	1,040	97.1963%	6,340,772
Total	1,070	100.00%	625,793,297

Corporate Governance Report

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2011 are as follows:

Number of Shares held	Number of Shareholders	Shareholders % of total
1 – 10,000	990	92.5234%
10,001 – 100,000	71	6.6355%
100,001 – 1,000,000	5	0.4673%
1,000,001 or above	4	0.3738%
Total	1,070	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 2011.

3. **Financial Calendar**

Important dates for the coming financial year are set out on page 44 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 2011.

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 124 to 131 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 73 of this annual report.

Dividends

An interim dividend of US7.0 cents (HK$0.546) per ordinary share was paid on 7th October 2011.

The Board of Directors of the Company do not recommend the payment of a final dividend for the year ended 31st December 2011.

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

* *appointed as an Executive Director on 2nd November 2011*

Non-Executive Director

Professor Roger KING

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 Lieh Cheung Andrew, appointed as an Executive Director of the Company on 2nd November 2011, will retire at the annual general meeting of the Company to be held on 18th May 2012 (the "Annual General Meeting") and, being eligible, will offer himself for re-election; and Mr. Chow Philip Yiu Wah, Mr. Chang Tsann Rong Ernest and Mr. Cheng Wai Sun Edward will retire by rotation at 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. 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.

Report of the Directors

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

During the year and as at 31st December 2011, none of the Directors nor the Chief Executive of the Company (or any of their associates (as defined in the Listing Rules)) was granted any right to acquire shares in or debt securities of the Company.

Directors' Interest

1. Significant Contracts

The Group 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 2011 was approximately US$1,002,000.

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 2011 was approximately US$67,000.

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 2011, 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 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	68.70%
Chang Tsann Rong Ernest	612,731	–	612,731	0.09%
Chow Philip Yiu Wah	133,100	20,000 *(Note 3)*	153,100	0.02%
Simon Murray	64,000	–	64,000	0.01%
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.

Report of the Directors

Save as disclosed above, as at 31st December 2011, 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 2011, none of the Directors or the Chief Executive of the Company is a director or employee of a company which had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. Directors' Interests in Competing Business

As at 31st December 2011, 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 2011, 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 (in Long position)	Percentage
Artson Global Limited *	Trustee	429,950,088 *(Note 1)*	68.70%
Hanberry Global Limited *	Trustee	429,950,088 *(Note 2)*	68.70%
Thelma Holdings Limited *	Indirect	429,950,088 *(Note 3)*	68.70%
Tung Chee Hwa	Indirect	429,975,319 *(Note 4)*	68.70%
Archmore Investment Limited *	Beneficiary of a trust	429,950,088 *(Note 5)*	68.70%
Edgemont Holdings Limited *	Indirect	429,950,088 *(Note 6)*	68.70%
Javier Global Limited *	Indirect	429,950,088 *(Note 7)*	68.70%
Bartlock Assets Ltd. *	Beneficiary of a trust	429,950,088 *(Note 8)*	68.70%
Flowell Development Inc.	Beneficiary of a trust	429,950,088 *(Note 9)*	68.70%
Izone Capital Limited *	Beneficiary of a trust	429,950,088 *(Note 10)*	68.70%
Jeference Capital Inc. *	Beneficiary of a trust	429,950,088 *(Note 11)*	68.70%
Tung Holdings (Trustee) Inc. *	Voting	429,950,088 *(Note 12)*	68.70%
Fortune Crest Inc. *	Direct	350,722,656 *(Note 13)*	56.04%
Gala Way Company Inc. *	Direct	79,227,432 *(Note 14)*	12.66%

Report of the Directors

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) 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.

15. 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 2011, 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 2011, 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 2011, US$32,850,000 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 2011, US$1,403,000 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 his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions as disclosed on pages 68 and 69 above in accordance with Rule 14A.38 of the Listing Rules and nothing has come to his attention that causes him 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 2011, the Company has not redeemed any of its Shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's Shares.

Pre-emptive Rights

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

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 34 to the consolidated accounts on page 118 of this annual report.

Report of the Directors

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value. The Company has adopted its own code on corporate governance practices (the "CG Code") which in addition to applying the principles as set out in the Code on Corporate Governance Practices (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles 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 47 to 64 of this annual report.

Throughout the year of 2011, the Company has complied with the SEHK Code except as set out in the Corporate Governance Report on page 47.

Public Float

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

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment are set out in note 17 to the consolidated accounts on pages 102 and 103 of this annual report.

Donations

Donations made by the Group during the year amount to US$223,000.

Annual General Meeting

The Annual General Meeting will be held on 18th May 2012.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) details of biographical details of the retiring Directors to be re-elected at the Annual General Meeting; (iii) the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities 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 13th April 2012.

Company Secretary

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

Auditor

The Group's financial statements 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, 9th March 2012

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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 73 to 131, which comprise the consolidated and company balance sheets as at 31st December 2011, 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 2011, and of the Group's profit and cash flows 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, 9th March 2012

Consolidated Profit and Loss Account

For the year ended 31st December 2011

US$'000	Note	2011	2010
Revenue	5	**6,011,836**	6,033,402
Operating costs	6	**(5,484,258)**	(4,671,087)
Gross profit		**527,578**	1,362,315
Fair value gain from an investment property	18	**5,000**	5,000
Other operating income	7	**59,443**	39,911
Other operating expenses	8	**(417,423)**	(488,419)
Operating profit	11	**174,598**	918,807
Finance costs	12	**(26,179)**	(29,091)
Share of profits of jointly controlled entities	21	**1,930**	1,659
Share of profits of associated companies	22	**12,108**	7,401
Profit before taxation		**162,457**	898,776
Taxation	13	**(23,103)**	(28,959)
Profit for the year from continuing operations		**139,354**	869,817
Discontinued operations:			
Profit for the year from discontinued operation	16	**–**	1,004,554
Write back of provision		**43,000**	–
Profit for the year		**182,354**	1,874,371
Profit attributable to:			
Equity holders of the Company		**181,645**	1,866,780
Non-controlling interests		**709**	7,591
		182,354	1,874,371
Earnings per ordinary share (US cents)	14		
– from continuing operations		**22.1**	137.8
– from discontinued operations		**6.9**	160.5
Basic and diluted		**29.0**	298.3
Dividends	15	**43,805**	1,776,210

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

US$'000	2011	2010
Profit for the year	**182,354**	1,874,371
Other comprehensive income:		
Vessels		
– Assets revaluation reserve realised	–	(1,915)
Available-for-sale financial assets		
– Change in fair value	**13,828**	71,934
– Assets revaluation reserve realised	**(668)**	(1,314)
Share of other comprehensive income of associated companies	**3,419**	1,881
Share of other comprehensive income of jointly controlled entities	**373**	230
Currency translation adjustments	**2,907**	4,847
Other comprehensive income for the year	**19,859**	75,663
Total comprehensive income for the year	**202,213**	1,950,034
Total comprehensive income attributable to:		
Equity holders of the Company	**201,336**	1,942,336
Non-controlling interests	**877**	7,698
	202,213	1,950,034

Consolidated Balance Sheet

As at 31st December 2011

US$'000	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,205,194	3,860,367
Investment property	18	160,000	155,000
Prepayments of lease premiums	19	10,249	10,122
Jointly controlled entities	21	2,688	3,256
Associated companies	22	75,670	66,222
Intangible assets	23	40,014	46,648
Deferred taxation assets	24	1,803	1,778
Pension and retirement assets	25	38,452	29,692
Derivative financial instruments	31	7,983	5,672
Restricted bank balances	26	11,728	4,648
Other non-current assets	27	335,937	333,001
		4,889,718	4,516,406
Current assets			
Inventories	28	150,127	96,265
Debtors and prepayments	29	470,594	454,997
Portfolio investments	30	119,180	151,448
Derivative financial instruments	31	–	155
Restricted bank balances	26	543	1,206
Cash and bank balances	32	2,098,884	3,851,902
		2,839,328	4,555,973
Total assets		7,729,046	9,072,379
EQUITY			
Equity holders			
Share capital	33	62,579	62,579
Reserves	34	4,212,569	5,510,153
		4,275,148	5,572,732
Non-controlling interests		6,686	6,799
Total equity		4,281,834	5,579,531
LIABILITIES			
Non-current liabilities			
Borrowings	35	2,233,095	2,416,367
Deferred taxation liabilities	24	41,531	39,914
Pension and retirement liabilities	25	2,427	2,493
Derivative financial instruments	31	10,358	10,157
		2,287,411	2,468,931
Current liabilities			
Creditors and accruals	36	709,449	758,212
Borrowings	35	439,111	247,755
Current taxation		11,241	17,950
		1,159,801	1,023,917
Total liabilities		3,447,212	3,492,848
Total equity and liabilities		7,729,046	9,072,379
Net current assets		1,679,527	3,532,056
Total assets less current liabilities		6,569,245	8,048,462

C C Tung
Kenneth G Cambie
Directors

Balance Sheet

As at 31st December 2011

US$'000	Note	2011	2010
ASSETS			
Non-current assets			
Subsidiaries	20	**169,487**	169,487
Current assets			
Prepayments		**31**	77
Amounts due from subsidiaries	20	**1,900,708**	3,732,353
Restricted bank balances	26	**365**	197
Cash and bank balances	32	**41,986**	96,255
		1,943,090	3,828,882
Total assets		**2,112,577**	3,998,369
EQUITY			
Equity holders			
Share capital	33	**62,579**	62,579
Reserves	34	**511,876**	1,969,279
Total equity		**574,455**	2,031,858
LIABILITIES			
Non-current liabilities			
Derivative financial instruments	31	**4,328**	3,353
Amount due to a subsidiary	20	**719,724**	719,730
		724,052	723,083
Current liabilities			
Accruals		**2,016**	45,501
Amounts due to subsidiaries	20	**812,054**	1,197,927
		814,070	1,243,428
Total liabilities		**1,538,122**	1,966,511
Total equity and liabilities		**2,112,577**	3,998,369
Net current assets		**1,129,020**	2,585,454
Total assets less current liabilities		**1,298,507**	2,754,941

C C Tung
Kenneth G Cambie
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2011

US$'000	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations	39(a)	308,322	1,212,722
Interest paid		(13,394)	(14,362)
Interest element of finance lease rental payments		(16,322)	(15,152)
Hong Kong profits tax (paid)/refunded		(1,878)	2,009
Overseas tax paid		(30,974)	(10,483)
Net cash from operating activities		245,754	1,174,734
Cash flows from investing activities			
Sale of property, plant and equipment		141,177	30,304
Sale of available-for-sale financial assets		1,560	2,399
Sale/redemption on maturity of held-to-maturity investments		14,309	32,261
Purchase of property, plant and equipment		(737,696)	(214,313)
Purchase of available-for-sale financial assets		–	(343)
Purchase of held-to-maturity investments		(85,170)	(72,776)
Repayment of loan advanced to an investee company		71,100	–
Acquisition of additional interests in subsidiaries		–	(14,123)
Decrease/(increase) in portfolio investments		43,361	(106,856)
Disposal of subsidiaries	39(b)	–	2,130,402
Increase in amounts due to jointly controlled entities		1,249	1,865
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months from the date of placement		2,442,630	(2,505,485)
Purchase of intangible assets		(6,494)	(4,043)
Increase in other non-current assets		(1,390)	(563)
Interest received		36,444	18,976
Dividends received from portfolio investments		794	622
Dividends received from available-for-sale financial assets		12,137	7
Dividends received from jointly controlled entities		1,622	1,233
Dividends received from associated companies		6,079	2,797
Net cash from/(used in) investing activities		1,941,712	(697,636)
Cash flows from financing activities			
New loans		281,620	583,976
Repayment of loans		(175,692)	(561,883)
Capital element of finance lease rental payments		(98,046)	(50,431)
Dividends paid to equity holders of the Company		(1,498,920)	(322,493)
Dividends paid to non-controlling interests		(990)	(2,294)
Net cash used in financing activities		(1,492,028)	(353,125)
Net increase in cash and cash equivalents		695,438	123,973
Cash and cash equivalents at beginning of year		1,213,283	1,088,254
Currency translation adjustments		433	1,056
Cash and cash equivalents at end of year	39(d)	1,909,154	1,213,283

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

US$'000	Equity holders				
	Share capital	Reserves	Sub-total	Non-controlling interests	Total
At 31st December 2009	62,579	3,882,105	3,944,684	23,723	3,968,407
Total comprehensive income for the year	–	1,942,336	1,942,336	7,698	1,950,034
Transaction with owners					
2010 interim dividend	–	(72,013)	(72,013)	–	(72,013)
2010 special dividend	–	(250,480)	(250,480)	–	(250,480)
Acquisition of additional interest in a subsidiary	–	8,205	8,205	(22,328)	(14,123)
Dividends paid to non-controlling interests	–	–	–	(2,294)	(2,294)
At 31st December 2010	62,579	5,510,153	5,572,732	6,799	5,579,531
Total comprehensive income for the year	–	201,336	201,336	877	202,213
Transaction 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**	**4,212,569**	**4,275,148**	**6,686**	**4,281,834**

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 124 to 131 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 2011, the Group adopted the revised standards, amendments and interpretations of HKFRS below, which are relevant to its operations.

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Annual improvements to HKFRS published in May 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 3 Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the accounts.

Notes to the Consolidated Accounts

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

New or revised standards and Amendments		Effective for accounting periods beginning on or after
HKFRS 7 Amendment	Financial Instruments: Disclosures – Transfer of Financial Assets	1st July 2011
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 19 Amendment	Employee Benefits	1st January 2013
HKFRS 7 Amendments	Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Associates and Joint Ventures	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HKFRS 32 Amendments	Financial Instruments: Presentation: Offsetting financial assets and financial liabilities	1st January 2014
HKFRS 7 Amendments	Financial Instruments: Disclosures – Mandatory Effective date of HKFRS 9 and Transition 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.

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

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.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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.

(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.

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.

(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.

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.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

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.

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

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

Depreciation of other 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.

For the assets under the revaluation model, if an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to asset revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to asset revaluation reserve to the extent of any credit balance existing in the asset revaluation reserve in respect of that asset.

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. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out 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.

Notes to the Consolidated Accounts

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

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

2.7 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 accounts exceeds the carrying amount in the consolidated accounts of the investee's net assets including goodwill.

2.8 Investments

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

(a) Portfolio investments

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

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(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.

(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.

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

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

2.8 Investments (Continued)

(e) Recognition and measurement (Continued)

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.

2.9 Inventories

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

2.10 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.

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.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

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.

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.

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.

Notes to the Consolidated Accounts

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.

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 equity.

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

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.

Notes to the Consolidated Accounts

2. Summary of significant accounting policies (Continued)

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.

2.23 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 shareholders 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/shareholders.

Notes to the Consolidated Accounts

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 2011 of approximately US$15.8 million (2010: US$21.3 million).

(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$52.4 million (2010: US$53.1 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$1.9 million (2010: US$1.9 million) for one US dollar increase in bunker price per ton.

(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, debtors and prepayments and loan to an investee company. 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.

Notes to the Consolidated Accounts

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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$2,218.8 million (2010: US$4,005.3 million) that are expected to readily generate cash inflows for managing liquidity risk.

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 2011				
Borrowings	469,736	291,707	468,629	1,703,998
Creditors and accruals	709,449	–	–	–
Derivative financial instruments	5,200	917	4,608	–
At 31st December 2010				
Borrowings	274,900	430,605	446,640	1,761,170
Creditors and accruals	758,212	–	–	–
Derivative financial instruments	10,157	–	–	–
Company				
At 31st December 2011				
Accruals	2,016	–	–	–
Amounts due to subsidiaries	812,054	719,724	–	–
Derivative financial instruments	4,328	–	–	–
At 31st December 2010				
Accruals	45,501	–	–	–
Amounts due to subsidiaries	1,197,927	719,730	–	–
Derivative financial instruments	3,353	–	–	–

Notes to the Consolidated Accounts

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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 2011, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit (2010: profit) for the year would have been US$0.6 million lower/higher (2010: US$1.1 million higher/lower), mainly as a result of higher/lower net interest expense (2010: income) on the net floating rate borrowings (2010: bank balances).

3.2 Capital risk management

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

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

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

The gearing ratios at 31st December 2011 and 2010 were as follows:

US$'000	2011	2010
Total borrowings (note 35)	**(2,672,206)**	(2,664,122)
Less: Restricted bank balances (note 26)	**12,271**	5,854
Cash and bank balances (note 32)	**2,098,884**	3,851,902
Portfolio investments (note 30)	**119,180**	151,448
Net (debt)/cash	**(441,871)**	1,345,082
Total equity	**4,281,834**	5,579,531
Gearing ratio	**0.1**	N/A

The change to net debt position results primarily from the payment of dividends to the equity holders of the Company and the purchase of property, plant and equipment 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).

Notes to the Consolidated Accounts

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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. None of the instrument is included in level 2.

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 comprise derivative financial instruments, unlisted equity securities classified as available-for-sale financial assets and unlisted debt security classified as held-to-maturity investment.

4. Critical accounting estimates and judgements

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

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

(a) Income taxes

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

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

Notes to the Consolidated Accounts

4. Critical accounting estimates and judgements (Continued)

(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$19.9 million or US$16.3 million respectively (2010: US$21.3 million or US$17.4 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$8.7 million or US$8.4 million respectively (2010: US$7.6 million or US$7.5 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 judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances defined in HKAS 39, it will be required to reclassify the whole class as available-for-sale financial assets. The investments would therefore be measured at fair value, not amortised cost. If the class of held-to-maturity investments was tainted, the fair value would increase by US$3.6 million (2010: US$1.7 million), and be recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Accounts

5. Revenue and segment information

(a) Revenue

US$'000	2011	2010
Container transport and logistics	5,986,719	6,008,842
Others	25,117	24,560
	6,011,836	6,033,402

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

Revenue comprises turnover which includes gross freight, charterhire, 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 2011 are as follows:

	Continuing operations				Discontinued operations	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	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 21)	1,930	–	–	1,930	–	1,930
Share of profits of associated companies (note 22)	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

Notes to the Consolidated Accounts

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2010 are as follows:

	Continuing operations				Discontinued operations	
US$'000	Container transport and logistics	Others	Elimination	Sub-total	Property development	Group
Revenue	6,008,842	25,539	(979)	6,033,402	–	6,033,402
Operating profit	876,073	42,734	–	918,807	–	918,807
Finance costs (note 12)	(28,555)	(536)	–	(29,091)	–	(29,091)
Share of profits of jointly controlled entities (note 21)	1,659	–	–	1,659	–	1,659
Share of profits of associated companies (note 22)	7,401	–	–	7,401	–	7,401
Profit before taxation	856,578	42,198	–	898,776	–	898,776
Taxation	(22,223)	(6,736)	–	(28,959)	–	(28,959)
Profit after taxation	834,355	35,462	–	869,817	–	869,817
Profit on disposal of subsidiaries	–	–	–	–	1,004,554	1,004,554
Profit for the year	834,355	35,462	–	869,817	1,004,554	1,874,371
Capital expenditure	345,255	–	–	345,255	–	345,255
Depreciation	255,010	–	–	255,010	–	255,010
Amortisation	10,972	–	–	10,972	–	10,972

Note: In previous years, others mainly represented corporate level activities including central treasury management, property investment and administrative function. Net expenses of US$11,567,000 and taxation of US$3,260,000 in relation to administrative function are reclassified from others to container transport and logistics segment so as to conform with the current year's presentation.

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	**2,688**	**–**	**2,688**
Associated companies	**75,670**	**–**	**75,670**
Total assets	**5,248,384**	**2,480,662**	**7,729,046**
Segment liabilities	**(3,416,045)**	**(31,167)**	**(3,447,212)**

The segment assets and liabilities at 31st December 2010 are as follows:

US$'000	Container transport and logistics	Others	Group
Segment assets	4,685,887	4,317,014	9,002,901
Jointly controlled entities	3,256	–	3,256
Associated companies	66,222	–	66,222
Total assets	4,755,365	4,317,014	9,072,379
Segment liabilities	(3,420,598)	(72,250)	(3,492,848)

Notes to the Consolidated Accounts

5. Revenue and segment information (Continued)

(b) Segment information (Continued)

Operating segments (Continued)

Others primarily include assets and liabilities of property and corporate level activities. Other assets consist primarily of investment property, available-for-sale financial assets, held-to-maturity investments, loan to an investee company and portfolio investments together with cash and bank balances that are managed at corporate level. Other liabilities primarily include creditors and accruals, deferred taxation liabilities and derivative financial instruments related to corporate level activities.

* In previous years, others segment included certain segment liabilities of US$3,353,000 in relation to administrative function which are reclassified to container transport and logistics so as to conform with the current year's presentation.

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 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**
Year ended 31st December 2010		
Continuing operations:		
Asia	4,086,343	9,913
North America	1,039,666	853
Europe	771,023	258
Australia	136,370	80
Unallocated *	–	334,151
	6,033,402	345,255

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

6. Operating costs

US$'000	2011	2010
Cargo	**2,583,723**	2,398,654
Vessel and voyage	**2,156,814**	1,591,068
Equipment and repositioning	**731,142**	668,558
	5,471,679	4,658,280
Investment property	**12,579**	12,807
	5,484,258	4,671,087

Notes to the Consolidated Accounts

7. Other operating income

US$'000	2011	2010
Income from available-for-sale financial assets		
– Profit on disposal	696	1,314
– Dividend income	12,137	7
Interest income from banks	21,170	18,526
Interest income from held-to-maturity investments	8,372	5,217
Gain on disposal of held-to-maturity investments	572	2,044
Portfolio investment income		
– Fair value gain (realised and unrealised)	–	449
– Interest income	4,570	2,934
– Dividend income	794	622
Gain on interest rate swap contracts	933	–
Gain on foreign exchange forward contracts	774	–
Net profit on disposal of property, plant and equipment		
– Containers	–	8,462
– Others	–	(1,538)
Exchange gain	8,208	–
Others	1,217	1,874
	59,443	39,911

The investment income from listed investments for the year amounts to US$10.8 million (2010: US$12.6 million).

8. Other operating expenses

US$'000	2011	2010
Business and administrative	401,964	485,322
Portfolio investment loss		
– Fair value loss (realised and unrealised)	4,248	–
Loss on interest rate swap contracts	–	159
Loss on foreign exchange forward contracts	–	694
Net loss on disposal of property, plant and equipment		
– Container vessels	13,399	–
– Containers	(1,983)	–
– Others	(205)	–
Exchange loss	–	2,244
	417,423	488,419

9. Employee benefit expense

US$'000	2011	2010
Wages and salaries	420,876	488,813
Pension and retirement benefits		
– Defined contribution plans (note 25)	21,666	25,298
– Defined benefit plans (note 25)	811	1,861
	443,353	515,972

Employee benefit expenses of US$158.1 million (2010: US$150.4 million) are included in operating costs in the consolidated profit and loss account.

Notes to the Consolidated Accounts

10. Directors' and management's emoluments

(a) Directors' emoluments

The remuneration of every Director is set out below:

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 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 (note)	**–**	**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.

Note: Appointed on 2nd November 2011.

Name of Director US$'000	Fees	Salary	Discretionary bonuses	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2010					
Mr. C C Tung	107	566	–	57	730
Mr. Tsann Rong Chang	26	–	–	–	26
Prof. Roger King	60	–	–	–	60
Mr. Philip Chow	–	513	–	51	564
Mr. Kenneth G Cambie	–	404	385	20	809
Mr. Alan Tung	–	267	1,538	27	1,832
Mr. Simon Murray	19	–	–	–	19
Prof. Richard Wong	32	–	–	–	32
Mr. Edward Cheng	19	–	–	–	19

The discretionary bonuses paid in 2010 relate to the disposal of Orient Overseas Developments Limited group.

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

Notes to the Consolidated Accounts

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 two (2010: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: two) individuals are as follows:

US$'000	2011	2010
Basic salaries, housing allowances, other allowances and benefits in kind	**1,051**	550
Discretionary bonuses	**5,301**	1,410
Pension costs – defined contribution plans	**635**	49
	6,987	2,009

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

Emolument bands (US$)		Number of individuals 2011	2010
705,101 ~ 769,200	(HK$5,500,001 ~ HK$6,000,000)	–	2
769,201 ~ 833,300	(HK$6,000,001 ~ HK$6,500,000)	–	1
1,282,001 ~ 1,346,100	(HK$10,000,001 ~ HK$10,500,000)	–	1
1,794,801 ~ 1,858,900	(HK$14,000,001 ~ HK$14,500,000)	–	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	2011	2010
Salaries and other short-term employee benefits	**21,299**	6,259
Pension costs – defined contribution plans	**1,959**	388
	23,258	6,647

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. Save for the discretionary bonuses paid in relation to the disposal of Orient Overseas Developments Limited group, 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	2011	2010
Operating profit is arrived at after crediting:		
Operating lease rental income Land and buildings	**25,117**	24,560
and after charging:		
Depreciation		
Owned assets	**162,049**	169,029
Leased assets	**80,485**	85,981
Operating lease rental expense		
Vessels and equipment	**463,325**	353,575
Land and buildings	**27,337**	27,778
Rental outgoings in respect of an investment property	**12,579**	12,807
Amortisation of intangible assets	**13,130**	10,501
Amortisation of prepayments of lease premiums	**285**	471
Auditors' remuneration		
Audit	**2,648**	2,450
Non-audit	**1,449**	1,809

Operating lease rental expenses of US$461.8 million and US$28.9 million (2010: US$352.4 million and US$29.0 million) respectively are included in operating costs and other operating expenses in the consolidated profit and loss account.

Notes to the Consolidated Accounts

12. Finance costs

US$'000	2011	2010
Interest expense		
Bank loans and bank overdrafts		
Wholly repayable within five years	**3,948**	6,281
Not wholly repayable within five years	**9,151**	8,131
Loans from non-controlling interests		
Wholly repayable within five years	**–**	276
Finance lease obligations		
Wholly repayable within five years	**4,432**	4,014
Not wholly repayable within five years	**9,061**	11,238
	26,592	29,940
Amount capitalised under assets	**(413)**	(849)
Net interest expense	**26,179**	29,091

The borrowing cost of the loans to finance the vessels under construction (note 17) represents an average capitalisation rate of approximately 0.4% (2010: 1.2%).

13. Taxation

US$'000	2011	2010
Current taxation		
Hong Kong profits tax	**1,563**	1,313
Overseas taxation	**20,013**	19,137
	21,576	20,450
Deferred taxation		
Overseas taxation	**1,527**	8,509
	23,103	28,959

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 10% to 47% (2010: 12% to 47%) and the rate applicable for Hong Kong profits tax is 16.5% (2010: 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	2011	2010
Profit before taxation	**162,457**	898,776
Share of profits of jointly controlled entities	**(1,930)**	(1,659)
Share of profits of associated companies	**(12,108)**	(7,401)
	148,419	889,716
Tax calculated at applicable tax rates	**60,741**	171,814
Income not subject to tax	**(145,948)**	(202,051)
Expenses not deductible for tax purposes	**106,146**	61,972
Tax losses not recognised	**6,532**	771
Temporary differences not recognised	**1,120**	(124)
Utilisation of previously unrecognised tax losses	**(429)**	(4,705)
Utilisation of previously unrecognised temporary differences	**(4,767)**	593
Change in tax rates	**119**	(116)
Withholding tax	**–**	130
Other items	**(411)**	675
	23,103	28,959

Notes to the Consolidated Accounts

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	2011	2010
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's profit from continuing operations attributable to:		
Equity holders of the Company	**138,645**	862,226
Non-controlling interests	**709**	7,591
	139,354	869,817
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	**22.1**	137.8
Group's profit from discontinued operations attributable to:		
Equity holders of the Company	**43,000**	1,004,554
Earnings per share from discontinued operations attributable to equity holders of the Company (US cents)	**6.9**	160.5

15. Dividends

US$'000	2011	2010
Interim paid of US7.0 cents (2010: US11.5 cents) per ordinary share	**43,805**	72,013
Special paid of US nil cents (2010: US40.0 cents) per ordinary share	**–**	250,480
Proposed final of US nil cents (2010: US23.0 cents) per ordinary share	**–**	143,932
Proposed special of US nil cents (2010: US209.3 cents) per ordinary share	**–**	1,309,785
	43,805	1,776,210

The Board of Directors recommended no final dividend in respect of 2011 (2010: US23.0 cents per ordinary share).

16. Discontinued operations

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

US$'000	2011	2010
Group		
(i) Results		
Profit on disposal of subsidiaries	–	1,004,554
Profit from discontinued operation	–	1,004,554
(ii) Cash flows		
Investing cash flows	–	1,004,554
Total cash flows	–	1,004,554

Notes to the Consolidated Accounts

17. Property, plant and equipment

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	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

Notes to the Consolidated Accounts

17. Property, plant and equipment (Continued)

US$'000	Container vessels and capitalised dry-docking costs	Vessels under construction	Containers	Chassis	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furnitures	Vehicles, computer and other equipment	Total
Group									
Cost									
At 31st December 2009	2,645,672	822,486	1,082,035	159,614	7,143	40,047	50,124	264,619	5,071,740
Currency translation adjustments	–	–	–	16	210	1,105	1,027	1,196	3,554
Additions	11,353	201,814	116,941	75	–	2,647	778	7,604	341,212
Reclassification	804,115	(804,115)	–	–	–	–	–	–	–
Disposals	(62,361)	–	(20,510)	(6,851)	–	–	(544)	(9,905)	(100,171)
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
Accumulated depreciation									
At 31st December 2009	622,451	–	314,542	114,172	2,216	11,573	35,977	172,761	1,273,692
Currency translation adjustments	–	–	–	7	94	339	761	941	2,142
Charge for the year	126,190	–	93,286	5,523	123	1,578	5,999	22,311	255,010
Disposals	(52,648)	–	(7,935)	(4,645)	–	–	(371)	(9,277)	(74,876)
At 31st December 2010	695,993	–	399,893	115,057	2,433	13,490	42,366	186,736	1,455,968
Net book amount									
At 31st December 2010	2,702,786	220,185	778,573	37,797	4,920	30,309	9,019	76,778	3,860,367
At 31st December 2009	2,023,221	822,486	767,493	45,442	4,927	28,474	14,147	91,858	3,798,048
Net book amount of leased assets									
At 31st December 2010	1,297,779	–	285,903	–	–	–	–	563	1,584,245
At 31st December 2009	1,220,801	–	320,802	2,652	–	–	–	9,276	1,553,531

(a) The aggregate net book amount of assets pledged as securities for borrowings amounts to US$1,612.2 million (2010: US$1,463.5 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charterhire income relating to these vessels.

(b) Interest costs of US$0.4 million (2010: US$0.8 million) during the year were capitalised as part of vessels under construction.

(c) Depreciation charge of US$225.6 million (2010: US$233.7 million) for the year has been expensed in operating costs and US$16.9 million (2010: US$21.3 million) in other operating expenses.

(d) As at 31st December 2011 and 2010, the buildings outside Hong Kong are held under medium-term leasehold land.

Notes to the Consolidated Accounts

18. Investment property

US$'000	2011	2010
Group		
Balance at beginning of year	**155,000**	150,000
Fair value gain	**5,000**	5,000
Balance at end of year	**160,000**	155,000

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$160.0 million (2010: US$155.0 million), by reference to a professional valuation made by an independent valuer in December 2011 on an open market basis.

19. Prepayments of lease premiums

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

US$'000	2011	2010
Group		
Leasehold land outside Hong Kong	**10,249**	10,122
Balance at beginning of year	**10,122**	10,175
Currency translation adjustments	**412**	418
Amortisation	**(285)**	(471)
Balance at end of year	**10,249**	10,122

Amortisation of US$0.3 million (2010: US$0.5 million) is included in "other operating expenses" in the consolidated profit and loss account.

20. Subsidiaries

US$'000	2011	2010
Company		
Unlisted shares, at cost less provision	**169,487**	169,487
Non-current		
Amount due to a subsidiary	**719,724**	719,730
Current		
Amounts due from subsidiaries	**1,900,708**	3,732,353
Amounts due to subsidiaries	**812,054**	1,197,927

The amounts due from and to subsidiaries are interest free, unsecured and have no specific terms of repayment, except for amount payable of US$719.7 million (2010: US$719.7 million) which is not repayable within one year.

Particulars of the principal subsidiaries at 31st December 2011 are shown on pages 124 to 130.

Notes to the Consolidated Accounts

21. Jointly controlled entities

US$'000	2011	2010
Group		
Balance at beginning of year	6,060	5,404
Share of results		
Profit before taxation	2,225	1,868
Taxation	(295)	(209)
	7,990	7,063
Currency translation adjustments	373	230
Dividends received	(1,622)	(1,233)
Balance at end of year	6,741	6,060
Share of net assets	6,741	6,060
Amounts payable	(4,053)	(2,804)
	2,688	3,256

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

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

US$'000	2011	2010
Non-current assets	303	262
Current assets	6,979	6,341
Non-current liabilities	–	(34)
Current liabilities	(541)	(509)
	6,741	6,060
Income	7,295	5,218
Expenses	(5,365)	(3,559)

Particulars of the principal jointly controlled entities at 31st December 2011 are shown on page 131.

22. Associated companies

US$'000	2011	2010
Group		
Share of net assets		
Balance at beginning of year	66,222	59,737
Share of results		
– Profit for the year	12,108	7,401
	78,330	67,138
Currency translation adjustments	3,419	1,881
Dividend received	(6,079)	(2,797)
Balance at end of year	75,670	66,222

Notes to the Consolidated Accounts

22. Associated companies (Continued)

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

US$'000	2011	2010
Non-current assets	**122,105**	116,429
Current assets	**12,505**	5,827
Non-current liabilities	**(36,689)**	(35,968)
Current liabilities	**(22,251)**	(20,066)
	75,670	66,222
Income	**35,261**	24,904
Expenses	**(23,153)**	(17,503)

Particulars of the associated companies at 31st December 2011 are shown on page 131.

23. Intangible assets

US$'000	Computer software development costs
Group	
At 1st January 2010	
Cost	110,788
Accumulated amortisation	(57,684)
Net book amount	53,104
Year ended 31st December 2010	
Opening net book amount	53,104
Currency translation adjustments	2
Additions	4,043
Amortisation	(10,501)
Closing net book amount	46,648
At 31st December 2010	
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**

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

Amortisation of US$13.1 million (2010: US$10.5 million) is included in "other operating expenses" in the consolidated profit and loss account.

Notes to the Consolidated Accounts

24. Deferred taxation assets/(liabilities)

US$'000	2011	2010
Group		
Deferred taxation assets	**1,803**	1,778
Deferred taxation liabilities	**(41,531)**	(39,914)
	(39,728)	(38,136)

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	2011	2010
Deferred taxation assets to be recovered after more than twelve months	**247**	923
Deferred taxation liabilities to be settled after more than twelve months	**(27,001)**	(39,914)

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

US$'000	Accelerated accounting depreciation	Revenue expenditure	Tax losses	Total
Deferred taxation assets				
At 31st December 2009	–	9,776	2,935	12,711
Currency translation adjustments	–	26	(25)	1
Credited/(charged) to consolidated profit and loss account	–	405	(911)	(506)
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**

US$'000	Accelerated tax depreciation	Revaluation	Pensions	Revenue expenditure	Total
Deferred taxation liabilities					
At 31st December 2009	18,360	17,648	4,766	1,787	42,561
Currency translation adjustments	(35)	–	(173)	(14)	(222)
Charged/(credited) to consolidated profit and loss account	1,123	5,822	1,913	(855)	8,003
At 31st December 2010	19,448	23,470	6,506	918	50,342
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**	**25,745**	**5,984**	**4,128**	**54,793**

Deferred taxation assets of US$25.6 million (2010: US$16.7 million) arising from unused tax losses of US$102.8 million (2010: US$73.2 million) have not been recognised in the consolidated accounts. Unused tax losses of US$98.2 million (2010: US$57.5 million) have no expiry date and the remaining balance will expire at various dates up to and including 2016.

Deferred taxation liabilities of US$27.2 million (2010: US$28.3 million) on temporary differences associated with investments in subsidiaries of US$183.8 million (2010: US$189.2 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.

Notes to the Consolidated Accounts

25. Pension and retirement benefits

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$22.5 million (2010: US$27.2 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong and the USA. These schemes cover approximately 88% 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	2011	2010
Group		
Contributions to the schemes	**21,926**	25,394
Forfeitures utilised	**(260)**	(96)
	21,666	25,298

Contributions totalling US$11.7 million (2010: US$12.8 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	2011	2010
Group			
Schemes assets		**38,452**	29,692
Schemes liabilities		**(2,427)**	(2,493)
Net Schemes assets	(a)	**36,025**	27,199
Representing:			
Pension and retirement assets		**38,452**	29,692
Pension and retirement liabilities		**(2,427)**	(2,493)
		36,025	27,199

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

US$'000	Note	2011	2010
Schemes	(a)	**811**	1,861

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.

Notes to the Consolidated Accounts

25. Pension and retirement benefits (Continued)

(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	2011	2010
Fair value of plan assets	231,135	233,697
Present value of funded obligations	(216,731)	(229,496)
	14,404	4,201
Unrecognised actuarial losses	21,621	22,998
Net schemes assets	36,025	27,199

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

US$'000	2011	2010
Balance at beginning of year	233,697	225,993
Currency translation adjustments	236	(6,814)
Expected return on plan assets	13,375	12,732
Actuarial gains	3,457	10,327
Contributions from the Group	11,106	5,869
Contributions from plan members	123	151
Benefits paid	(13,386)	(14,561)
Transfer out (note)	(17,473)	–
Balance at end of year	231,135	233,697

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

US$'000	2011	2010
Balance at beginning of year	229,496	237,837
Currency translation adjustments	(272)	(7,190)
Current service cost	2,832	2,744
Interest cost	11,354	11,849
Actuarial losses/(gains)	3,619	(1,334)
Contributions from the plan members	123	151
Benefits paid	(12,850)	(14,561)
Transfer out (note)	(17,571)	–
Balance at end of year	216,731	229,496

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

Notes to the Consolidated Accounts

25. Pension and retirement benefits (Continued)

(a) Net schemes assets (Continued)

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

US$'000	2011	2010
Current service cost	2,832	2,744
Interest cost	11,354	11,849
Expected return on plan assets	(13,375)	(12,732)
Net expense recognised for the year	811	1,861

Charges of US$0.8 million (2010: US$1.9 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:

	2011	2010
Discount rate	5%	2 to 5%
Expected return on plan assets	5%	1 to 6%
Expected future salary increases	4%	4 to 5%
Expected future pension increases	3%	3%
Actual return on plan assets (US$'000)	17,725	23,068

Plan assets of the schemes comprise the following:

US$'000	2011		2010	
Equity	77,719	33%	84,341	36%
Debt	152,321	66%	134,267	58%
Others	1,095	1%	15,089	6%
	231,135	100%	233,697	100%

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

(b) The experience adjustments of 2009 to 2011 are as follows:

US$'000	2011	2010	2009
Fair value of plan assets	231,135	233,697	225,993
Present value of defined benefit obligations	(216,731)	(229,496)	(237,837)
Plan surplus/(deficit)	14,404	4,201	(11,844)
Experience adjustment on plan assets	(3,457)	(10,516)	(8,798)
Percentage of plan assets (%)	(1.5%)	(4.5%)	(3.9%)
Experience adjustment on plan obligations	(3,619)	(1,869)	(625)
Percentage of plan obligations (%)	(1.7%)	(0.8%)	(0.3%)

Notes to the Consolidated Accounts

26. Restricted bank balances

US$'000	2011	2010
Group		
Non-current	11,728	4,648
Current	543	1,206
Restricted bank balances	12,271	5,854

As at 31st December 2011, the restricted bank balances of US$12.3 million (2010: US$5.9 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 (2010: US dollar).

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

US$'000	2011	2010
Group		
AA	416	222
A	11,855	5,632
	12,271	5,854

US$'000	2011	2010
Company		
Restricted bank balances – current	365	197

27. Other non-current assets

US$'000	Note	2011	2010
Group			
Available-for-sale financial assets	(a)	130,566	118,275
Held-to-maturity investments	(b)	182,092	121,737
Loan to an investee company	(c)	–	71,100
Other deposit		11,825	11,825
Others		11,454	10,064
		335,937	333,001

(a) Available-for-sale financial assets

US$'000	2011	2010
Group		
Balance at beginning of year	118,275	48,206
Currency translation adjustments	(5)	191
Additions	–	343
Disposals	(1,532)	(2,399)
Change in fair value transferred to equity	13,828	71,934
Balance at end of year	130,566	118,275

Notes to the Consolidated Accounts

27. Other non-current assets (Continued)

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

Available-for-sale financial assets include the following:

US$'000	2011	2010
Listed equity securities		
Hong Kong	697	1,948
Overseas	8	8
Market value of listed equity securities	705	1,956
Unlisted equity securities	128,300	114,340
Others	1,561	1,979
	130,566	118,275

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

US$'000	2011	2010
Renminbi	128,300	114,300
Hong Kong dollar	1,879	3,100
Other currencies	387	875
	130,566	118,275

(b) Held-to-maturity investments

US$'000	2011	2010
Group		
Listed debt securities		
Hong Kong	119,196	80,321
Overseas	61,800	41,416
	180,996	121,737
Unlisted debt securities		
Hong Kong	1,096	–
	182,092	121,737
Market value	185,694	123,463

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

US$'000	2011	2010
Balance at beginning of year	121,737	79,038
Additions	85,170	72,776
Disposals/redemption on maturity	(13,737)	(30,217)
Reclassification	(11,093)	–
Amortisation	15	140
Balance at end of year	182,092	121,737

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

Notes to the Consolidated Accounts

27. Other non-current assets (Continued)

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

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	2011	2010
AAA	8,053	9,470
AA	22,781	5,949
A	71,321	39,006
BBB	53,511	46,150
Non-ranking	26,426	21,162
	182,092	121,737

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

(c) Loan to an investee company

The loan represented equity funding to the investee company and was interest free, unsecured and had no specific terms of repayment. The loan was fully repaid during the year.

28. Inventories

US$'000	2011	2010
Group		
Bunker	136,736	85,142
Consumable stores	13,391	11,123
	150,127	96,265

The cost of inventories recognised as expense and included in operating costs amounts to US$1,211.6 million (2010: US$856.5 million).

29. Debtors and prepayments

US$'000	2011	2010
Group		
Trade receivables		
– Fully performing	195,947	207,356
– Past due but not impaired	95,263	90,206
– Impaired and provided for	5,373	4,597
	296,583	302,159
Less: provision for impairment	(5,373)	(4,597)
Trade receivables – net	291,210	297,562
Other debtors	64,417	60,146
Other prepayments	90,147	77,467
Utility and other deposits	7,570	7,139
Tax recoverable	17,250	12,683
	470,594	454,997

Notes to the Consolidated Accounts

29. Debtors and prepayments (Continued)

The credit quality of trade receivables 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	2011	2010
Group		
Counterparties with external credit rating		
A	**25,833**	13,429
BB	**3,337**	9,159
BBB	**7,739**	4,265
	36,909	26,853
Counterparties without external credit rating		
Group 1	**13,207**	13,990
Group 2	**240,556**	255,486
Group 3	**538**	1,233
	254,301	270,709
	291,210	297,562

Note:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

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. Trade receivables with overdue balances 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. The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the due date of invoices, is as follows:

US$'000	2011	2010
Below one month	**270,539**	283,418
Two to three months	**18,108**	13,539
Four to six months	**2,563**	605
	291,210	297,562

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	2011	2010
US dollar	**91,987**	89,143
Canadian dollar	**16,541**	19,678
Euro	**50,625**	51,804
Japanese yen	**12,922**	17,494
Hong Kong dollar	**5,313**	5,831
Renminbi	**34,595**	37,217
Other currencies	**79,227**	76,395
	291,210	297,562

Notes to the Consolidated Accounts

29. Debtors and prepayments (Continued)

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

US$'000	2011	2010
Group		
Balance at beginning of year	4,597	5,664
Provision	2,010	1,164
Write off	(797)	(821)
Unused amounts reversed	(437)	(1,410)
Balance at end of year	5,373	4,597

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

30. Portfolio investments

US$'000	2011	2010
Group		
Listed equity securities		
Hong Kong	20,729	26,981
Overseas	535	531
Market value of listed equity securities	21,264	27,512
Unit trust	4,153	4,907
Listed debt securities		
Hong Kong	25,329	33,389
Overseas	67,662	85,544
Unlisted debt securities		
Hong Kong	644	–
Others	128	96
	119,180	151,448

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	2011	2010
Group		
AAA	–	7,326
AA	–	5,849
A	49,059	63,054
BBB	27,118	29,720
BB	10,839	1,818
Non-ranking	5,975	11,166
	92,991	118,933

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

Notes to the Consolidated Accounts

31. Derivative financial instruments

US$'000	2011	2010
Assets		
Non-current assets		
Interest rate swap contracts	7,983	5,672
Current assets		
Interest rate swap contracts	–	155
Liabilities		
Non-current liabilities		
Interest rate swap contract	(4,328)	(3,353)
Foreign exchange forward contract	(6,030)	(6,804)
	(10,358)	(10,157)

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	2011	2010
AA	7,983	5,827

(a) Foreign exchange forward contract

The notional principal amount of the outstanding foreign exchange forward contract at 31st December 2011 was US$33.9 million (2010: US$38.8 million).

(b) Interest rate swap contracts

The notional amounts of the outstanding interest rate swap contracts at 31st December 2011 were US$135.2 million (2010: US$260.2 million).

US$'000	2011	2010
Company		
Non-current liability		
Interest rate swap contract	(4,328)	(3,353)

32. Cash and bank balances

US$'000	2011	2010
Group		
Short-term bank deposits		
– Maturing within three months from the date of placement	1,539,404	856,032
Cash at bank and in hand	369,986	357,329
	1,909,390	1,213,361
Short-term bank deposits		
– Maturing more than three months from the date of placement	189,494	2,638,541
	2,098,884	3,851,902

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

Notes to the Consolidated Accounts

32. Cash and bank balances (Continued)

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

US$'000	2011	2010
Group		
AAA	3,286	5,660
AA	1,239,660	1,833,716
A	813,456	2,001,061
BBB	35,509	6,123
BB	4,436	1,187
Others	2,537	4,155
	2,098,884	3,851,902

US$'000	2011	2010
Company		
Short-term bank deposits		
– Maturing within three months from the date of placement	41,088	71,090
Cash at bank and in hand	898	25,165
Total cash and bank balances	41,986	96,255

33. Share capital

US$'000	2011	2010
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 2010 and 2011	625,793	62,579

Notes to the Consolidated Accounts

34. Reserves

Group

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Assets revaluation reserve: Vessels	Assets revaluation reserve: Available-for-sale financial assets	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2009	172,457	88,547	4,696	1,915	44,398	44,563	3,525,529	3,882,105
Total comprehensive income/(loss) for the year	–	–	–	(1,915)	70,620	6,851	1,866,780	1,942,336
Acquisition of non-controlling interests	–	–	–	–	–	–	8,205	8,205
2010 interim dividend	–	–	–	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	–	–	–	(250,480)	(250,480)
Balance at 31st December 2010	172,457	88,547	4,696	–	115,018	51,414	5,078,021	5,510,153
Total comprehensive income for the year	–	–	–	–	13,160	6,531	181,645	201,336
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**	**3,760,746**	**4,212,569**

Company

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2009	172,457	88,547	4,696	950,933	1,216,633
Total comprehensive income for the year	–	–	–	1,075,139	1,075,139
2010 interim dividend	–	–	–	(72,013)	(72,013)
2010 special dividend	–	–	–	(250,480)	(250,480)
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
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**

The profit attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of US$41.5 million (2010: profit of US$1,075.1 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$334.7 million as at 31st December 2011 (2010: US$1,792.1 million).

Notes to the Consolidated Accounts

35. Borrowings

US$'000	2011	2010
Group		
Non-current		
Bank loans		
– Secured	954,208	851,177
– Unsecured	42,151	74,459
Finance lease obligations	1,236,736	1,490,731
	2,233,095	2,416,367
Current		
Bank overdrafts, unsecured	236	78
Bank loans		
– Secured	152,829	117,621
– Unsecured	32,307	32,310
Finance lease obligations	253,739	97,746
	439,111	247,755
Total borrowings	2,672,206	2,664,122

The maturity of borrowings is as follows:

			Finance leases	
US$'000	Bank loans	Bank overdrafts	Present value	Minimum payments
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	
As at 31st December 2010				
2011	149,931	78	97,746	112,944
2012	153,474	–	253,304	267,528
2013	88,669	–	142,180	154,611
2014	53,352	–	46,570	59,171
2015	10,930	–	47,411	60,038
2016 onwards	619,211	–	1,001,266	1,120,615
	1,075,567	78	1,588,477	1,774,907
Wholly repayable within five years	297,873	78	358,037	
Not wholly repayable within five years	777,694	–	1,230,440	
	1,075,567	78	1,588,477	

Borrowings are secured by property, plant and equipment of the Group (note 17).

Notes to the Consolidated Accounts

35. Borrowings (Continued)

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

	2011			2010		
	US$	£	Others	US$	£	Others
Bank loans	**1.4%**	**–**	**–**	1.1%	–	–
Finance lease obligations	**0.7%**	**1.3%**	**3.5%**	0.5%	1.1%	3.5%

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

	Carrying amounts		Fair values	
US$'000	2011	2010	2011	2010
Bank loans	**996,359**	925,636	**997,157**	929,479
Finance lease obligations	**1,236,736**	1,490,731	**1,236,736**	1,490,731
	2,233,095	2,416,367	**2,233,893**	2,420,210

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.4% (2010: 2.3%).

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	2011	2010
US dollar	**2,641,017**	2,628,835
Pound sterling	**31,082**	35,284
Other currencies	**107**	3
	2,672,206	2,664,122

The fixed interest rate borrowings of the Group as at 31st December 2011 amounted to US$51.2 million (2010: US$58.3 million). The remaining borrowings of US$2,621.0 million (2010: US$2,605.8 million) were subject to floating interest rates.

36. Creditors and accruals

US$'000	2011	2010
Group		
Trade payables	**247,575**	198,514
Other creditors	**82,209**	62,532
Accrued expenses	**342,915**	461,620
Deferred revenue	**36,750**	35,546
	709,449	758,212

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

US$'000	2011	2010
Below one month	**178,514**	131,765
Two to three months	**64,935**	61,882
Four to six months	**3,416**	4,697
Over six months	**710**	170
	247,575	198,514

36. Creditors and accruals (Continued)

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

US$'000	2011	2010
US dollar	116,281	79,885
Canadian dollar	11,590	11,115
Euro	14,098	13,398
Japanese yen	28,000	25,295
Hong Kong dollar	18,909	14,994
Renminbi	31,498	25,913
Other currencies	27,199	27,914
	247,575	198,514

37. Commitments

Group

(a) Capital commitments – Property, plant and equipment

US$'000	2011	2010
Contracted but not provided for	1,595,176	690,422
Authorised but not contracted for	284,447	229,735
	1,879,623	920,157

(b) Operating lease commitments

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

US$'000	Vessels and equipment	Land and buildings	Total
As at 31st December 2011			
2012	196,097	27,725	223,822
2013	148,235	17,928	166,163
2014	137,718	11,158	148,876
2015	88,216	2,652	90,868
2016	74,449	2,421	76,870
2017 onwards	354,364	356	354,720
	999,079	62,240	1,061,319
As at 31st December 2010			
2011	186,026	26,446	212,472
2012	108,044	15,692	123,736
2013	98,461	7,580	106,041
2014	96,415	4,098	100,513
2015	86,859	615	87,474
2016 onwards	426,136	158	426,294
	1,001,941	54,589	1,056,530

Notes to the Consolidated Accounts

37. Commitments (Continued)

Group (Continued)

(c) Operating lease rental receivable

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

US$'000	2011	2010
2011	–	22,857
2012	**23,801**	22,366
2013	**78,091**	20,231
2014	**102,987**	19,138
2015	**98,971**	15,180
2016	**42,960**	13,943
2017 onwards	**45,975**	30,975
	392,785	144,690

38. Financial guarantees

Group

The Group has not given any corporate guarantee as at 31st December 2011 (2010: nil).

Company

(a) The Company has given corporate guarantees of approximately US$3,147.4 million (2010: US$2,790.6 million) for its subsidiaries. As at 31st December 2011, the amounts utilised by the subsidiaries were US$2,677.8 million (2010: US$2,669.9 million).

(b) The Company has given corporate guarantees for its subsidiaries in respect of future payment of operating lease rentals amounting to US$407.8 million (2010: US$452.8 million).

(c) The Company has given corporate guarantees of approximately US$369.9 million (2010: US$394.1 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.

39. Notes to consolidated cash flow statement

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

US$'000	2011	2010
Operating profit from continuing operations	**174,598**	918,807
Write back of provision	**43,000**	–
Interest income from banks	**(21,170)**	(18,526)
Interest income from portfolio and held-to-maturity investments	**(12,942)**	(8,151)
Dividend income from portfolio investments	**(794)**	(622)
Depreciation	**242,534**	255,010
Fair value gain from an investment property	**(5,000)**	(5,000)
Loss/(profit) on disposal of property, plant and equipment	**11,211**	(6,924)
Dividend income from available-for-sale financial assets	**(12,137)**	(7)
Profit on disposal of available-for-sale financial assets	**(696)**	(1,314)
Gain on disposal of held-to-maturity investments	**(572)**	(2,044)
Amortisation of intangible assets	**13,130**	10,501
Amortisation of prepayments of lease premiums	**285**	471
Net (gain)/loss on derivative financial instruments	**(1,707)**	853
Change in net pension assets/liabilities	**(8,826)**	(3,116)
Operating profit before working capital changes	**420,914**	1,139,938
Increase in inventories	**(53,862)**	(12,704)
Increase in debtors and prepayments	**(12,843)**	(71,547)
(Decrease)/increase in creditors and accruals	**(45,639)**	156,703
Settlement of derivative financial instruments	**(248)**	332
Cash generated from operations	**308,322**	1,212,722

Notes to the Consolidated Accounts

39. Notes to consolidated cash flow statement (Continued)

(b) Disposal of subsidiaries

US$'000	2011	2010
Net assets disposed		
Property, plant and equipment	–	104,010
Prepayments of lease premiums	–	3,467
Goodwill	–	23,599
Jointly controlled entities	–	9,804
Deferred tax assets	–	592
Inventories	–	218
Properties under development and for sale	–	855,886
Debtors and prepayments	–	8,554
Cash and bank balances	–	262,124
Total assets	–	1,268,254
Borrowings, secured	–	(87,565)
Deferred taxation liabilities	–	(11,377)
Creditors and accruals	–	(39,639)
Amount due to a jointly controlled entity	–	(1,800)
Current taxation	–	(2,025)
Total liabilities	–	(142,406)
Net assets	–	1,125,848
Profit on disposal of subsidiaries	–	1,004,554
Cash consideration, net	–	2,130,402

(c) Major non-cash transactions

There are no major non-cash transactions during the year. During 2010, major non-cash transactions included the inception of finance leases of US$126.1 million.

(d) Analysis of cash and cash equivalents

US$'000	2011	2010
Bank balances and deposits maturing within three months from the date of placement	**1,909,390**	1,213,361
Bank overdrafts	**(236)**	(78)
	1,909,154	1,213,283

40. Approval of accounts

The accounts were approved by the Board of Directors on 9th March 2012.

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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	Terminal operating	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
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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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. 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. 1 Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 3 Shipping Inc.	100	500 ordinary shares of no par value US$5,000	Ship owning	Liberia †	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
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

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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. 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
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
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares of RM1 each RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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 (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
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares of A$1 each A$200,000	Liner agency	Australia	Australia
OOCL (Canada) Inc.	100	10,000 common stock of no par value C$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	China
OOCL (Denmark) A/S	100	1,000 ordinary shares of DKK500 each DKK500,000	Liner agency	Denmark	Northern Europe
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
OOCL (Japan) Ltd.	100	160,000 ordinary shares of Yen500 each Yen80,000,000	Liner agency	Japan	Japan
OOCL (Korea) Ltd.	100	16,000 common stock of Won10,000 each Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd.	100	2 ordinary shares of HK$1 each HK$2	Investment holding	Hong Kong	Hong Kong

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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) Holdings Ltd.	100	10,000 ordinary shares of US$1 each US$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Philippines) Inc.	100	55,000 common stock of Peso100 each Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Portugal), Lda	100 100	1 quota of €178,819 each 1 quota of €500 each €179,319	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
OOCL (UK) Ltd.	100	3,100,000 ordinary shares of £10 each £31,000,000	Liner agency	United Kingdom	United Kingdom
OOCL (USA) Inc.	100	1,030 common stock of US$1 each US$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	51	Legal capital US$500,000	Liner agency	Vietnam	Vietnam
OOCL BENELUX	100	226,271 ordinary shares of no par value €609,799	Liner agency	Belgium	Belgium
OOCL China Domestics Ltd.	100	Registered capital RMB21,250,000	Freight agency and cargo consolidation	China ±	China
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, 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 (Canada) Ltd.	100	1,000 common stock of C$1 each C$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada

Principal Subsidiaries, Associated Companies and Jointly Controlled Entities

As at 31st December 2011

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 (China) Ltd.	100	Registered capital US$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd.	100	2 ordinary shares of £1 each £2	Logistics, cargo consolidation and forwarding	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd.	100	50,000 ordinary shares of HK$10 each HK$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd.	100	35,000 equity shares of Rupees100 each Rupees3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd.	100	200 ordinary shares of Yen50,000 each Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd.	100	30,000 common stock of Won10,000 each Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics (Singapore) Pte Ltd.	100	2 ordinary shares of S$1 each S$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (Taiwan) Ltd.	100	4,250,000 ordinary shares of NT$10 each NT$42,500,000	Logistics, cargo consolidation and forwarding	Taiwan	Taiwan
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 Limited	100	10,000 ordinary shares of US$1 each US$10,000	Investment holding	British Virgin Islands	Hong Kong
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	China *	China
# OOIL (Investments) Inc.	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 2011

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 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
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 2011

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 RMB624,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co. Ltd.	20	Registered capital US$160,000,000	Terminal operating	China §	China
Jointly controlled entities					
OOCL (UAE) LLC	49	300 ordinary shares of AED1,000 each AED300,000	Liner agency	Dubai	Dubai
Qingdao Orient International Container Storage & Transportation Co. Ltd.	59	Registered capital RMB69,900,000	Container depot	China §	China

\# *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.*

10-Year Financial Summary

US$'000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Consolidated Profit and Loss Data										
Revenue	2,457,952	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
Operating profit/(loss)	90,846	359,384	729,008	693,563	621,364	687,437	397,764	(332,237)	918,807	174,598
Finance costs	(30,634)	(18,740)	(43,787)	(55,744)	(71,721)	(99,078)	(81,016)	(35,347)	(29,091)	(26,179)
Profit/(loss) before taxation	62,902	353,306	696,337	644,685	553,218	592,024	322,546	(361,870)	898,776	162,457
Profit/(loss) for the year from continuing operations	51,948	329,161	670,598	615,198	528,335	553,749	297,569	(376,104)	869,817	139,354
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	51,948	329,161	670,598	651,291	581,140	2,548,402	275,529	(400,605)	1,874,371	182,354
Profit/(loss) attributable to ordinary shareholders	51,738	329,044	670,449	650,854	580,603	2,546,979	272,337	(402,294)	1,866,780	181,645
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	8.3	53.9	108.5	98.2	84.4	88.3	47.1	(60.4)	137.8	22.1
from discontinued operations	–	–	–	5.8	8.4	318.7	(3.6)	(3.9)	160.5	6.9
Dividends (US cents)	2.06	13.76	27.27	27.00	103.00	103.00	11.00	–	283.80	7.00
Weighted average number of ordinary shares in issue ('000)	625,742	610,486	618,024	625,793	625,793	625,793	625,793	625,793	625,793	625,793
Consolidated Balance Sheet Data										
Property, plant and equipment	1,342,438	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
Liquid assets	412,446	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
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	(341,356)	(422,020)	(227,924)	(165,629)	56,348	75,034	342,756	(582,807)	(472,500)	(539,080)
Total assets	2,189,340	2,754,910	4,014,602	4,814,916	5,600,003	7,213,644	7,701,635	7,330,174	9,072,379	7,729,046
Long-term debt	682,759	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
Total long and short-term debt	895,608	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
Net debt/(liquid assets)	483,162	417,356	476,488	552,013	900,874	(38,681)	295,059	1,213,635	(1,468,775)	259,074
Ordinary shareholders' equity	860,443	1,110,754	1,809,409	2,284,330	2,727,206	4,176,368	4,387,071	3,944,684	5,572,732	4,275,148
Other Financial Information										
Depreciation	101,948	114,740	144,860	157,302	178,761	173,988	181,898	207,275	255,010	242,534
Capital expenditure	89,873	437,801	806,491	635,494	633,128	752,903	650,568	380,161	345,255	744,603
Consolidated Financial Ratios/ Percentages										
Debt to equity ratio	1.04	0.99	0.87	0.80	0.76	0.53	0.54	0.65	0.48	0.63
Net debt/(cash) to equity ratio	0.56	0.38	0.26	0.24	0.33	(0.01)	0.07	0.31	(0.26)	0.06
Return/(loss) on average ordinary shareholders' equity (%)	6.2	33.4	45.9	31.8	23.2	73.8	6.4	(9.7)	39.2	3.7
Accounts payable as a % of revenue	15.6	15.0	13.4	13.9	12.2	13.3	12.8	13.8	12.6	11.8
Accounts receivable as a % of revenue	7.9	7.6	8.7	9.6	8.3	12.3	6.7	8.7	7.5	7.8
Net asset value per ordinary share (US$)	1.37	1.95	2.89	3.65	4.36	6.67	7.01	6.30	8.91	6.83

Note: The results of discontinued operations prior to 2008 have not been restated or reclassified.

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2011.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
OOCL America	5,344	Owned	Asia-Europe	1995	24.6	Hong Kong
OOCL Australia	4,583	Owned	Intra-Asia	2006	24.2	Hong Kong
OOCL Beijing	8,888	Owned	Asia-Europe	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	Trans-Pacific	2000	24.6	Hong Kong
OOCL China	5,344	Owned	Asia-Europe	1996	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 Hong Kong	5,344	Owned	Trans-Pacific	1995	24.6	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	25.2	Hong Kong
OOCL Nagoya	4,578	Owned	Trans-Atlantic	2009	24.5	Hong Kong
OOCL New York (Note)	5,560	Owned	N/A	1999	24.9	Germany
OOCL Norfolk	4,578	Owned	Trans-Atlantic	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 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	25.2	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	Trans-Pacific	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	Asia-Europe	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	Trans-Pacific	2007	25.2	Hong Kong
OOCL Yokohama	4,578	Finance Lease	Asia-Australia	2007	24.5	Hong Kong
Alana	1,008	Chartered	Intra-Europe	2004	18	Liberia
Annika	1,031	Chartered	Intra-Asia	2008	17	Liberia
Berlin Express (Note)	7,506	Chartered	Trans-Pacific	2001	21.7	Germany
Bremen Express (Note)	7,859	Chartered	Asia- Europe	2008	20	Germany
Carla Rickmers	1,216	Chartered	Intra-Asia	2000	19	Marshall Islands
CSAV La Ligua	4,256	Chartered	Trans-Pacific	2010	24.5	Germany
Dalian Express (Note)	7,506	Chartered	Trans-Pacific	2010	21.7	Germany
Far Colombo	1,510	Chartered	Intra-Asia	2010	18	Singapore
Grete Sibum	1,036	Chartered	Intra-Europe	2008	18	Cyprus
Hansa Calypso	1,645	Chartered	Intra-Asia	2009	18	Liberia
Hansa Centaur	1,645	Chartered	Intra-Asia	1997	18	Liberia
Hong Kong Express (Note)	7,506	Chartered	Trans-Pacific	2010	21.7	Germany

Fleet and Container Information

Fleet (Continued)

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	SERVICE SPEED IN KNOTS	FLAG
Irenes Reliance	2,824	Chartered	Intra-Asia	2005	22	Greece
Japan (ex. OOCL Japan) (Note)	5,344	Chartered	N/A	1996	22	Hong Kong
King Bruce	1,710	Chartered	Intra-Asia	2009	19.8	Marshall Islands
Larentia	2,702	Chartered	Intra-Asia	2005	19	Liberia
Lisa Schulte	3,534	Chartered	Asia-Australia	2005	23.8	Cyprus
Main Trader	2,702	Chartered	Intra-Asia	2008	19	Liberia
Mare Atlanticum	4,038	Chartered	Trans-Pacific	2000	21	Antigua & Barbuda
MOL Expeditor	4,646	Chartered	Asia-Australia	2003	20	Panama
Nordic Philip	1,036	Chartered	Intra-Europe	2010	18	Cyprus
NYK Lodestar	6,200	Chartered	Trans-Pacific	2001	20	Panama
NYK Lynx	6,200	Chartered	Trans-Pacific	2001	20	Panama
Olivia	2,702	Chartered	Intra-Asia	2007	19	Liberia
OOCL Antwerp	5,888	Chartered	Trans-Pacific	2006	25	Panama
OOCL Britain	5,344	Chartered	Trans-Pacific	1996	22	Hong Kong
Canada Express (ex. OOCL Dubai) (Note)	5,888	Chartered	N/A	2006	25	Hong Kong
OOCL Finland	1,008	Chartered	Intra-Europe	2006	18	United Kingdom
Vietnam Express (ex. OOCL Italy) (Note)	5,888	Chartered	N/A	2007	25	Hong Kong
OOCL Kaohsiung	5,888	Chartered	Trans-Pacific	2006	25	Hong Kong
OOCL Kuala Lumpur	5,888	Chartered	N/A	2007	25	Hong Kong
OOCL Netherlands	5,390	Chartered	Asia- Europe	1997	22	Hong Kong
OOCL Oakland	5,888	Chartered	Trans-Pacific	2007	25	Panama
Thailand Express (ex. OOCL Seattle) (Note)	5,888	Chartered	N/A	2007	25	Panama
OOCL Shanghai	5,560	Chartered	Trans-Pacific	1999	24.9	Germany
OOCL St Petersburg	1,008	Chartered	Intra-Europe	2005	18	The Netherlands
OOCL Taichung	1,560	Chartered	Intra-Asia	2008	18.5	Hong Kong
Italy Express (ex.OOCL Vancouver) (Note)	5,888	Chartered	N/A	2006	25	Panama
Passat Breeze	2,732	Chartered	Asia-Australia	2005	20	Liberia
Patricia Schulte	2,824	Chartered	Intra-Asia	2006	22	Germany
Phoenix J	1,036	Chartered	Intra-Europe	2010	17	Antigua & Barbuda
Pona	2,741	Chartered	Intra-Asia	2007	19	Liberia
RBD Esperanza	698	Chartered	Intra-Asia	2009	17	Cyprus
San Clemente	1,512	Chartered	Intra-Asia	2010	19	Liberia
Shanghai Express (Note)	7,506	Chartered	Trans-Pacific	2010	21.7	Germany
Singapore (ex.OOCL Singapore) (Note)	5,390	Chartered	N/A	1996	22	Hong Kong
Teng Yun He	1,702	Chartered	Intra-Asia	2009	20	China
Thorscape	2,908	Chartered	Intra-Asia	1997	19	Cyprus
Valdivia	1,853	Chartered	Asia-Australia	2006	21	Marshall Islands
Venus C	816	Chartered	Intra-Asia	1989	14	Liberia
WMS Vlissingen	698	Chartered	Intra-Asia	2009	17	Cyprus
TOTAL 96 VESSELS	**461,524**					

Note: As at 31st December 2011, Vietnam Express (ex.OOCL Italy), Thailand Express (ex.OOCL Seattle), Italy Express (ex.OOCL Vancouver), Canada Express (ex.OOCL Dubai), OOCL New York, Japan (ex.OOCL Japan) and Singapore (ex.OOCL Singapore) were chartered out to Hapag Lloyd AG; and Hong Kong Express, Dalian Express, Berlin Express, 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 497,292 units (792,940 TEU) as of 31st December 2011. Approximately 69.8% 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 2011 the Group owned, purchased on finance lease terms or leased under operating lease terms 12,930 trailer chassis.

Terminal Information

Long Beach Container Terminal, Inc. (LBCTI)

Location:

Long Beach, California, USA

Status of Terminal:

A 100 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.

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 modernized since 2002. Further enhancements are currently under way.

Equipment/Facilities:

Two container-vessel berths (680 meters long) on a total of approximately 56 acres operating on a 24-hour, 7-days a week basis for vessel and gate activities; six Post-Panamax quay cranes including four with 19 rows and twin-20 ft lifting capacity; 18 rail-mounted gantry cranes; five empty stackers and various shipside handling equipment.

To enhance services and improve efficiency, two gantry cranes will be upgraded with two Super Post-Panamax ones and they will be completed and in operation by July, 2012. This will be complemented by a berth extension of 75 meters thus allowing KAOCT the capability to handle two 10,000 TEU+ mega vessels at the same time. This terminal upgrade will increase KAOCT's productivity by 8-10% and help shorten vessel berthing hours for bunker savings and thus reduce carbon emissions.

Building Facilities (approximate area):

2,174 sqm new 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

Corporate Information

Executive Directors

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

Non-Executive Director

Professor Roger KING

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

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Mr. Kenneth Gilbert CAMBIE
Ms. LEE Chee Fun Lammy

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Listing Exchange

The Stock Exchange of Hong Kong Limited
Stock Code: 316

Website

http://www.ooilgroup.com

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HSBC Holdings plc
HSH Nordbank
Industrial and Commercial Bank of China (Asia) Limited
National Australia Bank Limited
Oversea-Chinese Banking Corporation Limited
Scotiabank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
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