



中遠海運國際(香港)有限公司
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

Corporate Governance Statement of Policy

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Corporate Governance Statement of Policy

1. INTRODUCTION

The board of directors (the “Board”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company”) adopted the Corporate Governance Statement of Policy on 3rd March 2005 for the purpose of giving appropriate guidance on how the corporate governance principles are applied and promoted in the Company.

2. BOARD OF DIRECTORS

2.1 Mission

The Board takes shareholders’ interests as its priority in maintaining and growing a successful development of business so as to achieve consistent long-term financial returns. The Board is responsible for formulating the management direction of the Company and its subsidiaries (the “Group”) and are managed in such a way as to achieve this objective. The Board’s responsibility is, firstly, to formulate strategy of the Group and, secondly, to monitor and implement operating and financial performance in pursuit of the Group’s strategic objectives.

2.2 Duties

- The Board represents shareholders in managing the affairs of the Company with a mission of maximizing the shareholders’ investment return and promoting the Company’s long-term value.
- The Board shall formulate the Company’s operational strategies and management policies and establish good corporate governance functions and internal control system to ensure proper operation and management of the Company’s business.
- Regularly reviewing the contribution required from a director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.
- The Board shall convene regular meetings (at least four times a year) to discuss and review the Company’s important issues and the Managing Director shall be delegated by the Board to be responsible for the daily management of the business of the Company.

- Each member of the Board shall act with highest integrity and exercise diligence in the performance of their duties being directors, avoid conflict of interests between the individual and the Company and jointly and severally be accountable to all shareholders for managing the Company.

2.3 Composition of the Board

- The Board will act in response to the needs of business and policies of the Company, reviewing the composition of the Board, the professional skills, diversity of knowledge and experience required by the executive, non-executive and independent non-executive directors.
- The Board members should have the required expertise, experience and integrity to manage and develop the Company's businesses.
- The proportion of independent non-executive directors of the Company should be at least one-third of the Board which serves to enhance the Board's independence in reviewing the management performance.
- Each member of the Board must take shareholders' interest as its priority in making business decisions.
- Biographical details of each member of the Board are included in the Company's annual report and posted on the Company's website. An updated list of the directors identifying their role and function and whether they are independent non-executive directors should also be maintained on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.4 Availability of Information and Access to Independent Professional Advice by the Directors

- The Chairman has a responsibility to provide the Board all information so as to enable the directors to discharge their responsibilities.
- The Board shall be provided in the timely manner with all material information about the business, performance and projects of the Group, particularly including any significant variances from a planned course of action.
- The directors (including directors serving the Board Committees) shall in accordance with the circumstances and needs seek for independent professional advice at the Company's expense.
- Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, financial position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties.

2.5 Appointment and Re-election

- The appointment of a new director is a matter for consideration by the Nomination Committee and decision by the Board in accordance with the terms set out in the “Director Appointment Policy” adopted by the Company and the newly appointed director shall retire from office in the next general meeting or annual general meeting in accordance with the bye-laws of the Company and shall be eligible for re-election.
- The Board must consider every proposed appointee’s knowledge, experience and their possible contribution to the Company before his/her appointment as the Company’s director.
- Newly appointed directors shall be provided a comprehensive information package containing an introduction on the operation of the Group, the director’s responsibilities and duties and other statutory requirements upon his appointment.
- According to the bye-laws of the Company, all directors of the Company shall be subject to retirement by rotation at least once every three years notwithstanding any contractual or other terms on which any director of the Company may be appointed or engaged.

2.6 Directors’ Training

Every director should participate in continuous professional development placing an appropriate emphasis on the roles, functions and duties of a listed company director to refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training. Directors should provide a record of the training they received to the Company.

2.7 Review of Board Remuneration

The directors’ remuneration shall be determined by the Board as authorised by the shareholders at the general meeting. The remuneration for executive directors are determined by the Remuneration Committee. For non-executive directors, their fees and remuneration are recommended by the Remuneration Committee to the Board and determined by the Board. The remuneration of directors shall be set with reference to the continual and comparable remuneration standard of similar companies. The assistance of independent external advisers will be sought from time to time.

2.8 Chairman and Managing Director

- The role of Chairman is separate from that of the Managing Director.
- The Chairman is responsible for formulating the overall strategies and policies of the Company. The Vice Chairman/Managing Director, delegated by the Board and assisted by the senior management, shall be responsible for the day-to-day management and operation of the business of the Company in accordance with the objective and direction formulated by the Board and Company's internal control policies and procedures.
- The division of responsibilities between the Chairman and Vice Chairman/the Managing Director have been clearly established and set out in the "Terms of Reference of the Board".

2.9 Reasons for the Independence of the Non-executive Directors

The Board believes that independence is a matter of judgment and conscience but that, in order to be independent, independent non-executive directors should be free from any business or other relationship that might interfere with the exercise of their independent judgment.

2.10 Functions of Non-executive Directors

- participating in Board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct.
- taking the lead where potential conflicts of interests arise.
- serving on the Audit Committee, Remuneration Committee, Nomination Committee and other governance committees, if invited.
- scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

2.11 Board Meetings Procedure

- Full Board meetings will take place at least four times a year to review the financial, internal control, risk management, corporate strategy and operating performance of the Group.
- The Financial Controller/Chief Financial Officer and Company Secretary will attend all Board meetings and advise on accounting and financial and statutory compliance matters.
- Notice of at least 14 days will be given of a Board meeting to give all directors an opportunity to attend.
- Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at Board meetings and the directors shall abstain from voting when necessary.

- The Company Secretary is responsible for providing detailed Board papers to be circulated normally three working days in advance of Board meetings with the aim of ensuring the directors are able to make informed decisions on matters put before them.

2.12 Directors' Securities Transactions

- The Company has adopted a code of conduct regarding securities transactions of directors and employees (the "Securities Code") 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.
- To ensure directors' dealing in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee comprising the Chairman, the Managing Director and a Director was set up to deal with such transactions. Prior to any dealing in the securities of the Company, a director is required to notify the Chairman or the Vice Chairman of the Company in writing and after obtaining a written acknowledgement from the Committee to proceed with the said buying and selling. In each case, a response to a request for clearance to deal must be given to the relevant director within five business days of the request being made; and the clearance to deal must be valid for no longer than five business days of clearance being received.

3. BOARD COMMITTEES

The Board has established the following committees with specific terms of reference.

3.1 Audit Committee

- Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors. The chairman of the Audit Committee should be an independent non-executive director.
- The Audit Committee is responsible for liaising and communicating with the Company's external auditor, reviewing and monitoring the financial reporting system, risk management and internal control systems of the Company. The Board through the Audit Committee conducts a review on the effectiveness of the internal control system of the Company regularly.
- The Audit Committee shall meet at least twice a year.

3.2 Remuneration Committee

- Members of the Remuneration Committee shall be appointed by the Board amongst the directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors. The chairman of the Remuneration Committee should be an independent non-executive director.
- The Remuneration Committee shall be responsible for making recommendation on the policy for the remuneration of the Company, fixing the remuneration packages for executive director and senior management and other remuneration related matters.
- The Remuneration Committee shall meet at least once a year.

3.3 Nomination Committee

- Members of the Nomination Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors. The chairman of the Nomination Committee should be an independent non-executive director.
- The Nomination Committee shall be responsible for reviewing the Board composition and “Board Diversity Policy”, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assessing the independence of independent non-executive directors.
- The Nomination Committee shall meet at least once a year.

3.4 Corporate Governance Committee

- Members of the Corporate Governance Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members (one of which must be the Managing Director).
- The major duties of the Corporate Governance Committee include developing and reviewing the Company’s policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and directors, and the training and continuous professional development of directors and/or senior management.
- The Corporate Governance Committee shall meet at least once a year.

3.5 Strategic Development Committee

- Members of the Strategic Development Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members (two of which must be Executive Directors). The chairman of the Strategic Development Committee should be an executive director.
- The major duties of the Strategic Development Committee include reviewing the annual strategic development plan (including investment policies and investment risk management policies) and monitoring the implementation of strategies; reviewing the major investment projects and financing proposals.
- The Strategic Development Committee shall meet at least once a year.

3.6 Risk Management Committee

- Members of the Risk Management Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members.
- The major duties of the Risk Management Committee include enhancing the corporate resilience to risk; and reviewing and assessing the risk management framework and internal control system.
- The Risk Management Committee should meet at least once a year.

4. INFORMATION DISCLOSURE AND TRANSPARENCY

4.1 Information Disclosure

- The Board has developed an appropriate internal control system to ensure the Company's financial statements give a true and fair view of the financial status of the Company.
- Each of the Company's financial statements are prepared in accordance with the accounting principles generally accepted in Hong Kong and the related regulations and reflect clearly the financial status of the Company.
- Apart from the issuance of interim and annual results announcement in accordance with the Listing Rules, inside information and other disclosures required under the Listing Rules are disclosed, the Company shall also from time to time issue the press release to promote the transparency of the Company and to facilitate each of the shareholders and public to have a timely and thorough understanding of the operating conditions of the Company.

- The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by law.
- Each of the financial, statutory and general information issued to the shareholders by the Company are all posted on the Company's website for the public to download at any time.
- The Company's annual report includes a report of the external auditor stating their responsibilities and audit opinions to shareholders after audit.

4.2 Communication with Shareholders

- The Board understands that they are acting on behalf of shareholders in managing the Company's business, and need to set up the mechanism so as to facilitate the shareholders to have understanding on each of the business developments of the Company and listen to their opinions.
- The Company has formulated a "Shareholders' Communication Policy" ensuring the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company.
- The Company welcomes shareholders to attend the general meeting and express their views.
- Detailed analysis of the development status of each business in the business review of the interim and annual reports so as to enable the shareholders to have a thorough understanding of the Company's businesses.
- Diversified company information are available on the Company's website ensuring the effective and timely dissemination of information to the shareholders.
- Special task force has been set up for investor relations. Management regularly meets with shareholders of the Company, institutional investors and securities analysts and arranges presentations with them, so as to update the Company's latest business development and answer their queries. The corresponding presentations will be posted on the Company's website.

4.3 Rights of Shareholders

- The Board and senior management shall ensure the shareholders of the Company enjoy their rights and all shareholders are treated equitably and fairly.
- All decisions in the general meetings including but not limited to the annual general meeting and special general meetings, shall be determined by shareholders in the form of separate resolution in general meeting by way of poll.

- Each of the shareholders can appoint a nominee to attend and vote in the general meetings.
- The arrangement of the general meeting and the information to be disclosed to the shareholders are in compliance with the requirements of relevant rules and regulations.
- Shareholders shall have voting rights in all major issues including the appointment and removal of directors and the determination of their remuneration, the appointment of external auditor as well as dividend payments.

5. COMPANY SECRETARY

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The company secretary is responsible for advising the Board through the chairman/vice chairman and/or the managing director on governance matters.

- The company secretary should have day-to-day knowledge of the Company's affairs.
- The Board should approve the selection, appointment or dismissal of the company secretary of the Company.
- The company secretary should report to the Board chairman/vice chairman and/or the managing director.
- All directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

6. EXTERNAL AUDITOR

- The external auditor appointed by the Company are among the big four international accounting firms with extensive auditing experience.
- The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor for the Group.
- The appointment of external auditor for the Company shall be approved by shareholders in the annual general meeting.
- The Company shall ensure the objectivity and independence of auditing works of external auditor.
- The Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest.
- The Audit Committee must meet, at least twice a year, with the external auditor regarding the review of the Company's financial report and accounts.

- The management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

7. INTERNAL CONTROL

- It is the responsibility of the Board to establish appropriate internal control and risk management system for the Company and exercise timely reviews to ensure their effectiveness and efficiency. The purpose is to ensure the assets of the Company are securely protected and the financial information is being filed and kept properly and to ensure all the financial information is true and reliable.
- The Board is responsible for implementing appropriate policies and procedures for all major operations and also actively participating in the review and enhancement of the internal policies and procedures on a continuing basis.
- The primary objective of the Audit & Supervision division is to assist the Audit Committee and the senior management in risk management and in monitoring compliance with applicable regulatory requirements and guidelines with a view to enhancing the effectiveness of the internal control mechanisms.
- The Company's internal control system consists of the following components:
 - a. The Company has a clear organizational structure including appropriate segregation and delegation of duties and reporting systems;
 - b. For all major or relative risky scope of business, there shall be a set of audit policies and procedures for each staff to comply with;
 - c. All subsidiaries are required to produce medium and long term business plans and annual budgets for the senior management's approval. The Risk Management Committee is required to assess the risk factor attributed to their businesses and reporting the same during the planning stage;
 - d. All subsidiaries shall submit monthly financial reports with comparison and analysis between budget data and the major performance indices and make improvement to the problem or existing risk; and
 - e. The Company has established the Audit & Supervision Division with adequate staffing and resources, responsible for the internal audit for all subsidiaries and departments. The Audit & Supervision Division is responsible for the review of the Company's internal control systems, operational efficiency and compliance with relevant regulations on a regular basis, ensuring the existence of a complete internal control system in all subsidiaries and departments.

8. COMPLIANCE WITH RULES AND REGULATIONS

- The senior management of the Company shall use their best endeavours to ensure operations of the subsidiaries and departments comply strictly with the applicable rules and regulations.
- Each of the directors of the Company shall act honestly and in a bona fide manner under the common law duties to act in the best interests for the Company and in so doing and they shall exercise reasonable skill and diligence based on their experience in the performance of their duties.
- Apart from the common law duties, directors shall comply with all applicable rules and regulations in Hong Kong including the Companies Ordinance, Securities and Futures Ordinance and the Listing Rules.
- The Listing Rules require directors when discharging their duties must :
 - a. act honestly and in good faith in the interests of the Company as a whole;
 - b. act for proper purpose;
 - c. be answerable to the Company for the application or misapplication of the Company's assets;
 - d. avoid actual and potential conflicts of interest and duty;
 - e. disclose fully and fairly his interests in contracts with the Company; and
 - f. apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the Company.
- Directors must satisfy the required levels of skill, care and diligence. Directors must take an active interest in the Company's affairs and obtain a general understanding of its business. They must follow up anything untoward that comes to their attention.
- Every director should disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public/listed companies and other significant commitments.
- The Board of the Company shall ensure the compliance of "Corporate Governance Code and Corporate Governance Report" contained in the Appendix 14 of the Listing Rules, to increase their accountability and to achieve a high standard of corporate governance.

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