

CORPORATE GOVERNANCE REPORT



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

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices, earning market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index. In 2014, the Company was awarded “Shipping In-House Team of the Year” by *Asian Legal Business*, a well-recognised professional magazine, “Asian Company Secretary of the Year Recognition Award” by *Corporate Governance Asia* magazine. Other noted awards received during the year include a “Special

Mention in the H-share Companies and Other Mainland Enterprises Category” from the Hong Kong Institute of Certified Public Accountants, the “Gold Award for Financial Performance, Corporate Governance, Environmental Responsibility and Investor Relations” from *The Asset* magazine, the “Corporate Governance Asia Recognition Award” for the eighth consecutive year and “Best Investor Relations Company” from *Corporate Governance Asia* magazine, the “Hong Kong Outstanding Enterprise” for the tenth consecutive year from *Economic Digest* magazine and “Outstanding China Enterprise Award” for the third consecutive year from *Capital* magazine.

Corporate Governance Practices

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

The Company’s corporate governance practices are in compliance with the Corporate Governance Code

contained in Appendix 14 of the Listing Rules. The Company also refers to the Organisation for Economic Co-operation and Development (OECD) principles for a set of ethics to maintain high corporate accountability and transparency.

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company’s businesses and performances. The Company is pleased to confirm that for the year ended 31 December 2014, it has fully complied with the code provisions of the Corporate Governance Code.

To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company adopted the following code provisions in the Corporate Governance Code prior to their coming into effect on 1 April 2012:

Code Provision A.1.8

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

Code Provisions A.5.1 to A.5.4

The code provisions A.5.1 to A.5.4 of the Corporate Governance Code provide that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section titled “Nomination Committee” below.

In order to promote transparency, the Company will periodically conduct a review of the extent to which the Company complies with the recommended best practices in the Corporate Governance Code. The following is a major recommended best practice in the Corporate Governance Code with which the Company continued to comply during the year ended 31 December 2014:

Recommended Best Practice C.1.6

The recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company had, on 28 April 2014 and 28 October 2014, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

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

Board of Directors

Board Functions and Responsibilities of Directors

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

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. Matters to be decided by the Board include:

- establishing the strategic direction of the Group
- setting objectives and business development plans

- monitoring the performance of the senior management
- implementing the corporate governance policy, including but not limited to establishing a shareholder communication policy and reviewing it on a regular basis to ensure its effectiveness

The Board reviews and approves the Company’s annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of the management. Directors have access to the management and are welcome to request explanations, briefings or discussions on the Company’s operations or business issues.

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

All newly appointed directors undergo a comprehensive programme which includes management presentations on the Group’s businesses, strategic plans and objectives. They also receive a comprehensive orientation package upon appointment which includes policies on disclosure of interest in securities, prohibitions on dealing in the Company’s securities and restrictions on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules. The programme and package are updated whenever there are changes in relevant laws and regulations.

Board Composition

As at 24 March 2015 (the date on which the Board approved this report), the Board consisted of 13 members. Among them, five are executive directors, three are non-executive directors and five are independent non-executive directors, including Mr. WAN Min² (Chairman), Mr. QIU Jinguang¹ (Vice Chairman and Managing Director), Mr. FENG Jinhua¹, Mr. TANG Runjiang¹, Mr. FENG Bo¹, Mr. WANG Wei², Mr. WANG Haimin², Dr. WONG Tin Yau, Kelvin¹, Mr. Timothy George FRESHWATER³, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. IP Sing Chi³ and Mr. FAN Ergang³.

There are no relationships (including financial, business, family or other material/relevant relationship(s)) among Board members and in particular, between the Chairman and the Managing Director. Biographical details of the directors are set out in the section “Directors and Senior Management Profiles” in this annual report and on the Company’s website at www.coscopac.com.hk. A list containing the names of the directors and their respective roles and functions is also published on the said website.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

Procedures to Enable Directors to Seek Independent Professional Advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures to enable them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2014.

Separation of Chairman and Managing Director

To ensure independence, accountability and responsibility in Board functions, the posts of Chairman and Managing Director are separated and each plays a distinctive role. During the year, the Chairman, Mr. LI Yunpeng, who was a non-executive director, was responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board was functioning properly with good corporate governance practices and procedures. On 21 January 2015, Mr. LI Yunpeng resigned and Mr. WAN Min was appointed as Chairman. The Vice Chairman and Managing Director, Dr. WANG Xingru, who was an executive director, supported by other Board members and the senior management, was responsible for managing the Group's business, including implementation of major strategies set by the Board,

making day-to-day decisions and co-ordinating overall business operations. In addition, he guided and motivated senior management to achieve the Group's objectives. On 4 July 2014, Dr. WANG Xingru resigned as Vice Chairman and Managing Director and the administrative works were undertaken by Mr. WANG Haimin from 7 July 2014 until the appointment of Mr. QIU Jinguang, an executive director and a Deputy Managing Director, as Vice Chairman and Managing Director on 21 January 2015. The division of responsibilities between the Chairman and the Managing Director has been clearly established and set out in writing.

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

The Company has three non-executive directors and five independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The three non-executive directors have contributed innovative views to the Board's decision-making process based on their rich experience in the container shipping business and corporate management. Their expertise helps to facilitate the process of formulating the Group's strategy. The five independent non-executive directors, representing one-third of the Board, have well-recognised experience in areas such as accounting, law, banking, terminal operation and

management and/or commercial fields. Their insightful advice, diverse skills and extensive business experience are major contributors to the future development of the Company, and act as a check-and-balance for the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Board maintains a high standard of financial, regulatory and other mandatory reporting and provide an adequate check-and-balance to safeguard the interest of shareholders and the Company as a whole.

Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company for a term of around three years. Their terms of appointment shall be subject to the rotational retirement provision of the Bye-laws of the Company and shall terminate on the earlier of either (i) the date of expiry of the said term of service, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any applicable laws.

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

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

Board Meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2014 at quarterly intervals. An additional Board meeting was also held as required. The average attendance rate was 89.14%.

Amongst these five meetings, four were held to approve the 2013 final results, 2014 interim results and 2014 first and third quarterly results of the Company, and one to consider new investment opportunities and review the strategy and business direction, as well as the financial and operational performance of the Group. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising

from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular Board meeting, the Board is provided with adequate information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performances of the Group, in addition to the minutes of preceding meetings of the Board and Board committees. At least 14 days' notice of a regular Board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. Directors unable to attend a meeting are advised of the matters to be discussed and are given an opportunity to make their views known to the Chairman prior to the meeting. Senior management members who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that Board members may have on the papers. This enables the Board to have pertinent data and insight

for a comprehensive and informed evaluation as part of its decision-making process.

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

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2014 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of individual Board members at Board meetings and general meetings

Name of Directors	No. of Board meetings attended/held in 2014	Attendance rate of Board meetings (%)	No. of general meetings attended/held in 2014	Attendance rate of general meetings (%)
Directors				
Mr. LI Yunpeng ² (Chairman) ^(Note)	5/5	100	1/1	100
Mr. WAN Min ² ^(Note)	2/5	40	0/1	0
Mr. WANG Haimin ¹ ^(Note)	5/5	100	1/1	100
Mr. FENG Jinhua ¹	4/5	80	1/1	100
Mr. TANG Runjiang ¹	5/5	100	1/1	100
Mr. FENG Bo ¹	4/5	80	1/1	100
Mr. WANG Wei ²	4/5	80	1/1	100
Dr. WONG Tin Yau, Kelvin ¹	5/5	100	1/1	100
Mr. QIU Jinguang ¹ ^(Note)	5/5	100	1/1	100
Mr. Timothy George FRESHWATER ³	5/5	100	1/1	100
Dr. FAN HSU Lai Tai, Rita ³	5/5	100	1/1	100
Mr. Adrian David LI Man Kiu ³	5/5	100	1/1	100
Mr. IP Sing Chi ³	3/5	60	1/1	100
Mr. FAN Ergang ³	5/5	100	1/1	100
Ex-director				
Dr. WANG Xingru ¹ (Vice Chairman and Managing Director) (resigned on 4 July 2014)	3/3	100	1/1	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Subsequent to the year ended 31 December 2014, there were the following changes of directorships of the Company, all with effect from 21 January 2015:

(a) Mr. LI Yunpeng resigned as Chairman of the Board and a non-executive director of the Company.

(b) Mr. WAN Min, a non-executive director of the Company, was appointed as Chairman of the Board.

(c) Mr. WANG Haimin was re-designated from an executive director to a non-executive director of the Company.

(d) Mr. QIU Jinguang, an executive director and a Deputy Managing Director of the Company, was appointed as the Vice Chairman of the Board and Managing Director of the Company.

During the financial year ended 31 December 2014, a meeting among the Chairman and the non-executive directors (including independent non-executive directors) without the presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-election and Removal of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee, chaired by an independent non-executive director, comprising a majority of independent non-executive directors,

has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and making recommendations to the shareholders regarding any directors proposed for re-election at general meetings.

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Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2014 are set out under the "Nomination Committee" section below.

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

Directors' Commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31 December 2014. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31 December 2014, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2014:

Directors' Participation in Continuous Professional Development Programmes in 2014

	Reading of regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies/ professional organisations
Directors			
Mr. LI Yunpeng ² (Chairman) ^(Note 1)	✓	✓	✓
Mr. WAN Min ² ^(Note 1)	✓	✓	✓
Mr. WANG Haimin ¹ ^(Note 1)	✓	✓	✓
Mr. FENG Jinhua ¹	✓	✓	✓
Mr. TANG Runjiang ¹	✓	✓	✓
Mr. FENG Bo ¹	✓	✓	✓
Mr. WANG Wei ²	✓	✓	✓
Dr. WONG Tin Yau, Kelvin ¹	✓	✓	✓
Mr. QIU Jinguang ¹ ^(Note 1)	✓	✓	✓
Mr. Timothy George FRESHWATER ³	✓	✓	✓
Dr. FAN HSU Lai Tai, Rita ³	✓	✓	✓
Mr. Adrian David Li Man Kiu ³	✓	✓	✓
Mr. IP Sing Chi ³	✓	✓	✓
Mr. FAN Ergang ³	✓	✓	✓
Ex-director			
Dr. WANG Xingru ¹ (Vice Chairman and Managing Director) (resigned on 4 July 2014)	✓	✓	✓

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note 1: Please refer to the note on page 65.

Note 2: The Company has provided training related to directors' duties towards listed companies to all directors.

Directors'/Senior Management's securities transactions

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

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2014. No incidents of non-compliance were noted by the Company in 2014.

General Counsel & Company Secretary

The General Counsel & Company Secretary, who is directly responsible to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programmes for directors.

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

The General Counsel & Company Secretary is an alternate of the authorised representative of the Company and the primary channel of communication between the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long-term shareholder value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding their continuing legal, regulatory and compliance obligations. In relation to connected transactions and disclosure requirements, regular seminars are conducted by the General Counsel & Company Secretary for management

and senior executives within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance, as well as for directors' consideration.

The General Counsel & Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Delegation by the Board Management Functions

The Board delegates day-to-day responsibilities to the management. The respective functions of the Board and the management have been clearly established and set out in writing. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for the following duties delegated by the Board:

- implementing the strategies and plans established by the Board
- submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities, including any monthly updates as requested pursuant to the Listing Rules

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, ensuring that certain functions of the Board have

been delegated to various Board committees, which in turn will review and make recommendations to the Board on specific areas. The Board has established a total of seven Board committees, details of which are set out below. Each committee consists of directors, members of senior management and management and has a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

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

1. Executive Committee

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

During the year ended 31 December 2014, the Executive Committee held a total of 39 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

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

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

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

Regular meetings of the Audit Committee are normally held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2014, six meetings were held and attended by all members of the Audit Committee.

The key matters deliberated on by the Audit Committee in 2014 included:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
- reviewed the draft annual, interim and quarterly results announcements and the draft

annual report and interim report of the Company and assured the completeness, accuracy and fairness of the financial statements of the Company;

- reviewed the results of the external audit and discussed significant findings and audit issues with the external auditors;
- reviewed the internal audit plan and internal audit reports;
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis;

- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management;
- reviewed the framework for disclosure of inside information of the Group and the whistleblowing policy of the Company; and
- reviewed the invitation to submit an expression of interest for the acquisition of a majority stake in the share capital of an overseas corporation.

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Mr. Adrian David Li Man Kiu ¹ (Chairman)	6/6	100
Mr. Timothy George FRESHWATER ¹	6/6	100
Dr. FAN HSU Lai Tai, Rita ¹	6/6	100

¹ Independent Non-executive Director

3. Remuneration Committee

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

The Company has adopted model (ii) as set out in the code provision B.1.2(c) of the Corporate Governance Code, under which the Remuneration Committee

makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee also makes recommendations to the Board on the policy and structure for all directors' and senior management remuneration. If necessary, the Remuneration Committee can engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as salaries paid by comparable companies, time commitment, job responsibilities, the performance of the individual and the performance of the Company. The Remuneration Committee will also review and approve the management's remuneration proposals with

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reference to the Board's corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Remuneration Committee in 2014:

- reviewed and made recommendations to the Board on the remuneration packages of each executive director and member of senior management;
- reviewed and made recommendation to the Board on the remuneration of Mr. WANG

Haimin, an executive director of the Company, for his additional duties on overall administration work of the Company on a temporary basis; and

- reviewed and made recommendations to the Board on the adjustment of remuneration of the senior management.

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita ¹ (Chairman)	3/3	100
Mr. Adrian David LI Man Kiu ¹	3/3	100
Mr. IP Sing Chi ¹	3/3	100
Mr. WANG Haimin ² (appointed on 7 July 2014) ^(Note 1)	1/1	100
Mr. LI Yingwei (appointed on 10 November 2014)	N/A	N/A
Ex-members		
Dr. WANG Xingru ³ (resigned on 4 July 2014)	2/2	100
Mr. ZHU Lizhi (resigned on 10 November 2014)	3/3	100

¹ Independent Non-executive Director

² Executive Director

³ Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as a Member of the Remuneration Committee and Mr. QIU Jinguang acted as a Member of the Committee in place of Mr. WANG Haimin.

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the Company's pay levels for attracting, retaining and motivating employees. No director, or any of his/her associates, is involved in determining his/her own remuneration. The remuneration policy for non-executive directors ensures that

they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company. The policy for employees (including executive directors and senior management) assures that remuneration offered is appropriate for the duties involved and in line with market practice. The aggregate amount of directors' fees is subject to approval by shareholders at the annual general meeting.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. The cash bonus is tied to the performance of individual employees. As a long-term incentive plan and with the aim of motivating employees in the continual pursuit of the Company's goals and objectives,

the Company has granted share options to employees (including directors of the Company and its subsidiaries) of the Group under the share option schemes of the Company, based on their performance and contribution.

4. Nomination Committee

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

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (set out below in summary) to ensure its effectiveness and make recommendations to the Board on requisite amendments.

During 2014, the work performed by the Nomination Committee included the following:

- reviewed the Board Diversity Policy;
- made recommendations to the Board on matters relating to the resignation and change of duties and responsibilities of a director and re-election of directors;
- made recommendations to the Board on matters relating to the appointment and change of Board Committees members; and
- conducted an annual review of the independence of the independent non-executive directors.

All new appointments of directors and nomination of retiring directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are then recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws

of the Company. There was no appointment of new directors during 2014.

In early 2015, the Nomination Committee nominated and the Board recommended Mr. TANG Runjiang, Dr. WONG Tin Yau, Kelvin, Mr. Timothy George FRESHWATER and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. Except Mr. Timothy George FRESHWATER who does not offer himself for re-election, all the other retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

From July 2014, Mr. WANG Haimin undertook the overall administration work of the Company on a temporary basis. In considering the change of duties and responsibilities of a director, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively etc., and made recommendation to the Board for approval.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu ¹ (Chairman)	4/4	100
Dr. FAN HSU Lai Tai, Rita ¹	4/4	100
Mr. IP Sing Chi ¹	4/4	100
Mr. WANG Haimin ² (appointed on 7 July 2014) ^(Note 1)	1/1	100
Ex-member		
Dr. WANG Xingru ³ (resigned on 4 July 2014)	3/3	100

1 Independent Non-executive Director

2 Executive Director

3 Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as a Member of the Nomination Committee and Mr. QIU Jinguang acted as a Member of the Committee in place of Mr. WANG Haimin.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013, which aimed at setting out principles and approaches to achieve the diversity of the Board.

The Company regards the diversity of the Board as a crucial element of the

Company's sustainable development and in maintaining its competitive advantages. Candidates for Board appointments will be considered based on each objective criterion and with due regard for the benefits of diversity of the Board. Selection of candidates will be based on a number of perspectives, including

but not limited to gender, age, skills, cultural background, knowledge and professional experience. The final decision will be based on merit of the candidate and contribution the candidate will bring to the Board.

The Board's composition under diversified perspectives was summarised as follows:

Board Diversity			
1. Designation	Executive Director (5)	Non-executive Director (3)	Independent Non-executive Director (5)
2. Gender	Male (12)	Female (1)	
3. Ethnicity	Chinese (12)	Non-Chinese (1)	
4. Age group	61 – 70 (3)	51 – 60 (4)	40 – 50 (6)
5. Length of service (years)	Over 10 (1)	3 – 10 (7)	Less than 3 (5)
6. Skills, knowledge and professional experience ^(Note 1)	Terminal operation and management (9)	Accounting and financing (4)	Banking (2)
	Law (3)	Management and commercial (1)	Finance Leasing (1)
	Human resources (1)	Containers related business (8)	Capital management and investor relations (1)
7. Academic background	University (13)		

Note 1: Directors may possess multiple skills, knowledge and professional experience.

Note 2: The number in brackets refers to the number of directors under the relevant category.

The Nomination Committee has reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considers that the Board Diversity Policy is effective. It is currently not required to set any measurable objectives for implementing the policy.

5. Corporate Governance Committee

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

In 2014 and early 2015, the Corporate Governance Committee performed the following in

relation to the review of the corporate governance framework of the Company:

- reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed the training and continuous professional development of directors and senior management;
- reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

- reviewed the employee manual of the Company;
- reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report;
- reviewed the Company's disclosure systems; and
- reviewed the Company's corporate sustainable development initiatives.

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin ¹ (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

¹ Executive Director

Note: In order to coordinate with the annual review of the arrangement of corporate governance and sustainable development in the Company, the above meetings were arranged to be convened between 5 March 2014 and 3 March 2015, before the announcement of 2014 final results.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises ten members (including executive

directors, members of senior management and management). It considers, evaluates, reviews and recommends to the Board proposed major investments, acquisitions and disposals,

conducts post-investment evaluation of investment projects, reviews and considers the overall strategic direction and business development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. WANG Haimin ¹ (Chairman) (appointed on 7 July 2014) ^(Note 1)	2/2	100
Mr. QIU Jinguang ¹ ^(Note 1)	4/4	100
Mr. FENG Jinhua ¹ (appointed on 27 January 2014)	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Jie	4/4	100
Mr. CHEN Bin	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Dr. WANG Xingru ² (Chairman) (resigned on 4 July 2014)	2/2	100
Mr. XU Jian (resigned on 27 January 2014)	N/A	N/A

¹ Executive Director

² Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as the Chairman and Member of the Investment and Strategic Planning Committee and Mr. QIU Jinguang acted as the Chairman of the Committee in place of Mr. WANG Haimin.

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises nine members (including executive directors, members

of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, setting the direction

for the Group's risk management strategy and strengthening the Group's system of risk management.

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. QIU Jinguang ¹ (Chairman) ^(Note 1)	4/4	100
Mr. FENG Jinhua ¹ (appointed on 27 January 2014)	4/4	100
Mr. CHAN Hang, Ken	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Jie	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-member		
Mr. XU Jian (resigned on 27 January 2014)	N/A	N/A

¹ Executive Director

Note 1: Please refer to the note on page 65.

Accountability and Audit

Financial Reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 116 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

Internal Control

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

Control Environment

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

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

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated to the Risk Management Committee the task of assisting the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee monitors, reviews and discusses the results of internal control and risk management assessment for the year on a regular basis. Moreover, the Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year by reviewing the underlying mechanism and functioning of the Group's internal control system and sharing its opinion with the Board as to the system's effectiveness. In 2014, the Audit Committee reviewed the reports of risk assessment and internal control assessment, the risk register and internal control questionnaire submitted by the Corporate Management Department and authorised by the

Risk Management Committee, as well as the annual report, interim report, results announcements and internal audit plans and reports. During the year 2014, the directors conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure and has set up a procedure manual to regulate business processes and activities. Besides establishing an effective internal control system, the Group requires the account and finance personnel to have high integrity and qualification. The Board and the Audit Committee of the Company have conducted an annual review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company.

Risk Assessment

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

Major financial risk factors

Owing to the uncertainties in the global economy, the Group has maintained a prudent financial policy. In order to cope with the budgeted development and operational needs of our terminal and container leasing businesses, the Group has striven to maintain a certain leverage in order to fund the Group's capital expenditure in accordance with budgeted business plans and market demand. Changes in market interest rates can significantly affect the financial performance of the Group.

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

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

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

Major operational risk factors

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

The future recoverable amounts for the containers will be affected by economic downturns and market fluctuations. Such unfavourable market factors increase the asset impairment risk related to containers.

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

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

Major compliance risk factors

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

The Group is continuously expanding its business partnership network for its terminals business. Therefore, the number of terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has

resulted in an increase in connected transactions with (1) China COSCO, an intermediate holding company of the Company, (2) COSCO, the ultimate holding company of the Company, (3) the Maersk Group and (4) various port authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

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

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

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

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

The Group's risk assessment procedures involve consideration of the entire organisation. Attention is paid to all kinds of major relationships and

CORPORATE GOVERNANCE REPORT

their correlations, including situations of fraud, going concern and internal and external reporting, and whether accounting tasks were performed in accordance with generally accepted accounting principles, among others. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such a failure as well as ways to rectify this failure.

Control Activities and Monitoring

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

1. To allow delegation of authority and proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and controls responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.
2. To assist the Board in execution of its duties, the Board is supported by seven Board Committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the scope of the power delegated by the Board.
3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks that include but are not limited to legal, credit, concentration, operational, environmental, behavioural and systematic risk that may have an impact on the Group.
4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Reports on the variance between actual performance and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans in a timely and prudent manner.
5. The Group places great importance on internal audit functions. The internal audit's roles include assisting management and the Audit Committee to ensure the Group maintains an effective system of internal control and a high standard of governance by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of work of internal audit includes:
 - Ascertaining the extent to which the Group's assets are accounted for and safeguarded to avoid any losses;
 - Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Group;

- Ascertaining the compliance with established policies, procedures and statutory rules and regulations;
- Monitoring and evaluating the effectiveness of risk management system;
- Monitoring the operational efficiency, as well as the appropriateness and efficiency with which resources are employed;
- Evaluating the reliability and integrity of financial and operating information reporting systems;
- Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of corrective measures; and
- Conducting ad hoc projects and investigative work as required by the management and/or the Audit Committee.

Additional attention is paid to control activities which are considered to be of higher risk, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The Internal Auditor has free access to the Audit Committee without the requirement to consult the management and

his reports go directly to the Vice Chairman and Managing Director and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of the internal audit to the Audit Committee. This reporting structure allows the Internal Auditor to stay independent and effective.

As in previous years, the internal audit function adopted a risk-based auditing approach based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering factors recognised as risks and focusing on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31 December 2014. Internal audits were carried out on all significant business units in the Group, with a total of 26 audit assignments conducted for the year. All internal audit reports are submitted to the Audit Committee for review and approval. The Internal Auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the Internal Auditor and the corrective measures taken by the management.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the size and prevailing risks of all business units of the Group so as to establish audit scopes and frequencies. All internal audit work scheduled for the year 2014 has been completed. All areas of concern reported by the Internal Auditor were monitored by management until appropriate corrective measures were taken or implemented.

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

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

Major Financial Risk Measures

- To reduce interest rate risk exposure, the Group uses diversified debt profiles (including different combinations of bank borrowings and notes, different maturity profiles and different combinations of fixed and floating interest rates debt) based upon market conditions and the Group's internal requirements, and uses hedging instruments only when there is an operational need. The effectiveness of the hedging relationship is assessed continuously and regularly with reference to the Group's risk management objective and strategy.
- To maintain a certain leverage level for funding requirements in respect of daily operations, investments and capital expenditure, the Group adopts prudent liquidity risk management practices which involve maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
- Consistent with other companies in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group may adjust the amount of dividend paid out, return capital to shareholders, issue new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when the need arises.
- To ensure tax risk is understood and properly controlled, the management reviews and assesses the global tax impact on the Group annually and conducts periodic Group tax planning exercises after seeking advice from different external consultants.
- The Group currently does not have a written foreign currency hedging policy. However, the Group monitors and controls foreign exchange risk by conducting borrowings in currencies that match as far as possible the functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business are conducted mainly in US dollars, which match the US dollar revenue and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities and associates of the terminals business, all material borrowings are denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.
- Since the Group is concerned with safeguarding cash and capital, it mainly co-operates with banks of high reputation and seldom engages in high risk businesses. The Group places tight control measures over the management of accounts, addresses the operational need to create, operate or close a bank account and ensures that

every detail of the approval and procedures is strictly followed. Moreover, subsidiaries prepare and report relevant information for management discussion on a weekly, monthly and quarterly basis. Furthermore, self-inspection and evaluation are conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform has been established in mainland China to enhance the timely monitoring of capital use by local subsidiaries.

Major Operational Risk Measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and its response to changes in the business environment, market conditions and operational issues. For the container leasing business, management holds weekly meetings with operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategy on market changes and to minimise adverse impacts on the Group's financial performance as a consequence of price fluctuations.
- The value of containers is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers is made if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers facilitate a better understanding of the latest market trends and of possible changes so as to assist in reviewing the impact on the Group of impairment losses. Such risk management measures are useful in making appropriate preparations to reduce the risk of future asset impairment.
- For available-for-sale financial assets, the management monitors and reports on price performance and re-affirms the strategic objective of these strategic investments to the Board.
- The Group limits its exposure to credit risk by performing credit reviews and monitoring the financial strength of its major customers. Despite not requiring collateral on trade receivables, the Group has insured the recoverability for a majority of its third party trade receivables balance to mitigate exposure to credit risk. Moreover, the Group's workflow and procedures have been improved to strengthen the management of credit risk.
- For the container leasing business, the risk management department of the relevant subsidiary establishes the maximum credit limit for each customer based on its credit quality, taking into account its financial position, past settlement history and other market factors with the concurrence from members of the credit committee. Utilisation of credit limits is regularly monitored. The system suspends the provision of extra services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, systems which are related to the terminals and container leasing businesses are operated by trained professionals, frequently checked and upgraded when necessary. All data is backed up in a timely manner. For security purposes, a disaster recovery plan is in place.
- The Group has experienced rapid growth in recent years, which has led our business to develop in different locations in mainland China and overseas countries that have varying local safety standards. Regardless of the locations and nature of the businesses, the Group makes a continuous effort to achieve the highest safety standards within its operations. Managers and staff therefore make safety a top priority and promote the Group's safety standards in all locations.

Major Compliance Risk Measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will report such updated information to the Board and disseminate the information within the Group as appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and overseas lawyers to provide professional advice on specialised and geographically diverse legal issues.
- A non-exhaustive list of connected persons (since the Company cannot obtain the corporate structure of all companies, especially those companies outside the Group, the list may not cover all the connected persons of the Company) is in place and updated on a regular basis. In order to assess and report effectively on any potential connected transactions, responsible departments are required to obtain, report and update the shareholding structure of new customers and existing business

partners. The Company will closely monitor transaction amounts on a monthly basis. Furthermore, regular management meetings are held on a quarterly basis to review the nature and amount of all connected transactions. A summary of continuing connected transactions is submitted to the Audit Committee on a quarterly basis. Contract negotiations and conclusions in relation to connected transactions are cautiously authorised by the appropriate level of management to ensure adherence to the Group's pricing policy. Public disclosures are continuously compared against evolving disclosure requirements to ensure compliance with respective rules and regulations.

- The code provisions set out in the Corporate Governance Code have been adopted by the Company.

Handling and Dissemination of Information

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.

2. The Company provides employee manuals to each employee which indicate how employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for mutual understanding between the Company and employees. The Company has also made arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control and other matters.
3. The Company attaches great importance to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders, to enable them to form their own judgments, as well as providing feedback to the Company. The Company also understands that the integrity of the information provided is essential in building market confidence.

4. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:
- is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision;
 - conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission;
 - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange;
 - has developed procedures and mechanisms for the disclosure of inside information and established the Inside Information Evaluation Group to evaluate whether disclosure of the inside information is required;
 - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff; and
 - has established and implemented procedures for responding to external enquiries about the Company’s affairs. Only directors and delegated management of the Company can act as the Company’s spokespersons and respond to enquiries on designated areas.
- The Board considers that the system of internal controls in place during the year was effective for the current business scope and operations of the Group. No significant areas of concern which might affect shareholders’ interest were identified.

Auditor’s Remuneration

For the year ended 31 December 2014, the auditor’s remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	2014 US\$	2013 US\$
Audit services	900,000	855,000
Audit related services	219,000	218,000
Non-audit services:		
– Tax related services	417,000	539,000
– Financial advisory services	127,000	323,000

Investor Relations

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and attending to any queries promptly. An open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

Communication with Shareholders

Shareholders' Communication Policy

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

Communication Policy and reviews the policy from time to time to ensure its effectiveness.

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

The Company views its general meetings ("General Meetings"), including the Annual General Meeting and Special General Meetings, as an opportune forum for shareholders to meet the Board and senior management. All directors and senior

management make an effort to attend. External auditors are also available at the Annual General Meeting to address shareholders' queries on the financial statements. The Chairmen or members of the Audit Committee, the Nomination Committee and the Remuneration Committee or independent board committee (if any) are normally available at the General Meetings (where applicable) to take any relevant questions. All shareholders will be given at least 20 clear business days' notice of the Annual General Meeting and 10 clear business days' notice of a Special General Meeting and they are encouraged to attend the General Meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at the General Meetings is encouraged and welcome. The General Counsel & Company Secretary, on behalf of the Chairman of the General Meetings, explains the detailed procedures for conducting a poll at the General Meetings. To facilitate enforcement of shareholders' rights, substantially separated issues at General Meetings are dealt with under separate resolutions.

Procedures for Shareholders to convene a Special General Meeting

Pursuant to the Bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at General Meetings may deposit a requisition to the Board or the General Counsel & Company Secretary to convene a Special General Meeting.

The requisition must state the purposes of the meeting and must be signed by the requisitionists, and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or its principal place of business at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. The requisition may consist of several documents in like form each signed by one or more requisitionists.

The Board may proceed to convene a Special General Meeting within 21 days from the date of the deposit of such requisition upon receipt of confirmation from the share registrar on validity of the requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to convene the Special General Meeting as aforesaid, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a Special General Meeting within three months from the date of the deposit of the requisition.

Procedures for Shareholders to put forward proposals at General Meetings

Pursuant to the Companies Act, any number of registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at General Meetings, or not less than 100 registered shareholders, can request the Company in writing to:

- notify shareholders entitled to receive notice of the next General Meeting of any resolution which may officially be moved and is proposed to be moved at that meeting;
- circulate to shareholders entitled to have notice of any General Meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

In addition, a shareholder may propose a person other than a retiring director of the Company for election as a director of the Company at the General Meetings. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website at www.coscopac.com.hk.

Shareholdings and shareholders information

Share Capital (as at 31 December 2014)

Authorised share capital	HK\$400,000,000 divided into 4,000,000,000 shares of a par value of HK\$0.1 each
Issued and fully paid-up capital	HK\$294,043,786.2 comprising 2,940,437,862 shares of HK\$0.1 each

Types of Shareholder (as at 31 December 2014)

Type of shareholder	No. of shares held	% of the issued share capital
China COSCO (Hong Kong) Limited ¹ and its subsidiary	1,309,606,113	44.54
Other corporate shareholders	1,624,069,033	55.23
Individual shareholders	6,762,716	0.23
Total	2,940,437,862	100.00

Location of Shareholders (as at 31 December 2014)

Location of shareholders ²	No. of shareholders	No. of shares held
Hong Kong	528	2,940,426,758 ³
Macau	1	2,104
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	531	2,940,437,862

Note 1: The company changed its name from "COSCO Pacific Investment Holdings Limited" to the current name on 21 August 2014.

Note 2: The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.

Note 3: These shares include 1,851,849,714 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2014.

Key Corporate Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2014 Interim Dividend	27 October 2014
2014 Final Results Announcement	24 March 2015
2015 First Quarter Results Announcement	27 April 2015
Closures of Register of Members	
(a) for attending the 2015 Annual General Meeting	12 May 2015 to 14 May 2015
(b) for receiving the 2014 Final Dividend	20 May 2015 to 22 May 2015
Annual General Meeting	14 May 2015
Payment of 2014 Final Dividend	15 July 2015
2015 Interim Results Announcement	August 2015
2015 Third Quarter Results Announcement	October 2015