

Corporate Governance Report

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

The Company’s continuous effort to promote excellence and high standards of corporate governance practices and investor relations in 2007 continued to earn market recognition from different stakeholders. In 2007, the Company was awarded “Hong Kong In-House Team of the Year” and “Shipping In-House Team of the Year” by Asian Legal Business (ALB), a well recognized law profession magazine, “Hong Kong Outstanding Enterprises” by Economic Digest for three consecutive years, “Corporate Governance Asia Recognition Awards” from Corporate Governance Asia magazine, “Best Corporate Governance Award” by The Asset magazine and “Best Investor Relations” by IR magazine. The Company was cited as one of the “Forbes Global 2000” by Forbes magazine for three consecutive years. These awards represent market’s recognition of our dedication towards upholding and enhancing corporate governance.

Corporate governance practices

The Company adopted the code provisions set out in the Code on Corporate Governance Practices (the “Corporate Governance Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices in January 2005. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from the year ended 31st December 2002.

We believe that commitment to good corporate governance is essential to the sustainability of the Company’s businesses and performances. For the year ended 31st December 2007, we are pleased to confirm that the Company has complied fully with the code provisions of the Corporate Governance Code. In addition,

the Company would conduct a review from time to time of the extent to which the Company would comply with the recommended best practices in the Corporate Governance Code and the following is a major recommended best practice in the Corporate Governance Code with which the Company started complying during the year ended 31st December 2007:

Recommended best practice C.1.4

The recommended best practice states that an issuer should announce and publish quarterly financial results. The Company had, on 29th October 2007, first disclosed its quarterly results on a voluntary basis. The Company would continue to publish its quarterly results in the coming financial periods.

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

Board of directors

Board composition

The Board is responsible for the leadership and control of the Group (the Company and its subsidiaries) 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 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 care and act in the best interests of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board currently consists of 14 members. Among them, 7 are executive directors, 3 are non-executive directors and 4 are independent non-executive directors. The directors, as at the date of this report, are Dr. WEI Jiafu² (Chairman), Mr. CHEN

Hongsheng¹, Mr. LI Jianhong¹, Mr. XU Lirong², Ms. SUN Yueying¹, Mr. XU Minjie¹ (Vice Chairman and Managing Director), Dr. SUN Jiakang², Dr. WONG Tin Yau, Kelvin¹, Mr. WANG Zhi¹, Mr. YIN Weiyu¹, Dr. LI Kwok Po, David³, Mr. LIU Lit Man³, Mr. CHOW Kwong Fai, Edward³ and Mr. Timothy George FRESHWATER³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

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

Separation of Chairman and Managing Director

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

Non-executive directors (including independent non-executive directors)

The Company has three non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The three non-executive directors bring innovative view to the Board decision-making through their rich experience in container shipping business and corporate management. These experiences, expertise and skills would facilitate the process of formulating the Company's strategy. The four independent non-executive directors have well recognized experience in areas such as accounting, legal, finance and business. Their insightful advice, mix of skills and business experience is a major contribution to the future development of the Company and the check-and-balance of the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making processes. In addition, they facilitate the Board to maintain a

high standard of financial, regulatory and other mandatory reporting and provide adequate check-and-balance to safeguard the interests of shareholders in general and the Company as a whole.

Each of the non-executive directors and independent non-executive directors, has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, except Mr. LIU Lit Man who is appointed for a term of four and a half months to 15th May 2008. Their appointment shall subject to the rotational retirement provision of the Bye-laws of the Company and 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 independence and is satisfied with their independence up to the date of this report in accordance with the Listing Rules.

In 2007, our Nomination Committee has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

The Board held a total of 4 regular board meetings during the financial year ended 31st December 2007, at quarterly intervals and 2 additional board meetings had been held. The average attendance rate was 74.18%. Of these, three meetings were held to approve the 2006 final results, 2007 interim results and 2007 third quarterly results of the Company; one meeting was held to approve the change of Vice Chairman and Managing Director of the Company; the remaining two meetings were held to consider new investment opportunities and review the strategic business directions, financial and operating performances of the Group. As the members of the Board are either in Hong Kong or in the People's Republic of China, all of these meetings were conducted by video and/or telephone conferencing which are permitted under the Company's Bye-laws. The General Counsel & Company Secretary, the Assistant Financial Controller and/or the Qualified Accountant also attended all 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 supplied with relevant 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 performance of the Group, in addition to the minutes of the board meetings and board committee meetings of preceding meetings. At least 14 days' notice of a regular board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are despatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Senior management who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

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

Set out below are the details of all directors' attendance at the board meetings during the financial year ended 31st December 2007 which illustrate the attention given by the Board in overseeing the Company's affairs:

Attendance of Individual Members at Board Meetings

Name of Directors	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Directors		
Dr. WEI Jiafu ² (Chairman)	6/6	100
Mr. CHEN Hongsheng ¹	6/6	100
Mr. LI Jianhong ¹	6/6	100
Mr. XU Lirong ²	3/6	50
Ms. SUN Yueying ¹	5/6	83.33
Mr. XU Minjie ¹ Note (Vice Chairman and Managing Director)	4/4	100
Dr. SUN Jiakang ² Note	6/6	100
Dr. WONG Tin Yau, Kelvin ¹	6/6	100
Mr. WANG Zhi ¹	4/6	66.67
Mr. YIN Weiyu ¹ (appointed on 4th January 2008)	N/A	N/A
Dr. LI Kwok Po, David ³	3/6	50
Mr. LIU Lit Man ³	3/6	50
Mr. CHOW Kwong Fai, Edward ³	5/6	83.33
Mr. Timothy George FRESHWATER ³	4/6	66.67
Ex-director		
Mr. QIN Fuyan ¹ (resigned on 4th January 2008)	0/6	0

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007. Mr. XU Minjie has been appointed as an Executive Director, Vice Chairman and Managing Director with effect from 24th January 2007.

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 fill in casual vacancy of the Board and making recommendations to the shareholders regarding any director proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee during 2007 are set out under the section of "Nomination Committee" below.

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

Procedure to enable directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice, at the Company's expense, in appropriate circumstances. No request was made by any director for such independent professional advice in 2007.

Responsibilities of directors

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

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

sensitive information. They are also updated from time to time on changes in relevant laws and regulations.

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

The Company has arranged for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed by the Company on an annual basis.

Directors / senior management's securities transactions

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

Specific confirmation has been obtained from directors and senior management to confirm their compliance with the Model Code and the aforesaid mentioned guidelines respectively for 2007. No incident of non-compliance was noted by the Company in 2007.

General Counsel & Company Secretary

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

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

Delegation by the Board

Management functions

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

Board committees

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas. The Board has established a total of 7 board

committees, details of which are set out below, which consist of directors, members of senior management and management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report back to the Board with their recommendations, where appropriate. The ultimate responsibility 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. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have scheduled to meet regularly every year and will report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained and minutes of meetings are circulated to the Board for information.

1. Executive Committee

The Executive Committee consists of all executive directors of the Company who are principally based in Hong Kong. The purpose of establishing this committee is to smoothen 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, in practice, be practically difficult and inconvenient to convene a full board meeting or arrange all the directors to sign a written resolution on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

During the year ended 31st December 2007, the Executive Committee held a total of 132 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in details by minutes. A committee member will present a summary report of the businesses transacted at the committee meetings to the board members at board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

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

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

Regular meetings of the Audit Committee are held normally four times a year on a quarterly basis, with additional

meetings arranged, as and when required. During the year ended 31st December 2007, a total of 5 meetings were held and the average attendance rate was 70%. A special meeting was held during the year for the purpose of initial disclosure of third quarterly results.

The key matters deliberated on by the Audit Committee in 2007 includes the following:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual report, interim report and third quarterly results and assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussion with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the internal audit reports
- discussed the implementation of internal control requirements (as to principles, practice, reporting and disclosures) as set out in Appendix 23 of the Listing Rules
- 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
- discussed certain alternatives of the accounting treatment for the CIMC Put Options issued by the Company

Attendance of Individual Members at Audit Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Mr. CHOW Kwong Fai, Edward ¹ (Chairman)	5/5	100
Dr. LI Kwok Po, David ¹	4/5	80
Mr. LIU Lit Man ¹	1/5	20
Mr. Timothy George FRESHWATER ¹	4/5	80

1 Independent Non-executive Director

3. Remuneration Committee

The Remuneration Committee, led by an independent non-executive director, comprises 5 members, the majority of whom are independent non-executive directors of the Company. It formulates the Group's remuneration policy of directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the directors' fee and annual salary of directors. If necessary, it will engage professional advisers to assist and/or provide professional advice on relevant issues.

The Remuneration Committee considers several factors such as the salaries paid by comparable companies, time commitment, job responsibilities, performance of the individual and performance of the Company before determining the remuneration packages (which comprise

salaries, bonus, benefits in kind, etc.). The Committee will also review and approve performance-based remuneration by reference to the corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Committee during 2007:

- recommended the remuneration of the Vice Chairman and Managing Director of the Company
- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board of the remuneration of non-executive directors
- discussed long term incentive arrangements
- recommended and, if appropriate, approved the grant of share options to certain directors and senior management

Attendance of Individual Members at Remuneration Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Members		
Mr. CHOW Kwong Fai, Edward ¹ (Chairman)	3/3	100
Dr. LI Kwok Po, David ¹	2/3	66.67
Mr. LIU Lit Man ¹	3/3	100
Mr. XU Minjie ² (appointed on 18th January 2007)	2/2	100
Mr. ZHANG Hanfeng (appointed on 17th September 2007)	N/A	N/A
Ex-members		
Dr. SUN Jiakang ³ (resigned on 18th January 2007)	1/1	100
Mr. LI Bing (resigned on 17th September 2007)	3/3	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

Remuneration policy

The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates, is involved in deciding his own remuneration. The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company and that for the employees (including the executive directors and senior management) is to ensure that the remuneration offered is appropriate for the duties and in line with market practice.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. Cash bonus is tied to the performance of individual employee. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company has granted share options to the employees of the Group to subscribe for the shares of the Company based on their performance and contribution to the Company under the 1994 Share Option Scheme (terminated on 23rd May 2003) and 2003 Share Option Scheme.

4. Nomination Committee

The Nomination Committee, led by an independent non-executive director, comprises 3 members, the majority of whom are independent non-executive directors. It is responsible for nominating potential candidates for directorship, reviewing the nomination and resignation of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During the financial year ended 31st December 2007, the work performed by the Nomination Committee includes the following:

- made recommendations to the Board on matters relating to the appointment, re-designation and re-election of directors
- made recommendations to the Board on matters relating to the appointment and change of senior management and committee members
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of terms of appointment of non-executive directors

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

In early 2008, the Nomination Committee nominated and the Board recommended Mr. CHEN Hongsheng, Mr. XU Lirong, Dr. SUN Jiakang, Mr. WANG Zhi and Mr. Timothy George FRESHWATER to retire by rotation and Mr. YIN Weiyu, who was appointed with effect from 4th January 2008 to fill a casual vacancy, to retire at the forthcoming annual general meeting and stand for re-election by shareholders of the Company at such meeting.

Attendance of Individual Members at Nomination Committee Meetings

Name of members	No. of meetings attended / held in the financial year 2007	Attendance rate (%)
Members		
Dr. LI Kwok Po, David ¹ (Chairman)	10/10	100
Mr. LIU Lit Man ¹	10/10	100
Mr. XU Minjie ² (appointed on 18th January 2007)	8/8	100
Ex-member		
Dr. SUN Jiakang ³ (resigned on 18th January 2007)	2/2	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

5. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 10 members (including executive directors, members of senior management and management). It considers, evaluates, reviews and

recommends to the Board the proposed major investments, acquisitions and disposals, conducts post-investment evaluation of the investment projects, reviews and considers the overall strategic direction and business developments of the Company.

Attendance of Individual Members at Investment and Strategic Planning Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Members		
Mr. XU Minjie ² (Chairman) (appointed on 18th January 2007)	4/4	100
Mr. WANG Zhi ¹	3/4	75
Mr. YIN Weiyu ¹ (appointed on 21st June 2007)	2/3	66.67
Mr. CHAN Hang, Ken	4/4	100
Ms. YANG Jianjian	3/4	75
Mr. DING Weiming	4/4	100
Mr. YING Haifeng	4/4	100
Mr. LI Wei	2/4	50
Mr. HUNG Chun, Johnny	3/4	75
Mr. FAN Chih Kang, Ken	3/4	75
Ex-members		
Dr. SUN Jiakang ³ (resigned on 18th January 2007)	N/A	N/A
Mr. QIN Fuyan ¹ (resigned on 31st October 2007)	0/3	0

1 Executive Director

2 Executive Director, Vice Chairman and Managing Director

3 Dr. SUN Jiakang resigned as Vice Chairman and Managing Director and re-designated from Executive Director to Non-executive Director with effect from 24th January 2007

6. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises 6 members (including an executive director, members of senior management and management).

It reviews the corporate governance practice and disclosure systems of the Company and introduces relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company.

Attendance of Individual Members at Corporate Governance Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin ¹ (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. YING Haifeng	3/4	75
Mr. LI Wei	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

1 Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises 8 members (including an executive director, members of senior management and management).

It provides support to the Board by identifying and minimising the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens the Group's system of risk management.

Attendance of Individual Members at Risk Management Committee Meetings

Name of members	No. of meetings attended/ held in the financial year 2007	Attendance rate (%)
Mr. WANG Zhi ¹ (Chairman)	2/4	50
Ms. HUNG Man, Michelle	4/4	100
Ms. YANG Jianjian	3/4	75
Mr. DING Weiming	4/4	100
Mr. YING Haifeng	4/4	100
Mr. LI Wei	0/4	0
Mr. SHI Jingmin	3/4	75
Mr. FAN Chih Kang, Ken	4/4	100

1 Executive Director

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 90 which acknowledges the reporting responsibilities of the Group's auditors.

Annual report and financial statements

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

Accounting policies

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

Accounting records

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

Safeguarding assets

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

Internal control

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

Control environment

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

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

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

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year reviewing the underlying mechanism and functioning of the Group's internal control system and discussing their opinion with the Board annually as to the system effectiveness. During 2007, the directors have conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure and has set up a procedure manual to regulate business processes and activities.

Risk assessment

The Group is principally engaged in the businesses of managing and operating container terminals, container leasing, container management, logistics, container manufacturing and related businesses and other investments. The activities of the Group is 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

In the rapid expansion of its container fleet size and scale of terminal operations, the Group has maintained a certain leverage level to fund the need of the Group's large amount of capital expenditure. Changes in market interest rates can significantly affect the financial performance of the Group.

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

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

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

Major operational risk factors

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

Another operational risk factor encountered by the Group is credit risk on accounts receivable.

Major compliance risk factors

As the Group has been investing in China and gradually to overseas, these new investments may be exposed to various foreign legal and regulatory regimes of which different levels of transparency and compliance are involved. Where necessary, the Group has sought independent professional advice on compliance matters in foreign jurisdictions in order to protect its interest. Regulatory changes designed to promote transparency and raise the profile of compliance expose the Group to risks of satisfying diverse legal and regulatory requirements in a multitude of jurisdictions.

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

By the very nature of the Group business activities, transactions with these connected persons are inevitable. However, the identification of connected persons and the updating of the non-exhaustive list of connected persons may prove to be difficult and the volume of such transactions may expose the Group to compliance risk in relation to the identification, authorisation, recording and disclosure of such transactions.

The Group is increasingly involved in new projects of significant size, which are often required to be disclosed or approved by shareholders under the Listing Rules. Timely and strict compliance with the relevant regulatory requirements expose 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 systems design also pays regard to the basis for determining control activities (fundamentally include financial, operational and compliance controls) and to ensure a high level of operational efficiency; to ensure the reliability of financial reporting; and to ascertain the compliance of laws, regulations and any other defined procedures.

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

The Group's risk assessment process considers the entire organisation where significant relationships and portfolio of relationships such as fraud, going concern, internal and external reporting, and accounting in accordance with generally accepted accounting principles have been performed. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such failure.

Control Activities and Monitoring

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

1. To allow delegation of authority, proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and control 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, Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, Investment and Strategic Planning Committee, Corporate Governance Committee and 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 power delegated by the Board.
3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks including but not limited to legal, credit, concentration, operational, environmental, behavioral and systematic risk that may have an impact on the Group.
4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Variances against actual performances and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plan timely and prudently.

The Group places great importance on the internal audit functions. The internal audit's roles include assisting the management and the Audit Committee to ensure the Group maintains an effective system of internal control 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. Additional attention is paid to control activities which are considered being of higher risk, include, amongst others, income, expenditures and other areas of concern being highlighted by management. The

internal auditor, as head of the internal audit function, has free access to the Audit Committee and his reports go directly to the Managing Director and the Chairman of the Audit Committee. He attends meetings of the Audit Committee and brings matters identified during the course of internal audit to the Audit Committee. This reporting structure allows the internal auditor to stay independent and effective.

During the year, the internal audit function adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Internal audits were carried out on all significant business units in the Group. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings, recommendations and follow reviews of previous audit findings are discussed at the Audit Committee meetings.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2007 have been completed. All areas of concern reported by the internal auditor have been monitored by the management until appropriate corrective measures are taken or implemented.

5. The Board established the Audit Committee in August 1998. The Audit Committee assists the Board by providing independent review 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.
6. The management, General Counsel & Company Secretary, Assistant Financial Controller/Qualified Accountant and internal auditor conduct reviews of the effectiveness of the Company's system of internal control, including financial, operational and compliance controls and risk management function and the Audit Committee reviews the findings and opinion of the internal auditor and management on the effectiveness of the Company's system of internal control twice a year and reports annually to the Board on such reviews.
7. In consideration of those identified major risk factors of financial risk, operational risk and compliance risk, the management manages and monitors these exposures to

ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on unpredictability arising from financial market, industry and regulatory bodies and imposed various internal control risk measures to minimize the adverse impact of the Group's financial performance.

Major financial risk measures

- To reduce the interest rate risk exposure, the Group uses the diversified debt profiles (including different combination of bank borrowings and notes, different maturity profiles and different combination of fixed and floating interest rates debts) based upon market conditions and the Group's internal requirement and, where considered necessary, hedging instruments. The effectiveness of the hedging relationship is assessed continuously and annually by reference to the Group's risk management objective and strategy.
- To maintain a certain leverage level for funding requirements in respect of daily operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.
- Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The Group may adjust on the amount of dividend paid out, return capital to shareholders, issues new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when need arises.
- To ensure the tax risk is understood and properly controlled, management reviews and assesses the global tax impact to the Group annually and conducts an annual Group tax planning exercise after seeking advices from different external consultants.
- The Group currently does not have a written foreign currency hedging policy, however, it monitors and controls foreign exchange risk by conducting borrowings as far as possible in currencies that match with the Group's functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business were conducted mainly in US dollars, which match well with 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 for the container terminal business, all material borrowings were denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.

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 the response to the changes of business environment, market conditions and operational issues. For container leasing business, management holds weekly meetings with their operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategies on market changes and to minimize adverse effects on the Group's financial performance as a consequence to price fluctuation.
- For available for sale financial assets, management will monitor and report timely to the Board on its price performance and re-affirm strategic objective of these strategic investments.
- The Group limits its exposure to credit risk through performing credit reviews and monitoring financial strength of its major customers. Despite no collateral on trade receivables is required, the Group has insured the recoverability for majority of its third party trade receivable balance to mitigate exposure to credit risk.
- For container leasing business, the credit committee of each operating units establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored, the system would suspend the provision of services to those customers whose transactions exceed the defined credit limits.
- To ensure the stability and reliability of computer systems, those in relation to container leasing and terminal businesses are operated by trained professional, frequently checked and upgraded when necessary. Backup of all data are prepared timely. For security purpose, disaster recovery plan is developed.

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 communicate such updated information to the Board and disseminate the information within the Group if and when appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and foreign lawyers to provide professional advice on specialised and geographically diverged legal issues.

- A non-exhaustive list of connected persons is prepared and updated on a regular basis. In order to effectively assess and report any potential "connected transactions", all originating departments are required to obtain and report the shareholding structure of respective new customers and business partners. If a customer is classified as a "connected person", both finance department and strategy and development department will closely monitor the transaction amounts on a monthly basis. Management meetings are held regularly and on a quarterly basis to review the nature and amount of all connected transactions. Contract negotiation and conclusion in relation to connected transactions are cautiously authorised by appropriate level of management to ensure adherence to the Group's pricing policy. Disclosures made to the public are continuously compared against the evolving disclosure requirements to ensure compliance with respective rules and regulations.
- The code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules are adopted by the Company.

Information and Communications

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. To promote corporate governance and provide the shareholders with timely information about the financial performance of the Group, there is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual reports, interim reports, quarterly results, announcements and press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders are also welcome to raise enquiries at the Annual General Meeting where directors are available for direct communication.

3. The Company attaches great priority to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders for their formation of own judgments as well as provision of feedback. The Company also understands that the integrity of the information provided is essential in building market confidence.
4. With respect to procedures and internal controls for handling and dissemination of price-sensitive information, the Company,
- is well aware of its obligations under the Listing Rules and the overriding principle that information which is considered price-sensitive should be announce promptly after it is the subject of a decision
 - conducts its affairs with close regard to the “Guide on Disclosure of Price-sensitive Information” issued by The Stock Exchange of Hong Kong Limited
 - has included in its Code of Conduct a strict prohibition on the unauthorized use of confidential, sensitive or insider information; and has communicated it to all staff
 - 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 spokesperson and respond to enquiries in allocated areas of issues

The Board considered that the system of internal controls in place during the year is 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 2007, the auditor's remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditors to the Company were as follows:

Nature of service	2007 US\$	2006 US\$
Audit service	806,000	615,000
Audit related service	221,000	128,000
Non-audit services		
– Tax related services	512,000	655,000
– Circular related services	54,000	59,000
– Due diligence related services	–	35,000

Investor relations

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

Communication with shareholders

The Company believes regular and timely communication with shareholders forms part of the Group's effort to help our shareholders understand our business better. The Company embraces and commits to fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual report, interim report, quarterly results, press releases and also disseminates information relating to the Group and its business electronically through its website at www.coscopac.com.hk. Shareholders and investors are welcome to raise enquiries through our Investor Relations Department whose contact details are available on the Company's website.

The Company views the Annual General Meeting (“AGM”) as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. The Chairmen of the audit, nomination and remuneration committees are normally available at AGMs to take any relevant questions. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders' participation. Questioning by the shareholders at such meetings are encouraged and welcomed.

Shareholders' holding of not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the General Counsel & Company Secretary of the Company to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong

Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Shareholdings and shareholders information

Share capital (as at 31st December 2007)

Authorised share capital	HK\$300,000,000 divided into 3,000,000,000 shares of a par value of HK\$0.1 each
Issued and fully paid-up capital	HK\$224,488,129.80 comprising 2,244,881,298 shares of HK\$0.1 each

Types of shareholders (as at 31st December 2007)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,144,166,411	50.968
Other corporate shareholders	1,095,655,385	48.807
Individual shareholders	5,059,502	0.225
Total	2,244,881,298	100.000

Location of shareholders (as at 31st December 2007)

Location of shareholders ^{Note 1}	No. of shareholders	No. of shares held ^{Note 2}
Hong Kong	422	2,244,867,298
Macau	1	2,000
United States	1	4,000
People's Republic of China	2	8,000
Total	426	2,244,881,298

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

Note 2: These shares include 1,294,044,164 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.