

Corporate Governance Report

The maintenance of a high standard of corporate governance has been and remains a top priority of COSCO Pacific Limited (the "Company"). Recognising the importance of shareholders' transparency and accountability, the board of directors of the Company (the "Board") believes that shareholders can enhance their benefits from good corporate governance.

The Company is dedicated to continuously improving its corporate governance practices and investor relations. In 2005, the Company was awarded "Top 2000 Enterprises in 2005", "Top 50 Management Teams in Asia", "Hong Kong Outstanding Enterprises in 2005", "Standard & Poor's Top 30 Stock Picks in 2005", the "Shipping In-House Team of the Year" in the ALB Hong Kong Law Awards organised by Asian Legal Business, "Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institutional Investor", "Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor" and "Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor", "Top 10 Chinese Enterprises with the Best Dividend Policy" and "Honors in Best Overall Presentation – Annual Report". These awards represent the market's recognition of our dedication towards improving corporate governance and outstanding professional achievement in a host of specialties that span from business practices, investor relations to legal.

Corporate governance practices

The Company has 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. This report describes the Company's corporate governance practices with specific reference to the Corporate Governance Code.

As far as the Corporate Governance Code is concerned, the Company has complied with the code provisions of the Corporate Governance Code for the year ended 31st December 2005 except the following deviations:

Code provision A.4.2 (the last sentence)

The code provision A.4.2 of the Corporate Governance Code (the last sentence) provides that every director (including directors appointed with specific terms) should be subject to retirement by rotation at least once every three years. According to Bye-law 87(1) of the Bye-laws of the Company then in effect before 20th May 2005, however, at each annual general meeting, one-third (if the number of Directors is not a multiple of three then the number nearest to three) of the directors for the time being shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to be retired in each year.

The Bye-laws of the Company constitutes a deviation from the last sentence of the code provision A.4.2 of the Corporate Governance Code. To comply with the last sentence of the code provision A.4.2 of the Corporate Governance Code, amendment to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 20th May 2005.

Code provision A.4.2 (the first sentence)

The code provision A.4.2 of the Corporate Governance Code (the first sentence) provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Paragraph 4(2) of Appendix 3 of the Listing Rules and the existing Bye-law 86(2) of the Bye-laws of the Company, however, require any director appointed by the Board to fill a casual vacancy to hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

Certain directors of the Company who were appointed by the Board to fill a casual vacancy during the year 2005 did not retire at the special general meeting of the Company held on 5th December 2005 and will only offer themselves for re-election at the forthcoming annual general meeting. The above constitutes a deviation from the first sentence of code provision A.4.2 of the Corporate Governance Code. The Company will put forward at its forthcoming annual general meeting to be held in May 2006 a proposal to amend the Bye-law 86(2) of the Bye-laws of the Company to comply with the first sentence of the code provision A.4.2 of the Corporate Governance Code.

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman of the Board shall attend the annual general meeting of the Company. Due to unexpected business commitment, Dr. WEI Jiafu, the Chairman of the Board who resides in Beijing, was unable to attend the annual general meeting of the Company held on 20th May 2005 in Hong Kong. This constitutes a deviation from the code provision E.1.2 of the Corporate Governance Code.

The following sections set out how the requirements of the Corporate Governance Code have been complied with by the Company.

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 director carries out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and acts in the best interests of the Company and its shareholders. The Board currently consists of 13 members. Among them, 7 are executive directors, 4 are independent non-executive directors and 2 are non-executive directors. The directors, as at the date of this report, are Dr. WEI Jiafu² (Chairman), Mr. CHEN Hongsheng¹, Mr. LI Jianhong¹, Ms. SUN Yueying¹, Dr. SUN Jiakang¹ (Vice Chairman & Managing Director),

Mr. XU Lirong², Mr. WONG Tin Yau, Kelvin¹, Mr. WANG Zhi¹, Mr. QIN Fuyan¹, 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

Separation of Chairman and Managing Director

The posts of Chairman and Managing Director are separate and are held by different persons to ensure their independence, accountability and responsibility. The Chairman, Dr. WEI Jiafu, who is a non-executive director, is responsible for setting the Group's strategy and ensuring that the Board is functioning properly and with good corporate governance practices and procedures, whilst Vice Chairman and the Managing Director, Dr. SUN Jiakang, 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 decision and co-ordinating overall business operations.

Non-executive Directors

The Company has two non-executive directors who are richly experienced in container shipping business and corporate management. These experiences, expertise and skills facilitate the process of formulating the Group's strategy.

Each of the non-executive director 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, subject to the rotational retirement provision of the Bye-laws of the Company. The appointment shall terminate on the earlier of either (i) the date of expiry of the 3-year period, 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 other applicable laws.

Independent Non-executive Directors

The Company has four independent non-executive directors. They are highly experienced professionals with a broad range of expertise and experience in areas such as accounting, finance, legal and business. Their mix of skills and business experience is a major contribution to the future direction of the Company and the proper functioning of the Board, ensuring that matters are fully debated and that no individual or group dominates the Board's decision-making processes. They ensure that the Board maintains a high standard of financial and other mandatory reporting and provides adequate check and balance to safeguard the interests of shareholders in general and the Company as a whole. The Board has received from each independent non-executive director a written annual confirmation of their independence and is satisfied of their independence up to the date of this report in accordance with the Listing Rules.

Each of the 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, subject to the rotational retirement provision of the Bye-laws of the Company. The appointment shall terminate on the earlier of either (i) the date of expiry of the 3-year period, 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 other applicable laws.

Board meetings

The Board held a total of 4 regular board meetings during the financial year ended 31st December 2005, all of which were at quarterly intervals. Of these, two meetings were held to approve the 2004 final results and 2005 interim results of the Company; the other two meetings were held to consider new investment opportunities and to 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 conferencing which is permitted under the Company's Bye-laws. The Financial Controller and the Company Secretary also attended all Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

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, before each Board meeting. At least 14 days' notice of a 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 usually 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 proceedings of the Board at its meetings are conducted by the Chairman or the Vice Chairman and Managing Director of the Company who ensures 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. The 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.

To illustrate the attention given by the Board in overseeing the Company's affairs, we set out below details of the directors' attendance at the regular Board meetings during the financial year ended 31st December 2005 in the following table. All businesses transacted at the Board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Attendance of individual members at Board Meetings

Name of Directors	No. of meetings attended/held in the financial year 2005	Attendance rate
Directors		
Dr. WEI Jiafu ² (Chairman)	4/4	100%
Mr. CHEN Hongsheng ¹	4/4	100%
Mr. LI Jianhong ¹	3/4	75%
Ms. SUN Yueying ¹	3/4	75%
Dr. SUN Jiakang ¹ (Vice Chairman & Managing Director)	4/4	100%
Mr. XU Lirong ²	4/4	100%
Mr. WONG Tin Yau, Kelvin ¹	4/4	100%
Mr. WANG Zhi ¹ (appointed on 29th July 2005)	2/2	100%
Mr. QIN Fuyan ¹	4/4	100%
Dr. LI Kwok Po, David ³	4/4	100%
Mr. LIU Lit Man ³	4/4	100%
Mr. CHOW Kwong Fai, Edward ³ (appointed on 9th June 2005)	2/3	66.67%
Mr. Timothy George FRESHWATER ³ (appointed on 9th June 2005)	2/3	66.67%
Ex-directors		
Mr. LIU Guoyuan ¹ (resigned on 9th June 2005)	1/1	100%
Mr. ZHANG Fusheng ¹ (resigned on 9th June 2005)	0/1	0%
Mr. WANG Futian ¹ (resigned on 9th June 2005)	1/1	100%
Mr. MA Zehua ¹ (resigned on 9th June 2005)	1/1	100%
Mr. MA Guichuan ¹ (resigned on 9th June 2005)	0/1	0%
Mr. LI Yunpeng ¹ (resigned on 9th June 2005)	1/1	100%
Mr. ZHOU Liancheng ¹ (retired at the annual general meeting held on 20th May 2005)	1/1	100%
Mr. HE Jiale ¹ (resigned on 9th June 2005)	1/1	100%
Mr. MENG Qinghui ¹ (retired at the annual general meeting held on 20th May 2005)	1/1	100%
Mr. LU Chenggang ¹ (resigned on 29th July 2005)	2/2	100%
Mr. Alexander Reid HAMILTON ³ (resigned on 9th June 2005)	1/1	100%
Mr. KWONG Che Keung, Gordon ² (resigned on 1st January 2006)	2/3	66.67%

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

Appointment, re-election and removal of directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. Appointments are first considered by the Nomination Committee. The recommendations of the Committee are then put to the Board for decision. Thereafter, all newly appointed directors are subject to election by shareholders at the general meeting in their first year of appointment.

At each annual general meeting, one third of the directors for the time being (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.

A summary of work performed by the Nomination Committee during 2005 is set out under the section "Nomination Committee" below.

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 2005.

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 Company Secretary, who is responsible directly to the Board, is responsible for keeping directors updated on all regulatory changes, including organising appropriate continuing development programme for directors. Every newly appointed director will receive a comprehensive orientation package on appointment.

Directors/senior management's securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "Model Code") as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. To ensure that the directors' dealings in the securities of the Company are conducted in accordance with the Model Code, a committee comprising the Chairman, Vice Chairman and the Managing Director and Deputy Managing Director was set up to deal with such transactions. Having made specific enquiry on all directors of the Company, the directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31st December 2005.

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for the senior management of the Company in respect of their dealings in the securities of the Company.

Financial Controller

The Financial Controller is responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong and ensuring that the financial statements present fairly the results and the financial position of the Group and comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. In addition, the Financial Controller is responsible for preparing the annual financial budget of the Company for approval by the Board. The Financial Controller is accountable to the Chairman of the Audit Committee and maintains regular communications with the external auditors. The Financial Controller also plays a role in reviewing and making recommendations to the Board regarding the Group's financial risk management.

Company Secretary

The Company Secretary is responsible directly to the Board. All directors have easy access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The 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 as regards notifiable transactions, connected transactions and price-sensitive information. The 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 applicable laws, regulations and the Company's Bye-laws.

The Company Secretary, being the primary channel of communications between the Company and The Stock Exchange of Hong Kong Limited, also assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long term shareholders' value. In addition the Company Secretary will, on a timely basis, provide the directors with updated information regarding the directors' continuing legal, regulatory and compliance obligations.

Delegation by the Board

Management functions

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 responsibility for corporate governance. 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 yardstick 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, the Board is supported by seven Board committees which consists 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. The terms of reference of the Audit Committee and Remuneration and Assessment Committee had been modified to incorporate certain provisions set out in the Corporate Governance Code which came into effect on 1st January 2005.

(1) Executive Committee

As most of the directors of the Company are fully engaged in their major responsibilities and 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. In order to smoothen the daily operations of the Company, an Executive Committee under the Board was established in September 2005. The Executive Committee consists of all the executive directors of the Company who are situated in Hong Kong.

During the year ended 31st December 2005, the Executive Committee had held a total of 31 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded. A summary report of the businesses transacted at the committee meetings will be presented during board meetings. All directors of the Company could inspect the minutes of committee meetings and upon request, the Company Secretary will provide a copy of the minutes to the director(s).

(2) Audit Committee

The Audit Committee, chaired by Mr. CHOW Kwong Fai, Edward, was established by the Board of the Company in August 1998. Other members are Dr. LI Kwok Po, David, Mr. LIU Lit Man and Mr. Timothy George FRESHWATER. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting, legal, banking and/or commercial areas. The terms of reference of the Audit Committee 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 provides advice and recommendations to the Board and 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.

During the financial year ended 31st December 2005, the Audit Committee met four times with the senior management and the internal and external auditors. The work performed by the Audit Committee during the financial year includes the following:-

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual report and interim report 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 effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management
- reviewed all significant business affairs managed by the executive directors in particular on connected transactions

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. CHOW Kwong Fai, Edward ¹ (Chairman) (appointed on 9th June 2005)	3/3	100%
Dr. LI Kwok Po, David ¹	4/4	100%
Mr. LIU Lit Man ¹	2/4	50%
Mr. Timothy George FRESHWATER ¹ (appointed on 23rd June 2005)	3/3	100%
Ex-member		
Mr. Alexander Reid HAMILTON ¹ (resigned on 9th June 2005)	1/1	100%

¹Independent Non-executive Director

(3) Remuneration and Assessment Committee

The Company established the Remuneration and Assessment Committee in September 2003. It comprises 5 members, the majority of whom are independent non-executive directors of the Company. The Chairman of the committee is Mr. CHOW Kwong Fai, Edward and the other members are Dr. LI Kwok Po, David, Mr. LIU Lit Man, Dr. SUN Jiakang and Mr. LI Bing.

The Remuneration and Assessment Committee 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 remuneration of the directors. If necessary, the committee will engage professional advisers to assist and/or provide professional advice on relevant issues.

When determining the remuneration packages which comprise salaries, bonus, benefits in kind, etc., the Committee will consider factors such as the salaries

paid by comparable companies, time commitment of directors and senior management, job responsibilities, performance of the individual and performance of the Company. 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 2005:

- determined the policy for remuneration of directors
- reviewed the remuneration of directors
- reviewed the remuneration packages of senior management
- discussed the long term incentive arrangements
- assessed the performance of executive directors
- considered the proposed amendments to the existing share option scheme of the Company as a result of the restructuring of COSCO Group in 2005

Attendance of individual members at Remuneration and Assessment Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2005	Attendance rate
Members		
Mr. CHOW Kwong Fai, Edward ¹ (appointed on 9th June 2005)	2/2	100%
Dr. LI Kwok Po, David ¹	3/3	100%
Mr. LIU Lit Man ¹	3/3	100%
Dr. SUN Jiakang ²	3/3	100%
Mr. LI Bing ³	3/3	100%
Ex-members		
Mr. Alexander Reid HAMILTON ¹ (resigned on 9th June 2005)	1/1	100%

¹ Independent Non-executive Director

² Executive director, Vice Chairman of the Board and the Managing Director

³ General Manager of the Personnel & Administration Department

Remuneration policy

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently 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 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 and executive, is involved in deciding his own remuneration.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus, mandatory provident fund and share options. Cash bonus is tied to the performance of individual employee and the Company. 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 subscribe for the shares of the Company to the employees of the Group 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, which was established in September 2003, comprises 3 members, the majority of whom are independent non-executive directors. The committee is chaired by Dr. LI Kwok Po, David and the other members are Mr. LIU Lit Man and Dr. SUN Jiakang. The 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 such appointments.

During the financial year ended 31st December 2005, the work performed by the committee includes the following:-

- reviewed the adequacy of the size and composition of the Board
- made recommendations to the Board on relevant matters relating to the appointment and re-appointment of directors
- conducted an annual review of the independence of the independent non-executive directors

All new appointment of directors and re-nomination of directors 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. Thereafter, all the directors are subject to re-election by shareholders at the annual general meeting pursuant to the Bye-laws of the Company. In considering the new appointment or re-nomination of directors, the Nomination Committee will base its decision 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 March 2006, the Nomination Committee nominated and the Board recommended Dr. WEI Jiafu, Mr. CHEN Hongsheng, Dr. SUN Jiakang, Mr. QIN Fuyan, Mr. WANG Zhi, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER, directors of the Company, to retire at the 2006 annual general meeting and stand for re-appointment by shareholders of the Company at the 2006 annual general meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/ held in the financial year 2005	Attendance rate
Dr. LI Kwok Po, David ¹ (Chairman)	7/7	100%
Mr. LIU Lit Man ¹	7/7	100%
Dr. SUN Jiakang ²	7/7	100%

¹ Independent Non-executive Director

² Executive Director, Vice Chairman of the Board and the Managing Director

(5) Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee comprises 10 members and is chaired by Dr. SUN Jiakang, Vice Chairman and the Managing Director of the Company. The committee 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 2005	Attendance rate
Members		
Dr. SUN Jiakang ¹ (Chairman)	4/4	100%
Mr. WONG Tin Yau, Kelvin ²	3/4	75%
Mr. QIN Fuyan ²	3/4	75%
Mr. WANG Zhi ²	3/4	75%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/3	66.67%
Mr. YING Haifeng (appointed on 8th November 2005)	1/2	50%
Mr. CHAN Hang, Ken	3/4	75%
Ms. YANG Jianjian (appointed on 15th August 2005)	3/3	100%
Mr. DING Weiming	2/4	50%
Mr. FAN Chih Kang, Ken	4/4	100%
Ex-members		
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	1/1	100%
Mr. SHI Jingwei (resigned on 8th November 2005)	0/2	0%
Mr. KWOK Chan Hing (passed away on 23rd July 2005)	1/1	100%

¹ Executive Director, Vice Chairman of the Board and the Managing Director

² Executive Director

(6) Corporate Governance Committee

The Corporate Governance Committee comprises 6 members and is chaired by Mr. WONG Tin Yau, Kelvin, Deputy Managing Director of the Company. The

Committee's responsibility to the Board is to review the corporate governance practice of the Company and the Company's disclosure systems 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 2005	Attendance rate
Members		
Mr. WONG Tin Yau, Kelvin ¹ (Chairman)	4/4	100%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/2	100%
Ms. HUNG Man, Michelle	4/4	100%
Mr. YING Haifeng (appointed on 8th November 2005)	2/2	100%
Mr. FAN Chih Kang, Ken	3/4	75%
Mr. YUAN Qing, Raymond	4/4	100%
Ex-members		
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	2/2	100%
Mr. SHI Jingwei (resigned on 8th November, 2005)	1/3	33.33%

¹ Executive Director

(7) Risk Management Committee

The Risk Management Committee comprises 8 members and is chaired by Mr. WANG Zhi, Deputy Managing Director of the Company. The Committee provides support to the Board by identifying and minimizing 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 2005	Attendance rate
Members		
Mr. WANG Zhi ¹ (Chairman) (appointed on 29th July 2005)	3/3	100%
Mr. WONG Tin Yau, Kelvin ¹	4/4	100%
Mr. LAU Tai Ming, Eddy (appointed on 15th August 2005)	2/3	66.67%
Ms. HUNG Man, Michelle	3/4	75%
Ms. YANG Jianjian (appointed on 15th August 2005)	3/3	100%
Mr. DING Weiming	3/4	75%
Mr. FAN Chih Kang, Ken	4/4	100%
Mr. LI Wei	3/4	75%
Ex-members		
Mr. LU Chenggang (resigned on 29th July 2005)	1/1	100%
Mr. LI Wai Ho, Francis (resigned on 15th August 2005)	1/1	100%
Mr. KWOK Chan Hing (passed away on 23rd July 2005)	1/1	100%

¹ Executive Director

The terms of reference of the above Board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website: 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.

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 Report of the Auditors on page 113 which acknowledges the reporting responsibilities of the Group's auditors.

Annual report and financial statements

The directors acknowledge their responsibility to prepare the financial statements for each financial year which give a true and fair view of 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 of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of 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 Board is ultimately responsible for the Group's internal control system and, through the Audit Committee, has reviewed the effectiveness of the system. The Group's internal control system is designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to prevent material financial misstatement or loss.

The Group's internal control framework includes the following:

- (1) A comprehensive management accounting system is in place providing financial and operational performance measurement indicators to the management and relevant financial information for reporting and disclosure purposes. Variances between actual performances and targets are prepared, analysed and explained, and appropriate actions are taken to rectify the noted deficiencies. This helps the management of the Company to monitor the business operations and enables the Board to formulate a strategic plan in a timely and prudent manner.
- (2) To allow delegation of authority 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 and interim results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

- (3) Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and environmental risk and compliance risk that may have an impact on the business of the Group. The Risk Management Committee also evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.
- (4) In day-to-day income and expenditure arrangements, the Group has clear authority limits and has a sound system to ensure that its day-to-day operations meet the relevant regulations set by the Company.
- (5) In order to establish a sound system of internal controls to safeguard shareholders' interests and the Group's assets, the Company established an Internal Audit Department in September 2000. The role of the internal auditor is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing all aspects of the Group's activities and internal controls with unrestricted right of access, conducting comprehensive audits of the practices and procedures as well as income and expenditure, internal controls of all business units of the Group on a regular basis and conducting special reviews and investigations of areas of concern identified by management.

The internal auditor has unrestricted direct access to the Audit Committee. The head of the Internal Audit Department reports directly to the Managing Director and the Chairman of the Audit Committee, attends all Audit Committee meetings and brings appropriate matters identified during the course of audits to the Committee's attention. This reporting structure allows the Internal Audit Department to maintain its independence.

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

The 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 2005 have been completed. All areas of concern reported by the Internal Audit Department have been monitored by the management until appropriate corrective measures are implemented.

The Company's internal auditor has conducted a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management during the year. All material non-compliance or failures in internal controls and recommendations for improvements have been reported to the Audit Committee. The Audit Committee also reviewed the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

Auditors' remuneration

For the year ended 31 December 2005, the auditor's remuneration paid or payable in respect of the audit and other non-audit service provided by the auditors to the Group were as follows:

Nature of Service	2005	2004
	Amounts US\$	Amounts US\$
Audit service	904,000	876,000
Audit related service	323,000	412,000
Non-audit service	262,000	216,000

Investor relations

The Company continues to promote and enhance investor relations and communications with its investors. 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. Designated executive director and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

In 2005, the Company gained the awards of "Conglomerate with the Best Investor Relations in Asia (Buy-side View) from Institutional Investor", "Conglomerate with the Best Investor Relations in Asia (Sell-side View) from Institutional Investor" and "Chinese Firm with the Best Investor Relations (Buy-side View) from Institutional Investor". These awards represent the recognition from the investment community the Company's dedication and continuing commitment to enhancing investor relations and communication.

Communication with shareholders

The Company attaches great priority to communicate with shareholders and investors. 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, 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 regards the Annual General Meeting ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. The Chairman of the Audit, Nomination and Remuneration and Assessment 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 not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the 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 of the Company

Share capital

(as at 31st December 2005)

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\$219,896,629.80 comprising 2,198,966,298 shares of HK\$0.1 each

Types of shareholders

(as at 31st December 2005)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,144,166,411	52.03
Other corporate shareholders	102,768,363	4.67
Individual shareholders	952,031,524	43.30
Total	2,198,966,298	100.00

Location of shareholders

(as at 31st December 2005)

Location of shareholders	No. of shareholders	No. of shares held
Hong Kong	644	2,198,928,298 (Notes)
Macau	2	22,000
United Kingdom	1	12,000
People's Republic of China	1	4,000
Total	648	2,198,966,298

Notes:

1. The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
2. These shares include 1,232,115,552 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.