
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **COSCO Pacific Limited**, you should at once hand this document, the 2001 annual report and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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COSCO Pacific Limited
(中遠太平洋有限公司)

(Incorporated in Bermuda with limited liability)

PROPOSAL INVOLVING

**GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES OF THE COMPANY
AND**

AMENDMENTS TO THE EXISTING BYE-LAWS OF THE COMPANY

A notice convening the annual general meeting of COSCO Pacific Limited to be held at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 24th May, 2002, at 2:30 p.m. is set out on pages 112 to 117 of the 2001 annual report of the Company. Whether or not you propose to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

Hong Kong, 24th April, 2002

DEFINITIONS

In this document, the following expressions have the following meanings unless the context requires otherwise:—

“Annual General Meeting”	the annual general meeting of the Company to be held at 49th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Friday, 24th May, 2002 at 2:30 p.m., notice of which is set out on pages 112 to 117 of the 2001 annual report of the Company
“Companies Act”	the Companies Act 1981 of the laws of Bermuda (as amended)
“Company”	COSCO Pacific Limited, a company incorporated in Bermuda with limited liability, with its Shares listed on the Stock Exchange
“Directors”	the directors of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	16th April, 2002, being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 5A of the notice of the Annual General Meeting
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



COSCO Pacific Limited
(中遠太平洋有限公司)

(Incorporated in Bermuda with limited liability)

Directors:

WEI Jiafu (*Chairman*)
LIU Guoyuan (*Vice Chairman*)
LI Jianhong
SUN Yueying
ZHOU Liancheng
SHI Qin (*Managing Director*)
KWONG Che Keung, Gordon
XU Lirong
LU Zhiming
LIANG Yanfeng
WONG Tin Yau, Kelvin
MENG Qinghui
LU Chenggang
QIN Fuyan
LI Kwok Po, David *
LIU Lit Man *
Alexander Reid HAMILTON*
LEE Yip Wah, Peter *

* *independent non-executive directors*

Company Secretary:

HUNG Man

Registered office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal place of business:

49th Floor
COSCO Tower
183 Queen's Road Central
Hong Kong

Hong Kong, 24th April, 2002

To shareholders

Dear Sir or Madam,

**PROPOSAL INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES OF THE COMPANY
AND
AMENDMENTS TO THE EXISTING BYE-LAWS OF THE COMPANY**

1. GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 25th May, 2001, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares of

LETTER FROM THE CHAIRMAN

the Company. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting to be held on 24th May, 2002. It is therefore proposed to seek your approval of an ordinary resolution to be proposed at the forthcoming Annual General Meeting to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares.

This is the explanatory statement as required to be sent to shareholders of the Company under the Share Repurchase Rules to provide requisite information to you for your consideration of the Repurchase Proposal.

Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,147,012,298 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 214,701,229 Shares during the period from the date of passing of the Repurchase Resolution until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in the Repurchase Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

Reason for Repurchase

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

Funding of Repurchase

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-laws and the laws of

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Bermuda. Bermuda laws provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or out of the funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium of the Company.

There might be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2001 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

Share Price

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:—

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April, 2001	5.000	4.225
May, 2001	5.900	4.925
June, 2001	6.000	5.050
July, 2001	5.250	4.225
August, 2001	4.600	4.050
September, 2001	4.375	3.125
October, 2001	4.175	3.475
November, 2001	4.550	4.100
December, 2001	4.450	4.000
January, 2002	4.750	3.975
February, 2002	4.750	4.150
March, 2002	5.500	4.375

LETTER FROM THE CHAIRMAN

Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders.

No connected persons of the Company (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders.

Takeover Code

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, COSCO (Hong Kong) Group Limited together with its associates have beneficially interest in 1,179,962,411 Shares representing approximately 54.96% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Proposal, then (if the present shareholdings remain the same), the shareholdings of COSCO (Hong Kong) Group Limited together with its associates will be increased to approximately 61.06% of the issued share capital of the Company.

The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Proposal and have no present intention to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such an extent as to result in takeover obligations. In the event that the Repurchase Proposal is exercised in full, the number of Shares held by the public would not fall below 25%.

LETTER FROM THE CHAIRMAN

Share Repurchase made by the Company

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

2. GENERAL MANDATE TO ISSUE NEW SHARES

It will also be proposed at the Annual General Meeting two ordinary resolutions for granting to the Directors a general mandate to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchases Shares up to 10% of the issued share capital of the Company as at the date of the Repurchase Resolution. Such general mandate to allot, issue and deal with new Shares shall be exercisable during the period from the date of passing of such ordinary resolutions until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in these resolutions are revoked or varied by an ordinary resolution or ordinary resolutions of the shareholders of the Company in general meeting.

3. AMENDMENTS TO THE EXISTING BYE-LAWS OF THE COMPANY

Listing Rules have recently been amended to allow listed issuers to send or otherwise make available corporate communications to holders of securities using electronic means with their prior approval if this would be allowed under applicable laws and regulations and the listed issuers' own constitutional documents. Listed issuers which choose to make available corporate communication using electronic means are required to comply with a standard which is no less onerous than that imposed from time to time in this regard under Hong Kong laws irrespective of their place of incorporation. In addition, the Listing Rules have also been amended to permit listed issuers to distribute summary financial reports in place of a full annual report, provided they ascertain the wishes of shareholders and comply with the relevant legal requirements of their own jurisdictions and provisions of their own memorandum and articles of association. Listed issuers, which are incorporated overseas and wish to distribute summary financial reports, should comply with provisions, which are no less onerous than those under Hong Kong laws for listed issuers incorporated in Hong Kong.

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The existing Bye-laws of the Company in their present form does not permit the Company to send notice, documents or other corporate communications using electronic means nor to distribute summary financial report in lieu of full annual report.

Accordingly, a special resolution will be proposed at the Annual General Meeting to amend the relevant provisions of the existing Bye-laws of the Company. If this special resolution is passed and in compliance with the Listing Rules and the laws of Bermuda, the Company will be able to offer holders of securities the chance to receive corporate communications by electronic means and summary financial report in place of full annual report.

4. ACTION TO BE TAKEN

A proxy form for use at the Annual General Meeting is enclosed herein. Whether or not you intend to attend the Annual General Meeting, you are requested to complete the proxy form and deposit it at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and deposit of a proxy form will not prevent shareholders of the Company from attending and voting in person at the Annual General Meeting if they so wish.

5. RECOMMENDATION

The Directors believe that the Repurchase Proposal, the general mandate for Directors to issue new Shares and amendments to the existing Bye-laws are all in the best interests of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of the resolutions set out in the notice of the Annual General Meeting.

Yours faithfully,

WEI Jiafu

Chairman